

19 September 2007

Dear Shareholder,

ANNUAL REPORT – MOUNT EVELYN & DISTRICTS FINANCIAL SERVICES LTD

It is with great pleasure and pride that I am able to present the sixth Annual Report of Mt. Evelyn & Districts Financial Services Ltd.

This report of the performance of “Our Bank” – Mt Evelyn & Districts Community Bank® Branch is our fifth for a full year of operation.

The 2006-2007 financial year has seen us grow at a strong and pleasing rate and our current figures now stand at 5250 Accounts and \$96.0M in Account Value. These fantastic figures certainly prove the community’s acceptance of Community Banking with its emphasis on customer-friendly personal banking. Saturday morning trading has also proven to be of enormous benefit to our customers.

Our future is extremely promising also, and our Board of Directors has considered many initiatives, options, and directions throughout the year. We have been very mindful and conscious of the faith and trust placed in us by, firstly our shareholders and secondly, the community in general.

Our branch has become busier and we are very grateful for the tremendous dedicated efforts of our Branch Manager David Watt and his team. They have all put in an enormous effort and can take pride in getting us where we are at present.

We believe friendly personal customer service is essential, and to help maintain a high level of service we have employed another Customer Service Officer Kaye Barnes. Kaye has had previous banking experience and has fitted in very well in the team.

Your Board has been extremely busy, and one important decision decided unanimously was to remain unpaid directors.

Your Board is recommending minor change to the Company Constitution. Under Section 9, “Prohibited Shareholding Interest”, we wish to introduce a change whereby there will be a Base Number of shareholders in the Company. This in effect will ensure that by having a minimum number of shareholders, we can restrict any person holding in excess of 10% of the Company’s shares. Also, we will have greater control to ensure close connection to our community. This will be elaborated on at our AGM.

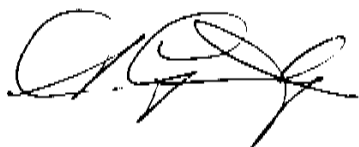
Under the rules of our Constitution, it is necessary for a third of our Board to stand down prior to each AGM. Three Directors, Jill Rule, Margi Sank and myself have decided to stand down and each have offered themselves for re-election. Our Board endorses the re-instatement of each Director.

On a sad note, I reluctantly advise that Brian Hewett has resigned from the Board. Brian has been with us as a founding member of our original steering committee right through to being our Vice-Chairman. His input, support and assistance has been invaluable and he is a major factor in the establishment of our bank. We wish Brian and his wife Liz all the very best for the future. Thanks Brian.

I take this opportunity to once again thank everyone for their continued support of "Our Bank", and ask you to spread the word among your friends, neighbours and relatives.

I look forward to seeing you at our AGM, however if you are unable to attend, please feel free to complete the Proxy Form enclosed, or if you have any queries, please do not hesitate to contact me on 9736-1425

Yours Sincerely

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

Allan Grundy
Chairman