

# Contents

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<b>Chairperson's report</b>	<b>2-6</b>
<b>Manager's report</b>	<b>7</b>
<b>Directors' report</b>	<b>8-10</b>
<b>Financial statements</b>	<b>11-14</b>
<b>Notes to the financial statements</b>	<b>15-30</b>
<b>Directors' declaration</b>	<b>31</b>
<b>Independent audit report</b>	<b>32-33</b>
<b>Auditor's independence declaration</b>	<b>34</b>

# Chairperson's report

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For year ending 30 June 2006

It is with pleasure and pride that I am able to present our fifth Annual Report – our fourth for a full financial year of operation.

Once again the year has been an outstanding success, ongoing proof of the community's acceptance of "Our Bank" and the embracing of the **Community Bank®** concept. "Our growth has gone from 4,000 accounts with a value of \$57.5 million at 30 June 2005 to over 4600 accounts with an account value of \$70.1 million as at 30 June 2006. At the time of writing (mid September) these figures have grown to exceed 4,750 accounts and \$74.0 million.

Once again, it has been a year of highlights and milestones. We had cause to celebrate the launch of several initiatives, our \$60 and \$70 million milestone and we also celebrated our fourth birthday in May.

The Board has continued to develop our Policies document, a recommended initiative by Bendigo Bank whereby policies, procedures, strategies, guidelines etc can be laid down by your current Board for the benefit of future Boards and their members

The year also saw the opening of the 170th **Community Bank®** branch. This figure is now approaching 185. We were the 62nd **Community Bank®** branch. This is proof indeed of the acceptance of the **Community Bank®** concept across Australia, and Bendigo Bank certainly deserves the praise and accolades it receives for the introduction of such an innovative concept. Current expansion of the **Community Bank®** network is set for 30 new branches per year.

The year has seen us consolidate our financial position, and our solid accumulated profitability has seen us dispense dividends to Shareholders, announce our first major grants program and also launch several community orientated initiatives (Refer elsewhere in this Report). I have stated in previous Reports "we have said in the past that we are approaching the day when we are able to announce that we have reached profitability, that we can dispense grants to worthy non-profit groups and associations, and announce dividends to those who made "Our Bank" happen – you the Shareholder".

Well that day has now well and truly been reached, and I extend sincere thanks and appreciation on behalf of my fellow Directors, Branch Manager David Watt, and staff.

Our fourth full financial year has been outstanding and the future is even more promising. We cannot rest on our laurels as there is still a lot more to be done. We will continue to reward our Shareholders and support our community in every feasible way possible. To assist us in this regard, we ask you to spread the word to your friends, neighbours and relatives about "Our Bank".

We take pride in our friendly personal service and commitment, and trust that you can help our ongoing growth with referrals to our Branch Manager, David Watt and his team. Telephone 9737 1833. Our branch hours are Mon – Fri 9.00 – 5.00 Sat 9.00 – 12.00.

Should you have any queries or suggestions regarding any aspect of "Our Bank", please do not hesitate to contact me on 9736 1425.

# Chairperson's report continued

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## **Current position**

As mentioned previously, this is our fourth report for a full financial year. Our figures to date are very pleasing and we are confident that our solid and steady growth will continue.

Most of our business has “walked in the door” as the community in general continues to seek alternatives to their financial institution, however, inquiries from prospective customers not only from within Mt Evelyn but from outside districts as well are increasing markedly.

We are also aware of current and future marketing needs and this work is continuing.

## **Future growth**

We expect new business to continue to come to our bank. We must encourage as much new business as possible, and it is important that Board members, Shareholders, residents and businesses refer as many new customers as possible to our skilled staff. As our business grows, we will be able to maintain and improve profitable training, and continue our stated aims of returning dividends to Shareholders and contributing to projects within the general community.

Your Board is currently looking at and evaluating options not only in business development and/or expansion but in areas of “Beyond Banking”. We will only consider options that are of benefit to the community, our Shareholders and be based around the **Community Bank®** concept.

## **Staff**

We are very proud of our staff. David Watt, our Branch Manager is a very dynamic force heading a very dedicated and customer friendly team.

They have worked tirelessly and have put in some very long hours. Their efforts have been a major contribution to the branch's success.

Our staff have established an excellent working relationship and built up quite a reputation for clear, helpful advice to our customers.

One of our original girls, Shelley Wild, is leaving us in the near future. Shelley is off to start a new direction in life and we all sincerely wish her the very best. Shelley has done a fantastic job for us and her happy, friendly disposition will be missed. Thanks Shell.

We believe friendly personal customer service is essential, and we have maintained a high level of service as the branch gets busier.

We have employed two more Customer Service Officers, Jan Krueger and Susan Nightingale. Both Jan and Sue have had previous banking experience and have fitted very well in to the team. Welcome on Board, girls.

Call in to our branch and introduce yourself on a first name basis. Remember, our staff are an integral part of our community and are here to help and advise us.

# Chairperson's report continued

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## **Bendigo Bank**

Our relationship with our partner is excellent. We are very mindful that they have the skill and expertise. Both Board and staff are continually dealing and referring to Bendigo Bank and our working relationship is one of the highest professional degrees.

Bendigo Bank also provides us with on-going training and updates for staff, and regular conferences and meetings for branch management and Board Directors.

On a personal note, I have the highest praise and admiration for Bendigo Bank and its **Community Bank®** team.

I have had involvement with the **Community Bank®** concept for seven years of its eight year history. From General Manager Russell Jenkins, Chief Manager Robert Musgrove and the entire staff, I have received nothing but the most friendly help, advice, encouragement and support in every way possible, and it gives me extreme pleasure and satisfaction to know that this "family" atmosphere will continue for the benefit of us all.

Bendigo Bank's growth has been quite phenomenal over the past few years and this year will see the establishment of their first branch in the Northern Territory. This will make Bendigo Bank truly national by being Australia wide.

The growth has seen the establishment of a modern complex at Docklands, and building works are underway for a new \$70 million Bendigo head office.

The growth has also necessitated personnel re-structuring and part of this restructure is the assignment of a Regional Manager, Alison Burr, to the Yarra Valley region.

Alison has been with us since early 2006 and is our "minder". She has done a fantastic job for us, and it is a pleasure to work with her and to have her as our partner's representative. Thanks Alison.

## **Board members**

We have a hardworking dedicated Board of Directors. All of us are local identities, and therefore have a good knowledge of our community's needs and desires.

The Board meets monthly and has contributed invaluable time and expertise to the efficient running of the Company.

An important consideration of the Board during the year was the unanimous decision to remain as unpaid Directors. Under the Rules of our Constitution, it is necessary for a third of our Board to stand down at each AGM. Jan Simmons, Brian Hewett and Craig Keithley have elected to stand down and have offered themselves for re-election.

The Board is always interested in hearing from Shareholders and the community who may wish to submit an "expression of interest" to become a Director of our Company. This invitation is always open as the Board values new and varied input and ideas.

# Chairperson's report continued

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## Special initiatives and proposals

- Bendigo Stock Exchange (BSX). During the financial year, the Board considered the option of listing our Company on BSX. After lengthy consideration, it was decided to proceed, a due-diligence sub-committee was formed for the involved process, and we were duly listed on August 18th.

The listing has many advantages, being essentially; making our Company more transparent, indication of share value, and enabling easier share transacting.

A special thanks to our Treasurer, Margi Sank, who headed our BSX due-diligence sub-committee.

Thanks Margi.

- Lead On. This is an Australia wide Bendigo Bank under-written initiative that focuses on embracing young people with projects and activities across the whole spectrum of community. Lead On facilitates community involvement, volunteering, upskilling and personal development whereby these young people are doing something to help themselves and their community. We helped establish Lead On in Mt. Evelyn, and offer ongoing support.

- Community Grants Program. This program has been established to seek applications for grants for registered charitable organisations and not-for-profit community groups and organisations who are working to benefit, develop and enhance the Mt. Evelyn and Districts community.

The program was widely advertised and applications were invited during September. Successful applicants will be announced at the AGM.

The grants program is in conjunction with the Community Enterprise™ Foundation.

- Community Enterprise™ Foundation. The Foundation is the charitable arm of the Bendigo Bank Group. It is endorsed by the ATO as a Deductible Gift Recipient (DGR) and Income Tax Exempt Charity (ITEC). This enables the Foundation to provide tax deductions to those donors who make gifts (contributions and donations) to the fund. By employing the Foundation to assist us in our Community Grants Program, we are providing a thoughtful, strategic and most importantly, a tax-effective means of giving to charitable organisations and projects
- Special Projects and Initiatives. We are constantly considering any project or initiative that would be of benefit to the community. Bendigo Bank endorses and encourages us in this regard, and we welcome any input or suggestions for a facility or service that is lacking in Mt. Evelyn and Districts.

An initiative we have recently announced is:-

- Youth Driver Training Program. This program is aimed at helping to reduce local road trauma by subsidising year 10, 15 1/2 to 16 year old students to undertake off-road driving and classroom courses. The courses will provide invaluable pre-licence experience, and our initiative has been highly commended by Heather McTaggart, MLA in State Parliament, Shire of Yarra Ranges, Victoria Police, Secondary Colleges and the community.
- Dividends. An announcement will be made at the AGM.

## Chairperson's report continued

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- Franchise Agreement Renewal. Our current Franchise Agreement with Bendigo Bank is due for renewal prior to the expiration of the initial term of five years. Bendigo Bank has invited us to continue the Grant of Franchise, and the Franchise commencement date will be April 25th 2007 and will be for a further five years. The Franchise Agreement is subject to renewal every five years

Bendigo Bank recognises that our achievements have been significant, and are proud to have been part of our success story

Special thanks to:

- The Board of Directors
- David Watt and staff
- Shelley Wild
- The community, traders and business of Mt Evelyn & Districts – our customers
- Our Shareholders, without whose support “Our Bank” would not have been possible
- Bendigo Bank **Community Bank**® team
- The Shire of Yarra Ranges for their support of the **Community Bank**® concept



**Allan Grundy**  
**Chairman**

# Manager's report

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For year ending 30 June 2006

Your Mt Evelyn **Community Bank**<sup>®</sup> Branch has now been open for four and a half years. Over that time, the branch has consistently met proposed business expansion levels and the total business sits at around \$72 million. The community of Mount Evelyn should be proud of the effort that went into creating its own **Community Bank**<sup>®</sup> branch and the way it has supported the branch once the front doors were opened back in May 2002.

I would like to thank Chairman Allan Grundy and the Board of Directors, our Shareholders and the Regional Office Team of the Bendigo Bank, for their support as the branch moves forward into the future.

I would also like to acknowledge the efforts of our dedicated staff. Kevin, our Customer Service Supervisor, along with our Customer Service Officers Bev, Shelley, Melissa, Sandra and Lynne, and the newly appointed Jan and Susan, have set an example of service clearly above and beyond the call of duty.

The branch is moving toward an exciting era where, with continuing steady growth, we can really play a part with our Community Grant scheme. The recipients of our very first Community Grants will be announced shortly.

One of the strengths of the **Community Bank**<sup>®</sup> movement is the support of our Board of Directors and the Shareholders. Please continue to play your part in the growth of our branch by spreading the word about the very personal banking service provided by your Mt Evelyn **Community Bank**<sup>®</sup> Branch.



**David Watt**  
**Manager**

# Directors' report

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For year ending 30 June 2006

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

## Directors

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

### **Allan Alexander Grundy**

Chairman  
Operations Manager - Retired  
Director since 11 May 2001

### **Janette Christine Simmons**

Director  
Manager  
Director since 11 May 2001

### **Brian John Hewett**

Vice Chairperson  
Butcher  
Director since 11 May 2001

### **Craig Keithley**

Director  
Police Officer  
Director since 28 May 2002

### **Albert Buitenhaus**

Secretary  
Horticulturist  
Director since 18 November 2004

### **Margaret Calder Sank**

Treasurer  
Accountant  
Director since 11 May 2001

### **Jillian Lorraine Rule**

Director  
Retailer  
Director since 11 May 2001

### **Arch Campbell Carswell**

Director  
Contractor  
Director since 11 May 2001

### **Leighton Moore Clark**

Director  
Managing Director  
Director since 24 February 2005

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

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

## Principal activities

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

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



# Directors' report continued

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## Operating results

Operations have continued to perform in line with expectations. The profit of the Company for the financial year after provision for income tax was \$144,133 (2005: \$101,651).

Dividends	Year ended 30 June 2006	
	Cents	\$
Dividends paid in the year:		
- As recommended in the prior year report	6	42,151

## 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.

## Significant events after the balance date

Mt Evelyn and Districts Financial Services Ltd listed on the Bendigo Stock Exchange on 18 August 2006.

Other than stated above, there are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

## Likely developments

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

## Directors' benefits

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.

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

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## Directors meetings

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

<b>Number of meetings held:</b>	<b>12</b>
<b>Number of meetings attended:</b>	
Allan Alexander Grundy	12
Margaret Calder Sank	11
Janette Christine Simmons	9
Jillian Lorraine Rule	12
Brian John Hewett	8
Arch Campbell Carswell	12
Craig Keithley	8
Albert Buitenhaus	12
Leighton Moore Clark	5

## Company Secretary

Albert Buitenhaus has been the Company Secretary of Mt Evelyn and Districts Financial Services Ltd since 18 November 2004. Albert Buitenhaus is a horticulturist and his experience includes business and industry experience and ongoing professional development.

## Corporate governance

The Company has implemented various corporate governance practices, which include:

- (a) The establishment of an audit committee. Members of the audit committee are Margi Sank, Allan Grundy, Albert Buitenhaus and Craig Keithley;
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

Signed in accordance with a resolution of the Board of Directors at Mt Evelyn, Victoria on 13 September 2006.



**Allan Alexander Grundy**  
**Chairman**

# Financial statements

## Income statement

For year ending 30 June 2006

	Note	2006 \$	2005 \$
Revenues from ordinary activities	2	733,922	599,828
Employee benefits expense	3	(287,354)	(270,105)
Depreciation and amortisation expense	3	(39,004)	(41,397)
Finance costs	3	(855)	(13,723)
Administration & other expenses from ordinary activities		(202,490)	(123,619)
<b>Profit before income tax expense</b>		<b>204,219</b>	<b>150,984</b>
Income tax expense	4	60,086	49,333
<b>Profit after income tax expense</b>		<b>144,133</b>	<b>101,651</b>
Earnings per share (cents per share)			
- basic for profit for the year	24	20.52	14.47
- diluted for profit for the year	24	20.52	14.47
- dividends paid per share	23	6.00	-

The accompanying notes form part of these financial statements.

# Financial statements continued

## Balance sheet

As at 30 June 2006

	Note	2006 \$	2005 \$
<b>Current assets</b>			
Cash assets	6	234,816	152,737
Receivables	7	68,424	60,446
Other assets	8	4,627	7,392
<b>Total current assets</b>		<b>307,867</b>	<b>220,575</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	471,812	489,391
Deferred income tax asset	4	7,432	10,163
Intangible assets	10	7,385	22,010
<b>Total non-current assets</b>		<b>486,629</b>	<b>521,564</b>
<b>Total assets</b>		<b>794,496</b>	<b>742,139</b>
<b>Current liabilities</b>			
Payables	11	53,086	35,319
Interest bearing liabilities	12	175	27,444
Provisions	13	30,813	18,485
<b>Total current liabilities</b>		<b>84,074</b>	<b>81,248</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	12	-	52,451
Other liabilities	14	2,500	2,500
<b>Total non-current liabilities</b>		<b>2,500</b>	<b>54,951</b>
<b>Total liabilities</b>		<b>86,574</b>	<b>136,199</b>
<b>Net assets</b>		<b>707,922</b>	<b>605,940</b>
<b>Equity</b>			
Share capital	15	695,010	695,010
Retained earnings / (accumulated losses)	16	12,912	(89,070)
<b>Total equity</b>		<b>707,922</b>	<b>605,940</b>

The accompanying notes form part of these financial statements.

# Financial statements continued

## Statement of cash flows

As at 30 June 2006

	Note	2006 \$	2005 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		798,135	641,808
Cash payments in the course of operations		(543,596)	(441,000)
Interest paid		(855)	(13,723)
Interest received		3,111	3,183
Income tax paid		(46,046)	-
<b>Net cash flows from operating activities</b>	<b>17b</b>	<b>210,749</b>	<b>190,268</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(6,801)	(539)
<b>Net cash flows used in investing activities</b>		<b>(6,801)</b>	<b>(539)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(79,718)	(153,641)
Dividend paid		(42,151)	
<b>Net cash flows used in financing activities</b>		<b>(121,869)</b>	<b>(153,641)</b>
Net increase in cash held		82,079	36,088
Add opening cash brought forward		152,737	116,649
<b>Closing cash carried forward</b>	<b>17a</b>	<b>234,816</b>	<b>152,737</b>

The accompanying notes form part of these financial statements.

# Financial statements continued

## Statement of changes in equity

As at 30 June 2006

	Note	2006 \$	2005 \$
<b>Share capital</b>			
Ordinary shares		695,010	695,010
Balance at start of year		-	-
Issue of share capital		-	-
Share issue costs		-	-
<b>Balance at end of year</b>		<b>695,010</b>	<b>695,010</b>
<b>Retained earnings/(accumulated losses)</b>			
Balance at start of year		(89,070)	(190,721)
Profit after income tax expense		144,133	101,651
Dividends paid		(42,151)	-
<b>Balance at end of year</b>		<b>12,912</b>	<b>(89,070)</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ending 30 June 2006

## Note 1: Summary of significant accounting policies

### **(a) Basis of accounting**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) 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.

The financial report was authorised for issue by the Directors on 13 September 2006.

### **(b) Statement of compliance**

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

This is the first full year financial report based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. The financial report prepared at 30 June 2005 was based on Australian Accounting Standards applicable for periods commencing before 1 January 2005 ('AGAAP'). Other than detailed at 1(c) below, the accounting policies have been consistently applied and are consistent with those applied in the 30 June 2005 financial statements.

Reconciliations of:

- AIFRS equity as at 1 July 2004 and 30 June 2005; and
- AIFRS profit for the year ended 30 June 2005,

to the balances reported in the 30 June 2005 financial report prepared under AGAAP are detailed in note 1(d) below.

### **(c) Summary of significant amended accounting policies**

Other than detailed below, the accounting policies have been consistently applied and are consistent with those applied in the 30 June 2005 financial statements. Also refer to note 1(e).

The following accounting policies are different to those used in the 30 June 2005 financial report due to the first time adoption of AIFRS.

# Notes to financial statements continued

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## Note 1: Summary of significant accounting policies continued

### Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

### **Property, plant and equipment**

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

<b>Class of asset</b>	<b>Depreciation rate</b>
Buildings	2.5%
Leasehold improvements	2.5%
Plant & equipment	2.5 - 25%

### **Impairment**

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.



# Notes to financial statements continued

## Note 1: Summary of significant accounting policies continued

### Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.

Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus.

### Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

### (d) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under AGAAP are illustrated below:

Reconciliation of total equity as presented under AGAAP to that under AIFRS

	<b>30-Jun 2005 \$</b>	<b>1-Jul 2004 \$</b>
Total equity under AGAAP	595,777	444,793
Recognition of deferred income tax asset (#)	10,163	59,496
Total equity under AIFRS	605,940	504,289

The above adjustment to equity will be reflected in retained earnings.

# A deferred income tax asset was not recognised under AGAAP as realisation of the asset was required to be virtually certain. Under AIFRS the test is probable and as such the asset has been recognised.

# Notes to financial statements continued

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## Note 1: Summary of significant accounting policies continued

Reconciliation of profit after tax presented under AGAAP to that under AIFRS

	Year ended 30-Jun 2005 \$
Profit after tax as previously reported (AGAAP)	150,984
Adjustment to income tax expense (#)	(49,333)
Profit after tax under AIFRS	101,651

# A deferred income tax asset was not recognised under AGAAP as realisation of the asset was required to be virtually certain. Under AIFRS the test is probable and as such the asset has been recognised. The above reflects the impact on tax expense due to the recognition of this asset.

### Explanation of material adjustments to the cash flow statement

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

### (e) Significant accounting policies

The following is a summary of the material accounting policies adopted. The below accounting policies are consistent with the previous year. Also refer to note 1(c).

#### Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

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 cash flow statement on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

#### Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the 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.

# Notes to financial statements continued

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## Note 1: Summary of significant accounting policies continued

### **Intangibles**

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

### **Cash**

Cash on hand and in banks are stated at nominal value.

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

### **Comparative figures**

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

### **Revenue**

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

### **Receivables and payables**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

### **Interest bearing liabilities**

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.

## Notes to financial statements continued

	2006	2005
	\$	\$

### Note 2: Revenue from ordinary activities

#### Operating activities

- services commissions	730,811	596,645
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#### Non-operating activities:

- interest received	3,111	3,183
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<b>Total revenues from ordinary activities</b>	<b>733,922</b>	<b>599,828</b>
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### Note 3: Expenses

#### Employee benefits expense

- wages and salaries	262,927	240,887
- superannuation costs	21,844	20,399
- workers' compensation costs	377	570
- other costs	2,206	8,249
	<b>287,354</b>	<b>270,105</b>

#### Depreciation of non-current assets:

- plant and equipment	24,380	24,784
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#### Amortisation of non-current assets:

- intangibles	14,624	16,613
	<b>39,004</b>	<b>41,397</b>

#### Finance costs

- Interest paid	855	13,723
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<b>Bad debts</b>	<b>2,166</b>	<b>2,214</b>
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## Notes to financial statements continued

	2006	2005
	\$	\$

### Note 4: Income tax expense

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

Prima facie tax on profit from ordinary activities at 30%	61,265	45,295
Add tax effect of:		
- Non-deductible expenses	(3,910)	4,038
<b>Current income tax expense</b>	<b>57,355</b>	<b>49,333</b>
Origination and reversal of temporary differences	2,731	-
<b>Deferred income tax expense</b>	<b>2,731</b>	<b>-</b>
<b>Income tax expense</b>	<b>60,086</b>	<b>49,333</b>
Deferred income tax asset		
<b>Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.</b>	<b>7,432</b>	<b>10,163</b>

### Note 5: Auditors' remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:

- Audit or review of the financial report of the Company	3,650	3,650
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### Note 6: Cash assets

<b>Cash at bank and on hand</b>	<b>234,816</b>	<b>152,737</b>
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### Note 7: Receivables

Commission receivable	68,424	59,105
Other debtors	-	1,341
	<b>68,424</b>	<b>60,446</b>

## Notes to financial statements continued

	2006 \$	2005 \$
<b>Note 8: Other assets</b>		
<b>Prepayments</b>	<b>4,627</b>	<b>7,392</b>
<b>Note 9: Property, plant and equipment</b>		
Land at cost	118,611	118,611
Buildings		
At cost	246,885	246,885
Less accumulated depreciation	(21,042)	(14,883)
	<b>225,843</b>	<b>232,002</b>
<b>Leasehold improvements</b>		
At cost	31,970	31,970
Less accumulated depreciation	(3,365)	(2,566)
	<b>28,605</b>	<b>29,404</b>
<b>Plant and equipment</b>		
At cost	164,665	160,938
Less accumulated depreciation	(65,912)	(51,564)
	<b>98,753</b>	<b>109,374</b>
<b>Total written down amount</b>	<b>471,812</b>	<b>489,391</b>
<b>Movements in carrying amounts</b>		
<b>Buildings</b>		
Carrying amount at beginning of year	232,002	237,622
Additions	-	539
Disposals	-	-
Depreciation expense	(6,159)	(6,159)
<b>Carrying amount at end of year</b>	<b>225,843</b>	<b>232,002</b>

## Notes to financial statements continued

	2006	2005
	\$	\$

### Note 9: Property, plant and equipment continued

#### Leasehold improvements

Carrying amount at beginning of year	29,404	30,203
Additions	-	-
Disposals	-	-
Depreciation expense	(799)	(799)
<b>Carrying amount at end of year</b>	<b>28,605</b>	<b>29,404</b>

#### Plant and equipment

Carrying amount at beginning of year	109,374	127,200
Additions	6,801	-
Disposals	-	-
Depreciation expense	(17,422)	(17,826)
<b>Carrying amount at end of year</b>	<b>98,753</b>	<b>109,374</b>

### Note 10: Intangible assets

#### Franchise fee

At cost	50,000	50,000
Less accumulated amortisation	(43,333)	(33,333)
	<b>6,667</b>	<b>16,667</b>

#### Preliminary expenses

At cost	30,796	30,796
Less accumulated amortisation	(30,796)	(26,625)
	-	<b>4,171</b>

#### Borrowing costs

At cost	2,268	2,268
Less accumulated amortisation	(1,550)	(1,096)
	<b>718</b>	<b>1,172</b>
	<b>7,385</b>	<b>22,010</b>

## Notes to financial statements continued

	2006 \$	2005 \$
<b>Note 11: Payables</b>		
Trade creditors	21,755	7,757
Other creditors and accruals	31,331	27,562
	<b>53,086</b>	<b>35,319</b>

## Note 12: Interest bearing liabilities

Current

<b>Bank loan</b>	<b>175</b>	<b>27,444</b>
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Non current

<b>Bank loan</b>	<b>-</b>	<b>52,451</b>
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The loan has a variable interest rate with a term of 15 years. It is secured by a charge over the land and buildings for which the loan was incurred.

## Note 13: Provisions

Provision for income tax	11,309	-
Employee benefits	19,504	18,485
	<b>30,813</b>	<b>18,485</b>
<b>Number of employees at year end</b>	<b>7</b>	<b>7</b>

## Note 14: Other liabilities

Non current

<b>Shire loan</b>	<b>2,500</b>	<b>2,500</b>
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## Notes to financial statements continued

	2006	2005
	\$	\$

### Note 15: Share capital

<b>695,010 shares fully paid of \$1</b>	<b>695,010</b>	<b>695,010</b>
<b>7,500 shares issued for \$0</b>	<b>7,500</b>	<b>7,500</b>

Equity comprises 702,510 fully paid \$1 paid shares. In recognition for Shareholders who contributed to pre-incorporation funds to enable the feasibility study to be completed, 7,500 fully paid shares were issued with no consideration paid by the Shareholders at the rate of one additional share for each \$1 contributed.

### Note 16: Retained earnings/ (accumulated losses)

Balance at the beginning of the financial year	(89,070)	(190,721)
Profit after income tax	144,133	101,651
Dividends paid	(42,151)	-
<b>Balance at the end of the financial year</b>	<b>12,912</b>	<b>(89,070)</b>

### Note 17: Statement of cash flows

(a) Reconciliation of cash

<b>Cash assets</b>	<b>234,816</b>	<b>152,737</b>
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(b) Reconciliation of profit from ordinary activities after tax to net cash from operating activities

Profit from ordinary activities after income tax	144,133	101,651
<b>Non cash items</b>		
- Depreciation	24,380	24,784
- Amortisation	14,624	16,613

## Notes to financial statements continued

	2006	2005
	\$	\$

### Note 17: Statement of cash flows continued

#### Changes in assets and liabilities

- (increase) / decrease in receivables	(5,214)	(13,474)
- increase / (decrease) in payables	17,767	3,112
- Increase / (decrease) in provisions	1,019	8,249
- increase / (decrease) in tax payable	11,309	-
- (increase) / decrease in deferred tax asset	2,731	49,333
<b>Net cashflows from operating activities</b>	<b>210,749</b>	<b>190,268</b>

### Note 18: Related party disclosures

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

Allan Alexander Grundy  
Margaret Calder Sank  
Janette Christine Simmons  
Jillian Lorraine Rule  
Brian John Hewett  
Arch Campbell Carswell  
Craig Keithley  
Albert Buitenhaus  
Leighton Moore Clark

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.

## Notes to financial statements continued

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### Note 18: Related party disclosures continued

<b>Directors shareholdings</b>	<b>2006</b>	<b>2005</b>
Allan Alexander Grundy	6,876	6,876
Margaret Calder Sank	5,001	5,001
Janette Christine Simmons	938	938
Jillian Lorraine Rule	27,876	27,876
Brian John Hewett	1,938	1,938
Arch Campbell Carswell	3,938	3,938
Craig Keithley	500	500
Albert Buitenhaus	5,000	5,000
Leighton Moore Clark	-	-

Other than stated below, each share held has a paid up value of \$1 and is fully paid.

The following Directors shares were issued for \$0.

Allan Alexander Grundy	1,875	1,875
Janette Christine Simmons	938	938
Brian John Hewett	938	938
Arch Campbell Carswell	938	938

### Note 19: Subsequent events

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 financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Mt Evelyn, Victoria.

# Notes to financial statements continued

## Note 22: Corporate information

Mt Evelyn & Districts Community Financial Services Ltd is a Company limited by shares incorporated in Australia. The Company was listed on the Bendigo Stock Exchange on 18 August 2006.

The registered office and principal place of business is:

Registered office	Principal place of business
20 Kemp Avenue,	Shop 2/35-39 Wray Crescent,
Mt Evelyn, VIC 3796	Mt Evelyn, VIC 3796

	2006	2005
	\$	\$

## Note 23: Dividends paid or provided for on ordinary shares

(a) Dividends paid during the year

(i) Current year interim

Franked dividends - 6 cents per share (2005: Nil)	42,151	-
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(b) Franking credit balance

The amount of franking credits available for the subsequent financial year are:

- Franking account balance as at the end of the financial year at 30%	27,981	-
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	11,309	-
	<b>39,290</b>	-

The tax rate at which dividends have been franked is 30% (2005: N/A).

## Notes to financial statements continued

	2006	2005
	\$	\$

### Note 24: Earnings per share

Basic earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit after income tax expense	144,133	101,651
Weighted average number of ordinary shares for basic and diluted earnings per share	702,510	702,510

### Note 25: Financial instruments

#### Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Balance sheet.

The Company does not have any unrecognised financial instruments at 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 Balance Sheet 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.

## Notes to financial statements continued

### Note 25: Financial instruments continued

#### Interest rate risk

Financial instrument	Fixed interest rate maturing in											
	Floating		1 year		Over 1 to		Over		Non Interest		Weighted	
	interest rate		or less		5 years		5 years		bearing		average	
											effective	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<b>Financial assets</b>												
Cash assets	119,181	152,737	115,635	-	-	-	-	-	-	-	4.75%	5.00%
Receivables	-	-	-	-	-	-	-	-	-	68,424	60,446	N/A
<b>Financial liabilities</b>												
Payables	-	-	-	-	-	-	-	-	-	53,086	35,319	N/A
Loans	175	79,895	-	-	-	-	-	-	-	2,500	2,500	7.80%

# Directors' declaration

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In accordance with a resolution of the Directors of Mt Evelyn & Districts Financial Services Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; 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.



**Allan Alexander Grundy**  
**Chairman**

Signed on 13 September 2006.

# Independent audit report

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## **Richmond Sinnott & Delahunty** Chartered Accountants



Partners:  
Kenneth J Richmond  
Warren J Sinnott  
Philip P Delahunty

### ***INDEPENDENT AUDIT REPORT TO THE MEMBERS OF MT EVELYN & DISTRICTS FINANCIAL SERVICES LIMITED***

#### ***SCOPE***

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Mt Evelyn & Districts Financial Services Limited, for the year ended 30 June 2006.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### ***Audit approach***

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

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.



# Independent audit report continued

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## **INDEPENDENCE**

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

## **AUDIT OPINION**

In our opinion, the financial report of Mt Evelyn & Districts Financial Services Limited is in accordance with:

- (a) the Corporations Act 2001 including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

*Richmond Sinnott & Delahunt*

**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants

*W. J. Sinnott*

**W. J. SINNOTT**  
Partner  
Bendigo

Date: 13 September 2006

# Auditor's independence declaration

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## **Richmond Sinnott & Delahunty** Chartered Accountants



Partners:  
Kenneth J Richmond  
Warren J Sinnott  
Philip P Delahunty

13 September 2006

The Directors  
Mt Evelyn & Districts Financial Services Limited  
PO Box 451  
MT EVELYN VIC 3796

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Dear Directors

### **Auditor's Independence Declaration**

In relation to our audit of the financial report of Mt Evelyn & Districts Financial Services Limited for the year ended 30 June 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

**Warren Sinnott**  
**Partner**  
**Richmond Sinnott & Delahunty**



