

2008 annual report



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Chairman's report

For year ending 30 June 2008

It is with pleasure and pride that I am able to present our seventh Annual Report – in our sixth 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 5100 accounts with a value of \$85.0 million at 30 June 2007 to over 5540 accounts with an account value of \$102.0 million as at 30 June 2008. At the time of writing (early September) these figures have grown to exceed 5,630 accounts and \$111.0 million.

Once again, it has been a year of highlights and milestones. We had cause to celebrate the launch of several initiatives, our \$100.0 million milestone and we also celebrated our sixth 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 Directors.

The year also saw the opening of the 217 **Community Bank®** branch. This figure has now exceeded 220. 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 continue to dispense dividends to shareholders, announce our third major grants program and also participate in 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 sixth 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 Monday to Friday 9.00am – 5.00pm and Saturday 9.00am – 12.00pm

Should you have any queries or suggestions regarding any aspect of "Our Bank", please do not hesitate to contact me on 9736 1425 or mobile 0417 594 963.

Chairman's report continued

Current position

As mentioned previously, this is our sixth 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 institutions. 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 trading, 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 a full-time Customer Service Supervisor, Leanne Vaytaufer. Leanne has extensive banking experience and has fitted very well in to the team. Welcome on board, Leanne.

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 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 Directors.

Chairman's report continued

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 nine years of its ten year history. From Chief General Manager Russell Jenkins, General 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 Bendigo Bank is now truly national by being Australia wide. It is a very significant year for Bendigo Bank with 2008 marking the 150th anniversary and also the 10th birthday of **Community Bank®**. This year's National **Community Bank®** Conference was essentially a celebration of achievement, community and what lies ahead. The Conference had in excess of 650 attendees and Jan Simmons and myself were delighted to be invited to present three sessions.

The establishment of a Regional Office and Business Centre in Boronia and 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 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.

Under the rules of our constitution, it is necessary for a third of our Board to stand down at each AGM. Jan Simmons, Albert Buitenhuis and Arch Carswell have elected to stand down and have offered themselves for re-election.

I am pleased to advise that the Board accepted an application from James Chapman to join us as a Director. This appointment commenced in December 2007, and James brings a wealth of knowledge and enthusiasm. This appointment needs to be ratified by our shareholders and I certainly endorse this action and welcome James to the team.

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.

Chairman's report continued

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 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.
- Youth Initiatives. As youth is a large and integral part of our community, we have allowed in excess of \$50,000.00 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 the youth itself, but also to the community.
- Joint Sponsorship Program. We have joined in an arrangement with other **Community Bank®** branches in our region and Bendigo Bank Regional Office whereby we evaluate and participate in (where appropriate) in joint sponsorships of programs and initiatives that support the wider community.

Some of these include:-

- Police and Citizens Day (in support of Variety)
- Life Education Victoria
- Monkami Centre
- Sporting Groups and Organisations
- Events, Appeals and charities
- Partnership Forum. This initiative involves essentially the collaboration of the region's **Community Bank®** branches, Bendigo Bank Regional Office, Shire of Yarra Ranges, State and Federal Governments. The Partnership evaluates and participates in (where appropriate) projects that are of benefit to the wider community. An obvious advantage of this scheme is the broader range of funding availabilities, and a much larger scope of projects we may be able to address. A program that eventuated from early discussion of the forum was the recent highly successful "Ban the Bulb" program whereby:-
 - More than 48,000 incandescent light globes were replaced with long life, low energy compact fluorescents in over 3000 houses in the Shire of Yarra Ranges.
 - This equated to reduction of carbon emissions by over 48,000 tons, or equivalent to taking almost 12,000 cars off the road for a whole year.
 - Participating householders (Bendigo Bank customers and non-customers alike), not only received free light globes, but will also enjoy reduced energy costs.

Chairman's report continued

- Local CFA brigades, who carried out the work, received more than \$120,500
- 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.
- Dividends. An announcement will be made at the AGM.

I conclude my Report with a previous statement from Alison Burr on behalf of Bendigo Bank – a statement that we were very proud and honoured to receive.

“The Mount Evelyn & 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 & 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
- 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

Manager's report

For year ending 30 June 2008

The Mount Evelyn & Districts **Community Bank**[®] Branch has now been operating for six and a half years. In that time, the branch has consistently met proposed business expansion levels and the total business sits at around \$100 million. The community of Mount Evelyn should be proud of the effort that went into creating its own **Community Bank**[®] branch and the way it has supported the branch once the front doors were opened back in May 2002.

I would like to thank Allan Grundy and the Board of Directors, our shareholders and the Regional Office Team of the Bendigo Bank led by Regional Manager, Alison Burr, for their support as the branch moves forward into the future. A special thanks also goes to the community of Mount Evelyn for their very generous support.

I would also like to acknowledge the efforts of our dedicated branch team. Kevin, our Customer Relationship Manager, along with our Customer Service Officers, Bev, Melissa, Sandra, Lynne, Jan, Susan and Kaye. The team has set an example of service clearly above and beyond the call of duty. We also welcome our newly appointed Customer Service Supervisor, Leanne, and wish her a long and happy career at the Mount Evelyn & Districts **Community Bank**[®] Branch.

The branch is moving toward an exciting era where, with continuing steady growth, we will look to expand our community grant and community sponsorship programs. We have already returned significant funds back to our community, and will look to increase this over many years to come.

One of the strengths of the **Community Bank**[®] concept 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 **Community Bank**[®] branch.



David Watt

Branch Manager

Director's report

For year ending 30 June 2008

Your Directors submit the financial report of the Company for the financial year ended 30 June 2008.

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
Resigned 25 October 2007

Arch Campbell Carswell

Director
Contractor
Director since 11 May 2001

Craig Keithley

Director
Police Officer
Director since 28 May 2002

Albert Buitenhuis

Secretary
Horticulturist
Director since 18 November 2004

James Justin Chapman

Director
Manager
Director since 19 December 2007

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 Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Director's report continued

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 \$93,237 (2007: \$88,580).

Dividends	Year ended 30 June 2008	
	Cents per share	\$
Dividends paid in the year:		
- Final dividend for the year ended 30 June 2007	6.35	44,609

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.

Director's report continued

Directors meetings

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

Number of meetings held:	16
Number of meetings attended:	
Allan Alexander Grundy	16
Margaret Calder Sank	14
Janette Christine Simmons	12
Jillian Lorraine Rule	15
Brian John Hewett (resigned 25 October 2007)	4
Arch Campbell Carswell	13
Craig Keithley	10
Albert Buitenhuis	16
James Justin Chapman (appointed 19 December 2007)	7

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

Director's report continued

Richmond Sinnott & Delahunty Chartered Accountants



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

11 September 2008

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

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 2008, 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

Signed in accordance with a resolution of the Board of Directors at Mt Evelyn, Victoria on
11 September 2008.

Allan Alexander Grundy
Chairman

Financial statements

Income statement For year ending 30 June 2008

	Note	2008 \$	2007 \$
Revenue from ordinary activities	2	998,917	861,615
Employee benefits expense	3	(387,440)	(370,315)
Depreciation and amortisation expense	3	(33,125)	(34,137)
Finance costs	3	(18)	(15)
Charitable donations and sponsorship		(252,289)	(129,776)
Administration & other expenses from ordinary activities		(191,097)	(195,258)
Profit before income tax expense		134,948	132,114
Income tax expense	4	41,711	43,534
Profit after income tax expense		93,237	88,580
Earnings per share (cents per share)			
- basic for profit for the year	24	13.27	12.61
- diluted for profit for the year	24	13.27	12.61
- dividends paid per share	23	6.35	9.60

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet As at 30 June 2008

	Note	2008 \$	2007 \$
Current assets			
Cash assets	6	259,530	233,468
Receivables	7	93,097	88,986
Current tax refundable	4	8,373	-
Other assets	8	4,664	4,736
Total current assets		365,664	327,190
Non-current assets			
Property, plant and equipment	9	461,461	475,973
Deferred income tax asset	4	19,088	13,843
Intangible assets	10	37,743	48,301
Total non-current assets		518,292	538,117
Total assets		883,956	865,307
Current liabilities			
Payables	11	44,898	76,986
Current tax payable	4	-	15,154
Interest bearing liabilities	12	208	190
Provisions	13	58,661	41,416
Total current liabilities		103,767	133,746
Non-current liabilities			
Other liabilities	14	2,500	2,500
Total non-current liabilities		2,500	2,500
Total liabilities		106,267	136,246
Net assets		777,689	729,061
Equity			
Share capital	15	695,010	695,010
Retained earnings	16	82,679	34,051
Total equity		777,689	729,061

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2008

	Note	2008 \$	2007 \$
Cash flows from operating activities			
Cash receipts in the course of operations		1,034,303	908,193
Cash payments in the course of operations		(895,199)	(732,721)
Interest paid		(18)	(15)
Interest received		10,105	15,935
Income tax paid		(70,483)	(46,101)
Net cash flows from operating activities	17b	78,708	145,291
Cash flows from investing activities			
Payments for property, plant and equipment		(8,055)	(27,746)
Payments for intangible assets		-	(51,467)
Net cash flows used in investing activities		(8,055)	(79,213)
Cash flows from financing activities			
Proceeds from borrowings		18	15
Dividend paid		(44,609)	(67,441)
Net cash flows used in financing activities		(44,591)	(67,426)
Net increase / (decrease) in cash held		26,062	(1,348)
Add opening cash brought forward		233,468	234,816
Closing cash carried forward	17a	259,530	233,468

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity As at 30 June 2008

	Note	2008 \$	2007 \$
SHARE CAPITAL			
Ordinary shares		695,010	695,010
Balance at start of year		-	-
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		695,010	695,010
Retained earnings			
Balance at start of year		34,051	12,912
Profit after income tax expense		93,237	88,580
Dividends paid		(44,609)	(67,441)
Balance at end of year		82,679	34,051

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 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 11 September 2008.

(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 2007 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.

Notes to the financial statements continued

Note 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:

Class of asset	Depreciation rate
Buildings	2.5%
Leasehold improvements	2.5%
Plant & equipment	2.5 - 40%

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.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

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.

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.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

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.

	2008 \$	2007 \$
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Note 2. Revenue from ordinary activities

Operating activities

- services commissions	988,812	845,680
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Non-operating activities:

- interest received	10,105	15,935
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Total revenue from ordinary activities	998,917	861,615
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Notes to the financial statements continued

	2008 \$	2007 \$
Note 3. Expenses		
Employee benefits expense		
- wages and salaries	323,382	317,451
- superannuation costs	39,980	26,650
- workers' compensation costs	1,372	1,400
- other costs	22,706	24,814
	387,440	370,315
Depreciation of non-current assets:		
- plant and equipment	22,567	23,585
Amortisation of non-current assets:		
- intangibles	10,558	10,552
	33,125	34,137
Finance costs		
- Interest paid	18	15
Bad debts	3,329	2,621

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%	40,484	39,635
Add tax effect of:		
- Non-deductible expenses	5,245	10,310
- Prior year under provision of tax	1,227	-
Current income tax expense	46,956	49,945
Origination and reversal of temporary differences	(5,245)	(6,411)
Deferred income tax benefit	(5,245)	(6,411)
Income tax expense	41,711	43,534

Notes to the financial statements continued

	2008 \$	2007 \$
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Note 4. Income tax expense (continued)

Deferred income tax asset

Future income tax benefits arising from temporary differences are recognised at reporting date as realisation of the benefit is regarded as probable.

	19,088	13,843
Tax liabilities		
Current tax payable / (refundable)	(8,373)	15,154

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

Cash at bank and on hand	259,530	233,468
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Note 7. Receivables

Commission receivable	93,097	81,653
Other debtors	-	7,333
	93,097	88,986

Note 8. Other assets

Prepayments	4,664	4,736
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Notes to the financial statements continued

	2008 \$	2007 \$
Note 9. Property, plant and equipment		
Land at cost	118,611	118,611
Buildings		
At cost	246,885	246,885
Less accumulated depreciation	(33,359)	(27,201)
	213,526	219,684
Building improvements		
At cost	58,641	58,641
Less accumulated depreciation	(5,631)	(4,165)
	53,010	54,476
Plant and equipment		
At cost	172,727	164,672
Less accumulated depreciation	(96,413)	(81,470)
	76,314	83,202
Total written down amount	461,461	475,973
Movements in carrying amounts		
Buildings		
Carrying amount at beginning of year	219,684	225,843
Additions	-	-
Disposals	-	-
Depreciation expense	(6,158)	(6,159)
Carrying amount at end of year	213,526	219,684
Building improvements		
Carrying amount at beginning of year	54,476	28,605
Additions	-	26,671
Disposals	-	-
Depreciation expense	(1,466)	(800)
Carrying amount at end of year	53,010	54,476

Notes to the financial statements continued

	2008 \$	2007 \$
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Note 9. Property, plant and equipment (continued)

Plant and equipment

Carrying amount at beginning of year	83,202	98,753
Additions	8,055	1,075
Disposals	-	-
Depreciation expense	(14,943)	(16,626)
Carrying amount at end of year	76,314	83,202

Note 10. Intangible assets

Franchise fee

At cost	-	60,000
Less accumulated amortisation	-	(50,667)
	-	9,333

Franchise renewal fees

At cost	51,467	41,467
Less accumulated amortisation	(13,724)	(2,764)
	37,743	38,703

Borrowing costs

At Cost	2,268	2,268
Less accumulated amortisation	(2,268)	(2,003)
	-	265
	37,743	48,301

Note 11. Payables

Trade creditors	22,848	56,471
Other creditors and accruals	22,050	20,515
	44,898	76,986

Notes to the financial statements continued

	2008 \$	2007 \$
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Note 12. Interest bearing liabilities

Current

Bank loan	208	190
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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

Employee benefits	58,661	41,416
Number of employees at year end	9	8

Note 14. Other liabilities

Non current

Shire loan	2,500	2,500
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Note 15. Share capital

695,010 shares fully paid of \$1	695,010	695,010
7,500 shares issued for \$0	7,500	7,500

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

Balance at the beginning of the financial year	34,051	12,912
Profit after income tax	93,237	88,580
Dividends paid	(44,609)	(67,441)
Balance at the end of the financial year	82,679	34,051

Notes to the financial statements continued

	2008 \$	2007 \$
Note 17. Statement of cash flows		
(a) Reconciliation of cash		
Cash assets	259,530	233,468
(b) Reconciliation of profit from ordinary activities after tax to net cash from operating activities		
Profit from ordinary activities after income tax	93,237	88,580
Non cash items		
- Depreciation	22,567	23,585
- Amortisation	10,558	10,552
Changes in assets and liabilities		
- (Increase) / decrease in receivables	(4,039)	(20,672)
- Increase / (decrease) in payables	(32,088)	23,900
- Increase / (decrease) in provisions	17,245	21,912
- Increase / (decrease) in tax payable	(23,527)	3,845
- (Increase) / decrease in deferred tax asset	(5,245)	(6,411)
Net cash flows from operating activities	78,708	145,291

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 (resigned 25 October 2007)

Arch Campbell Carswell

Craig Keithley

Albert Buitenhuis

James Justin Chapman (appointed 19 December 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.

Notes to the financial statements continued

Note 18. Related party disclosures (continued)

Directors shareholdings	2008	2007
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 (resigned 25 October 2007)	1,938	1,938
Arch Campbell Carswell	3,938	3,938
Craig Keithley	500	500
Albert Buitenhuis	7,000	5,000
James Justin Chapman (appointed 19 December 2007)	-	-

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 (resigned 25 October 2007)	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 the 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, Mt Evelyn VIC 3796	Shop 2/35-39 Wray Crescent, Mt Evelyn VIC 3796

	2008 \$	2007 \$
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Note 23. Dividends paid or provided for on ordinary shares

(a) Dividends paid during the year

(i) Current year interim		
Franked dividends - Nil cents per share (2007: 5 cents per share)	-	35,126
(ii) Previous year final		
Franked dividends - 6.35 cents per share (2007: 4.6 cents per share)	44,609	32,315
	44,609	67,441

(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%	95,195	45,179
- Franking credits that will arise from the payment / (refund) of income tax payable as at the end of the financial year	(8,373)	15,154
	86,822	60,333

The tax rate at which dividends have been franked is 30% (2007: 30%).

Notes to the financial statements continued

	2008 \$	2007 \$
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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	93,237	88,580
Weighted average number of ordinary shares for basic and diluted earnings per share	702,510	702,510

Note 25. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

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. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2008 \$	2007 \$
Cash assets	259,530	233,468
Receivables	93,097	88,986
	352,627	322,454

Notes to the financial statements continued

Note 25. Financial risk management (continued)

(a) Credit risk (continued)

The Company's exposure to credit risk is limited to Australia by geographic area. The entire balance of receivables is due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2007: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	over 1 to 5 years \$	more than 5 years \$
30 June 2008					
Payables	44,898	(44,898)	(44,898)	-	-
Other liabilities	2,500	(2,500)	-	-	(2,500)
Interest bearing liabilities	208	(208)	(208)	-	-
	47,606	(47,606)	(45,106)	-	(2,500)
30 June 2007					
Payables	76,986	(76,986)	(76,986)	-	-
Other liabilities	2,500	(2,500)			(2,500)
Interest bearing liabilities	190	(190)	(190)	-	-
	79,676	(79,676)	(77,176)	-	(2,500)

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Notes to the financial statements continued

Note 25. Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount	
	2008	2007
	\$	\$
Fixed rate instruments		
Financial assets	173,179	127,920
Financial liabilities	-	-
	173,179	127,920
Variable rate instruments		
Financial assets	86,351	105,548
Financial liabilities	(208)	(190)
	86,143	105,358

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2007 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) 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.

Notes to the financial statements continued

Note 25. Financial risk management (continued)

(e) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

(i) the Distribution Limit is the greater of:

(a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2008 can be seen in the Income Statement.

There were no changes in the Company's approach to capital management during the year.

Director's 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 2008 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 2008.



Allan Alexander Grundy
Chairman

Signed on 11 September 2008.

Independent audit report

Richmond Sinnott & Delahunty Chartered Accountants



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

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

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 2008.

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 established 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.

Woodbury Court, 172 McIvor Road Bendigo 3550. PO Box 30 Bendigo 3552. Ph: (03) 5443 1177. Fax: (03) 5444 4344. Email: rsd@rsdadvisors.com.au

ABN 60 616 244 309

Liability limited by a scheme approved under Professional Standards Legislation

Independent audit report continued

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 2008 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 & Delahanty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 11 September 2008

BSX report

Share information

In accordance with Bendigo Stock Exchange listing rules the Company provides the following information as at 1 September 2008, 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.

Number of shares held	Number of shareholders
1 to 1,000	205
1,001 to 5,000	108
5,001 to 10,000	16
10,001 to 100,000	6
100,001 and over	0
Total shareholders	335

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.

Shareholder	Number of shares	Percentage of capital
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
Richard Everett Thorne	19,000	2.70
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
	157,000	22

BSX report continued

Registered office and principal administrative office

The registered office of the company is located at:

20 Kemp Avenue,
Mt Evelyn VIC 3796
Phone (03) 9736 1425

The principal administrative office of the company is located at:

Shop 2/35-39 Wray Crescent,
Mt Evelyn VIC 3796
Phone (03) 9737 1833

Security register

The security register (share register) is kept at:

Richard Sinnott & Delahunty
Woodbury Court,
172-176 McIvor Road,
Bendigo VIC 3552
Phone (03) 5443 1177

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.

Mt Evelyn & Districts **Community Bank**[®] Branch
Shop 2, 35-39 Wray Crescent, Mount Evelyn VIC 3796
Phone: (03) 9737 1833 Fax: (03) 9737 1844

Franchisee: Mt Evelyn & Districts Financial Services Limited
20 Kemp Avenue, Mount Evelyn VIC 3796
ABN 93 096 782 240

www.bendigobank.com.au

Bendigo and Adelaide Bank Limited, The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879. (BMPAR8040) (08/08)