

## Chairperson's Report

For year ending 30 June 2007

It is with pleasure and pride that I am able to present our sixth Annual Report – our fifth 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**<sup>®</sup> concept. Our growth has increased from 4,600 accounts with a value of \$70.1 million at 30 June 2006 to over 5100 accounts with an account value of \$85.0 million as at 30 June 2007. At the time of writing (mid-September) these figures have increased to in excess of 5,200 accounts and \$95.0 million.

Once again, it has been a year of highlights and milestones. We had cause to celebrate the launch of several initiatives, our \$80 million milestone and we also celebrated our fifth 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 developed by your current Board for the benefit of future Boards and their members

The year also saw the opening of the 200<sup>th</sup> **Community Bank**<sup>®</sup> branch. This figure has now exceeded 200 branches. We were the 62<sup>nd</sup> **Community Bank**<sup>®</sup> branch. This is proof indeed of the acceptance of the **Community Bank**<sup>®</sup> 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**<sup>®</sup> network is set for 25 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 second major grants program and also launch several community orientated initiatives (Refer elsewhere in this Report).

Our strong growth and profitability is very pleasing, and I extend sincere thanks and appreciation on behalf of my fellow Directors to Branch Manager David Watt, and the team for their hard work and dedication.

Our fifth 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 the branch 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.

### Current position

As mentioned previously, this is our fifth 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 branch. 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.

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 another Customer Service Officer, Kaye Barnes. Kaye has had previous banking experience and has fitted very well in to the team. Welcome on board, Kaye.

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.

## **Bendigo Bank**

Our relationship with our partner is excellent. We are very mindful that they have the banking 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 degree.

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 eight years of its nine 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 has seen the establishment of branches in the Northern Territory. This has made Bendigo Bank truly national by being Australia wide.

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

The assignment of Regional Manager, Alison Burr, to the Yarra Valley region has been of enormous help and benefit.

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. Many thanks to Alison and her team.

## **Board of Directors**

We have a hardworking dedicated Board of Directors. All are well-known and well-connected in this area 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 one-third of our Board to stand down at

each Annual General Meeting. Jill Rule, Margi Sank and myself have elected to stand down and have offered ourselves for re-election.

Earlier this year one of our directors, Leighton Clark resigned due mainly to pressures of work and limited availability for his role of director. Although Leighton was with us for a comparatively short time, his input and contribution was of the highest degree. Thanks Leighton.

On a sad note, I reluctantly advise that Brian Hewett has also resigned from the Board effective from the date of our AGM, 25<sup>th</sup> October 2007. Brian has been with us as a founding member of our original steering committee right through to being our Vice Chairman. His input, dedication, support and assistance has been invaluable. I have trouble putting adequate superlatives together for this gentleman and true friend, so I will summarise by saying that we will all be forever grateful for Brian's outstanding contribution to the establishment of 'Our Bank'. We all wish Brian and his wife Liz good health and all the very best for the future. Huge thanks Brian.

### **New Directors Required**

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.

### **Special Mentions**

- **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 operated in conjunction with 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

- **Youth Initiatives**

Our young people make up a large and integral part of our community. We have allowed in excess of \$50,000 to support and assist our young people. This money is set aside and will be allocated in the form of grants that will not only be of benefit to not only young people, but the whole community.

- **Joint Initiatives (with other Community Banks® in our region and Bendigo Bank).**

We are constantly evaluating and participating (where appropriate) in joint initiatives that support the wider community.

Some of these include;

- Police and Citizens Day (in support of Variety)
- Life Education Victoria
- Monkams Centre
- Telco Monbulk
- Sporting Groups and Organisations
- Events, Appeals and Charities

- **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.

- **Merger Proposals – We provide the following information as supplied by Bendigo Bank**

**Bank of Queensland – 24th April 2007:** Bendigo Bank announced to the Australian Stock Exchange that it decided not to proceed with the conditional proposal from Bank of Queensland for a merger of the two Companies. The Board believes that the proposal does not provide sufficient value and certainty for Bendigo Bank shareholders. We have concluded that the Bank of Queensland proposal is not in shareholders' best interests. In explaining its decision, the Bendigo Bank Board made a number of points I wish to pass onto you and your shareholders. The proposal does not provide sufficient value and certainty for Bendigo Bank shareholders. The proposal involves significant risks, including integrating organisations with different business models and philosophies?

**Adelaide Bank-**"11<sup>th</sup> August 2007: The Boards of Bendigo Bank Ltd (BEN) and Adelaide Bank Ltd (ADB) today announced their intention to merge the two companies. This announcement was lodged just two minutes ago with the Australian Stock Exchange, so this is my first opportunity to inform you about this development. Most importantly to you and your community, this merger does not impact on the **Community Bank®** model or branch network. In fact, it secures the Bendigo style of banking while embracing our long-term prospects. While there will be some staff redundancies as we eradicate duplication between the two banks, these reductions will not impact on **Community Bank®** network support. The merger brings together two banks with different but proven strategies to create a unique customer and partner focused financial services organisation. It maintains Bendigo's unique community focused banking model and introduces Adelaide's wholesale banking strategy to form a more robust and diversified business."

#### **Dividends**

An announcement will be made at the AGM.

#### **Franchise Agreement Renewal**

In April this year I had great pleasure in signing-off our Franchise Agreement Renewal for a further five years. (The Agreement is subject to renewal every five years) Bendigo Bank recognises that our achievements have been significant, and is proud to have been part of our success story. I quote part of our Agreement Renewal invitation letter from our Regional manager, Alison Burr, on behalf of Bendigo Bank:

"The Mount Evelyn and Districts **Community Bank®** Branch holds a special place in the history of the **Community Bank®** concept and Bendigo Bank cherishes the bond that exists with your Board. On behalf of Bendigo Bank Ltd, I thank your Board for the effort that you have made and the courage of your community and directors in helping to pioneer a movement that has grown to become a significant force in Australian banking. Your efforts in funding community projects is tangible evidence of your commitment to providing benefits for the wider community, and demonstration of what can be achieved by harnessing the existing economic capability within communities.

Bendigo Bank looks forward to the continued success of the Mount Evelyn and Districts **Community Bank®** Branch and the further enrichment of our relationship and your community."

#### **Special Thanks to:**

- The Board of Directors.
- David Watt and the branch team.
- Brian and Liz Hewett.
- The community, traders and businesses of Mt Evelyn & Districts – our customers.
- Our shareholders, without whose support "Our Bank" would not have been possible.
- Bendigo Bank, especially Alison Burr, Regional Manager and her team.
- The Shire of Yarra Ranges for their support of the **Community Bank®** concept



Allan Grundy  
Chairman

Our **Community Bank**<sup>®</sup> branch has now been open for five and a half years. Over that time, the branch has consistently met proposed business expansion levels and the total business sits at around \$85 million. The community of Mount Evelyn should be proud of the effort that went into creating its own **Community Bank**<sup>®</sup> and the way it has supported the branch all the way through.

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

This is a perfect opportunity to farewell Brian Hewett as a director of the Mount Evelyn and District Financial Services Ltd. On behalf of the branch team, we would like to thank Brian for his support over the journey.

On a personal note, I would like to thank Brian for his support, but more importantly for his friendship and inspiration. Allan and your directors work tirelessly for the benefit of their community, and Brian has been right at the forefront and has provided countless hours of assistance to Allan and his fellow Directors, myself personally, and the branch team as a whole.

We wish Brian and his wife Liz all the very best for the future.

I would also like to acknowledge the efforts of our dedicated staff. Kevin, our Customer Relationship Manager, Bev, Melissa, Sandra, Lyn, Jan, Susan and Kaye, our Customer Service Officers, have all set an example of service clearly above and beyond the call of duty. We farewelled Shelley in early 2007 and wish her all the best in her new endeavours.

I am extremely proud to be working with such a dedicated group as we look forward to providing you and all our clients with the very best of banking services.

The branch has moved into an exciting era where, with continuing steady growth, we can really play a part with our Community Grant scheme. Our first scheme last year was very successful, and we look forward to making similar contributions on your behalf over many years to come.

One of the strengths of the **Community Bank**<sup>®</sup> movement is the support of the 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 **Community Bank**<sup>®</sup> branch



David Watt  
Manager



**Mt Evelyn & Districts Financial Services Limited**  
**A.B.N 93 096 782 240**  
**Directors' Report**

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 are:

Allan Alexander Grundy Chairman Operations Manager - Retired Director since 11 May 2001	Margaret Calder Sank Treasurer Accountant Director since 11 May 2001
Janette Christine Simmons Director Manager Director since 11 May 2001	Jillian Lorraine Rule Director Retailer Director since 11 May 2001
Brian John Hewett Vice Chairperson Butcher Director since 11 May 2001	Arch Campbell Carswell Director Contractor Director since 11 May 2001
Craig Keithley Director Police Officer Director since 28 May 2002	Leighton Moore Clark Director Managing Director Director since 24 February 2005 Resigned 11 May 2007
Albert Buitenhuis Secretary Horticulturist Director since 18 November 2004	

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.

**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 \$88,580 (2006: \$144,133).

	<b>Year Ended 30 June 2007</b>	
<b>Dividends</b>	<b>Cents</b>	<b>\$</b>
Dividends paid in the year:		
- Interim for the year	5	35,126
- Final dividend for the year ended 30 June 2006	4.6	32,315

**Mt Evelyn & Districts Financial Services Limited**  
**A.B.N 93 096 782 240**  
**Directors' Report**

**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**

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 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>	11
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**Number of Meetings Attended:**

Allan Alexander Grundy	11
Margaret Calder Sank	10
Janette Christine Simmons	9
Jillian Lorraine Rule	11
Brian John Hewett	5
Arch Campbell Carswell	10
Craig Keithley	10
Albert Buitenhuis	10
Leighton Moore Clark (resigned 11 May 2007)	3

### **Company Secretary**

Albert Buitenhuis has been the company secretary of Mt Evelyn and Districts Financial Services Ltd since 18 November 2004. Albert Buitenhuis 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:

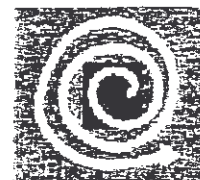
- (a) The establishment of an audit committee. Members of the audit committee are Margi Sank Allan Grundy, Albert Buitenhuis and Craig Keithley;
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings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

### **Auditor Independence Declaration**

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

## **Richmond Sinnott & Delahunty**

**Chartered Accountants**



10 Forest Street  
PO Box 30  
Bendigo. 3552  
Ph. 03 5443 1177  
Fax. 03 5444 4344  
E-mail: [rsd@rsdadvisors.com.au](mailto:rsd@rsdadvisors.com.au)

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

In relation to our audit of the financial report of Mt Evelyn & Districts Financial Services Ltd for the financial year ended 30 June 2007, 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**  
**17 September 2007**

Signed in accordance with a resolution of the Board of Directors at Mt Evelyn, Victoria on 17 September 2007.

Allan Alexander Grundy, Chairman



**Mt Evelyn & Districts Financial Services Limited**  
**A.B.N 93 096 782 240**  
**Income Statement**  
**For the year ended 30 June 2007**

	<u>Notes</u>	<u>2007</u> <u>\$</u>	<u>2006</u> <u>\$</u>
Revenue from ordinary activities	2	861,615	733,922
Employee benefits expense	3	(370,315)	(287,354)
Depreciation and amortisation expense	3	(34,137)	(39,004)
Finance costs	3	(15)	(855)
Donations & sponsorship		(129,776)	(45,000)
Administration & other expenses from ordinary activities		<u>(195,258)</u>	<u>(157,490)</u>
<b>Profit before income tax expense</b>		132,114	204,219
Income tax expense	4	<u>43,534</u>	<u>60,086</u>
<b>Profit after income tax expense</b>		<u>88,580</u>	<u>144,133</u>
<b>Earnings per share (cents per share)</b>			
- basic for profit for the year	24	12.61	20.52
- diluted for profit for the year	24	12.61	20.52
- dividends paid per share	23	9.60	6.00

The accompanying notes form part of these financial statements

**Mt Evelyn & Districts Financial Services Limited**

**A.B.N 93 096 782 240**

**Balance Sheet**

**As at 30 June 2007**

	<u>Notes</u>	<b>2007</b> \$	<b>2006</b> \$
<b>Current Assets</b>			
Cash assets	6	233,468	234,816
Receivables	7	88,986	68,424
Other assets	8	4,736	4,627
<b>Total Current Assets</b>		<u>327,190</u>	<u>307,867</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	475,973	471,812
Deferred income tax asset	4	13,843	7,432
Intangible assets	10	48,301	7,385
<b>Total Non-Current Assets</b>		<u>538,117</u>	<u>486,629</u>
<b>Total Assets</b>		<u>865,307</u>	<u>794,496</u>
<b>Current Liabilities</b>			
Payables	11	76,986	53,086
Interest bearing liabilities	12	190	175
Provisions	13	56,570	30,813
<b>Total Current Liabilities</b>		<u>133,746</u>	<u>84,074</u>
<b>Non-Current Liabilities</b>			
Other liabilities	14	2,500	2,500
<b>Total Non-Current Liabilities</b>		<u>2,500</u>	<u>2,500</u>
<b>Total Liabilities</b>		<u>136,246</u>	<u>86,574</u>
<b>Net Assets</b>		<u>729,061</u>	<u>707,922</u>
<b>Equity</b>			
Share capital	15	695,010	695,010
Retained earnings	16	34,051	12,912
<b>Total Equity</b>		<u>729,061</u>	<u>707,922</u>

The accompanying notes form part of these financial statements

**Mt Evelyn & Districts Financial Services Limited**  
**A.B.N 93 096 782 240**  
**Cash Flow Statement**  
**For the year ended 30 June 2007**

	<u>Notes</u>	2007 \$	2006 \$
<b>Cash Flows From Operating Activities</b>			
Cash receipts in the course of operations		908,193	798,135
Cash payments in the course of operations		(732,721)	(543,596)
Interest paid		(15)	(855)
Interest received		15,935	3,111
Income tax paid		(46,101)	(46,046)
<b>Net cash flows from operating activities</b>	17b	145,291	210,749
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(27,746)	(6,801)
Payments for intangible assets		(51,467)	-
<b>Net cash flows used in investing activities</b>		(79,213)	(6,801)
<b>Cash Flows From Financing Activities</b>			
Proceeds from borrowings		15	-
Repayment of borrowings		-	(79,718)
Dividend paid		(67,441)	(42,151)
<b>Net cash flows used in financing activities</b>		(67,426)	(121,869)
<b>Net increase / (decrease) in cash held</b>		(1,348)	82,079
Add opening cash brought forward		234,816	152,737
<b>Closing cash carried forward</b>	17a	233,468	234,816

The accompanying notes form part of these financial statements

**Mt Evelyn & Districts Financial Services Limited**  
**A.B.N 93 096 782 240**  
**Statement of Changes in Equity**  
**for the year ended 30 June 2007**

	2007 \$	2006 \$
<b>SHARE CAPITAL</b>		
<i>Ordinary shares</i>	695,010	695,010
Balance at start of year	-	-
Issue of share capital	-	-
Share issue costs	-	-
<b>Balance at end of year</b>	<u>695,010</u>	<u>695,010</u>
 <b>RETAINED EARNINGS/(ACCUMULATED LOSSES)</b>		
Balance at start of year	12,912	(89,070)
Profit after income tax expense	88,580	144,133
Dividends paid	<u>(67,441)</u>	<u>(42,151)</u>
<b>Balance at end of year</b>	<u>34,051</u>	<u>12,912</u>

The accompanying notes form part of these financial statements

**Mt Evelyn & Districts Financial Services Limited**

**A.B.N 93 096 782 240**

**Notes to the Financial Statements**

**for the year ended 30 June 2007**

**1. Basis of preparation of the Financial Report**

**(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 17 September 2007.

**(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.

**(c) Significant accounting policies**

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2006 financial statements.

**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.



## 1. Basis of preparation of the Financial Report (continued)

### Property, plant and equipment

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

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

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

<u>Class of Asset</u>	<u>Depreciation Rate</u>
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.

### *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.

**1. Basis of preparation of the Financial Report (continued)**

**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.

**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).

**1. Basis of preparation of the Financial Report (continued)****Receivables and Payables**

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

**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.

<b>2. Revenue from ordinary activities</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Operating activities		
- services commissions	845,680	730,811
Non-operating activities:		
- interest received	15,935	3,111
Total revenue from ordinary activities	<u>861,615</u>	<u>733,922</u>

**3. Expenses**

Employee benefits expense		
- wages and salaries	317,451	262,927
- superannuation costs	26,650	21,844
- workers' compensation costs	1,400	377
- other costs	24,814	2,206
	<u>370,315</u>	<u>287,354</u>

**Mt Evelyn & Districts Financial Services Limited**

**A.B.N 93 096 782 240**

**Notes to the Financial Statements  
for the year ended 30 June 2007**

**3. Expenses (continued)**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Depreciation of non-current assets:		
- plant and equipment	23,585	24,380
Amortisation of non-current assets:		
- intangibles	10,552	14,624
	<u>34,137</u>	<u>39,004</u>
Finance costs		
- Interest paid	15	855
Bad debts	2,621	2,166

**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%	39,635	61,265
Add tax effect of:		
- Non-deductible expenses	10,310	(3,910)
<i>Current income tax expense</i>	<u>49,945</u>	<u>57,355</u>
Origination and reversal of temporary differences	(6,411)	2,731
<i>Deferred income tax expense / (benefit)</i>	<u>(6,411)</u>	<u>2,731</u>
Income tax expense	<u>43,534</u>	<u>60,086</u>
<b>Deferred income tax asset</b>		
Future income tax benefits arising from temporary differences are recognised at reporting date as realisation of the benefit is regarded as probable.	<u>13,843</u>	<u>7,432</u>

**5. Auditors' Remuneration**

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

- Audit or review of the financial report of the company	<u>3,650</u>	<u>3,650</u>
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**6. Cash Assets**

Cash at bank and on hand	<u>233,468</u>	<u>234,816</u>
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**7. Receivables**

Commission receivable	81,653	68,424
Other debtors	7,333	-
	<u>88,986</u>	<u>68,424</u>

**Mt Evelyn & Districts Financial Services Limited**

**A.B.N 93 096 782 240**

**Notes to the Financial Statements  
for the year ended 30 June 2007**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>8. Other assets</b>		
Prepayments	<u>4,736</u>	<u>4,627</u>
<b>9. Property, Plant and Equipment</b>		
Land at cost	<u>118,611</u>	<u>118,611</u>
<i>Buildings</i>		
At cost	246,885	246,885
Less accumulated depreciation	<u>(27,201)</u>	<u>(21,042)</u>
	<u>219,684</u>	<u>225,843</u>
<i>Building Improvements</i>		
At cost	58,641	31,970
Less accumulated depreciation	<u>(4,165)</u>	<u>(3,365)</u>
	<u>54,476</u>	<u>28,605</u>
<i>Plant and equipment</i>		
At cost	164,672	164,665
Less accumulated depreciation	<u>(81,470)</u>	<u>(65,912)</u>
	<u>83,202</u>	<u>98,753</u>
Total written down amount	<u>475,973</u>	<u>471,812</u>
<b>Movements in carrying amounts</b>		
<i>Buildings</i>		
Carrying amount at beginning of year	225,843	232,002
Additions	-	-
Disposals	-	-
Depreciation expense	<u>(6,159)</u>	<u>(6,159)</u>
Carrying amount at end of year	<u>219,684</u>	<u>225,843</u>
<i>Building improvements</i>		
Carrying amount at beginning of year	28,605	29,404
Additions	26,671	-
Disposals	-	-
Depreciation expense	<u>(800)</u>	<u>(799)</u>
Carrying amount at end of year	<u>54,476</u>	<u>28,605</u>
<i>Plant and equipment</i>		
Carrying amount at beginning of year	98,753	109,374
Additions	1,075	6,801
Disposals	-	-
Depreciation expense	<u>(16,626)</u>	<u>(17,422)</u>
Carrying amount at end of year	<u>83,202</u>	<u>98,753</u>



**Mt Evelyn & Districts Financial Services Limited**

**A.B.N 93 096 782 240**

**Notes to the Financial Statements  
for the year ended 30 June 2007**

<b>10. Intangible Assets</b>	<b>2007 \$</b>	<b>2006 \$</b>
<i>Franchise Fee</i>		
At cost	60,000	50,000
Less accumulated amortisation	(50,667)	(43,333)
	<u>9,333</u>	<u>6,667</u>
<i>Franchise Renewal Fees</i>		
At cost	41,467	-
Less accumulated amortisation	(2,764)	-
	<u>38,703</u>	<u>-</u>
<i>Borrowing Costs</i>		
At Cost	2,268	2,268
Less accumulated amortisation	(2,003)	(1,550)
	<u>265</u>	<u>718</u>
	<u>48,301</u>	<u>7,385</u>
<b>11. Payables</b>		
Trade creditors	56,471	21,755
Other creditors and accruals	20,515	31,331
	<u>76,986</u>	<u>53,086</u>
<b>12. Interest Bearing Liabilities</b>		
<i>Current</i>		
Bank Loan	190	175
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.		
<b>13. Provisions</b>		
Provision for income tax	15,154	11,309
Employee benefits	41,416	19,504
	<u>56,570</u>	<u>30,813</u>
Number of employees at year end	<u>8</u>	<u>7</u>
<b>14. Other liabilities</b>		
<i>Non Current</i>		
Shire loan	2,500	2,500

**Mt Evelyn & Districts Financial Services Limited**  
**A.B.N 93 096 782 240**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2007**

<b>15. Share Capital</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
695,010 shares fully paid of \$1	<u>695,010</u>	<u>695,010</u>
7,500 shares issued for \$0	<u>7,500</u>	<u>7,500</u>

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.

**16. Retained Earnings**

Balance at the beginning of the financial year	12,912	(89,070)
Profit after income tax	88,580	144,133
Dividends paid	(67,441)	(42,151)
Balance at the end of the financial year	<u>34,051</u>	<u>12,912</u>

**17. Statement of Cashflows**

*(a) Reconciliation of cash*

Cash assets	<u>233,468</u>	<u>234,816</u>
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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	88,580	144,133
Non cash items		
- Depreciation	23,585	24,380
- Amortisation	10,552	14,624
Changes in assets and liabilities		
- (increase) / decrease in receivables	(20,672)	(5,214)
- increase / (decrease) in payables	23,900	17,767
- Increase / (decrease) in employee benefits	21,912	1,019
- increase / (decrease) in tax payable	3,845	11,309
- (increase) / decrease in deferred tax asset	(6,411)	2,731
Net cashflows from operating activities	<u>145,291</u>	<u>210,749</u>

**Mt Evelyn & Districts Financial Services Limited**  
**A.B.N 93 096 782 240**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2007**

**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 Buitenhuis  
 Leighton Moore Clark (resigned 11 May 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>
Allan Alexander Grundy		
Margaret Calder Sank	6,876	6,876
Janette Christine Simmons	5,001	5,001
Jillian Lorraine Rule	938	938
Brian John Hewett	27,876	27,876
Arch Campbell Carswell	1,938	1,938
Craig Keithley	3,938	3,938
Albert Buitenhuis	500	500
Leighton Moore Clark (resigned 11 May 2007)	5,000	5,000
	-	-

Other then 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

**19. Subsequent Events**

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

**20. Contingent Liabilities**

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

**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.

**Mt Evelyn & Districts Financial Services Limited**

**A.B.N 93 096 782 240**

**Notes to the Financial Statements**

**for the year ended 30 June 2007**

**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:

<u>Registered office</u>	<u>Principal place of business</u>
20 Kemp Avenue Mt Evelyn Victoria 3796	Shop 2/35-39 Wray Crescent Mt Evelyn Victoria 3796

**23. Dividends paid or provided for on ordinary shares**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Dividends paid during the year</b>		
(i) Current year interim		
Franked dividends - 5 cents per share (2006: 6 cents)	35,126	42,151
(ii) Previous year final		
Franked dividends - 4.6 cents per share	32,315	-
	<u>67,441</u>	<u>42,151</u>
<b>(b) Franking credit balance</b>		
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%	45,179	27,981
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	15,154	11,309
	<u>60,333</u>	<u>39,290</u>

The tax rate at which dividends have been franked is 30% (2006: 30%).

**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	<u>88,580</u>	<u>144,133</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>702,510</u>	<u>702,510</u>

**Mt Evelyn & Districts Financial Services Limited**  
**A.B.N 93 096 782 240**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2007**

**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.

**Interest Rate Risk**

Financial Instrument	Floating Interest Rate		Fixed Interest Rate maturing in						Non Interest Bearing		Weighted average Effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
			2007	2006	2007	2006	2007	2006				
Financial Assets	\$	\$	\$	\$	\$	\$	\$	\$	\$	2007 %	2006 %	
Cash assets	105,548	119,181	127,920	115,635	-	-	-	-	-	4.45%	4.75%	
Receivables	-	-	-	-	-	-	-	-	88,986	68,424	N/A	
Financial Liabilities												
Payables	-	-	-	-	-	-	-	-	76,986	53,086	N/A	
Loans	190	175	-	-	-	-	-	-	2,500	2,500	8.05%	



**Mt Evelyn & Districts Financial Services Limited**  
**A.B.N 93 096 782 240**  
**Directors' Declaration**

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 2007 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2007.



Allan Alexander Grundy, Chairman

Signed on 17 September 2007.



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

**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 2007.

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.

### **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 2007 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 & Delahunty*

**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants

*W. J. Sinnott*

**W. J. SINNOTT**  
Partner  
Bendigo

Date: 17 September 2007

**Mt Evelyn & Districts Financial Services Limited**  
**A.B.N 93 096 782 240**  
**Additional Annual Report Information**

**Share Information**

In accordance with Bendigo Stock Exchange listing rules the company provides the following information as at 1 September 2007, which is within 6 weeks of this report being sent to shareholders.

The following table shows the number of shareholders, broken into various categories showing the total number of shares held.

<u>Number of Shares Held</u>	<u>Number of Shareholders</u>
1 to 1,000	211
1,001 to 5,000	109
5,001 to 10,000	16
10,001 to 100,000	5
100,001 and over	0
Total Shareholders	341

Each of the above shareholders are entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the company.

There are 23 shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to \$1 per share. There are no unquoted equity securities.

The following table shows the 10 largest shareholders.

<u>Shareholder</u>	<u>Number of Shares</u>	<u>Percentage of Capital</u>
Giuliano Sciore & Marisa Sciore	25,000	3.56
Simon George Miller	20,000	2.85
Eda Paige	20,000	2.85
Jillian Rule <Rule Super Fund A/C>	20,000	2.85
John Schneider <Schneider Family Super Fund A/C>	13,000	1.85
Eileen Hillary Bowen	10,000	1.42
William Christian Caris	10,000	1.42
Roy Charles Donaldson	10,000	1.42
Dova Eng Co P/L <Superannuation Fund A/C>	10,000	1.42
Erwin Reschke & Karen Agnethe Reschke	10,000	1.42
	148,000	21

**Mt Evelyn & Districts Financial Services Limited**  
**A.B.N 93 096 782 240**  
**Additional Annual Report Information**

**Registered Office and Principal Administrative Office**

The registered office of the company is located at:

20 Kemp Avenue  
Mt Evelyn Victoria 3796  
Phone: 03 9736 1425

The principal administrative office of the company is located at:

Shop 2/35-39 Wray Crescent  
Mt Evelyn Victoria 3796  
Phone: 03 9737 1833

**Security Register**

The security register (share register) is kept at:

Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford Victoria 3067  
Phone: 03 9415 5000

**Company Secretary**

Albert Buitenhuis has been the company secretary of Mt Evelyn and Districts Financial Services Ltd since 18 November 2004. Albert Buitenhuis 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 Buitenhuis. 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.

**Annexure 3A**

There are no material differences between the information in the company's Annexure 3A and the information in the financial documents in its annual report.