

16th September 2008

Dear Shareholder,

ANNUAL REPORT- MOUNT EVELYN & DISTRICTS FINANCIAL SERVICES LTD

It is with great pleasure and pride that I am able to present the seventh 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 sixth for a full year of operation.

The 2007-2008 Financial year has seen us grow at a strong and pleasing rate and our current figures now stand at 5630 accounts and \$111.0 Million 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 have 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 grateful of 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 a full-time Customer Service Supervisor, Leanne Vaytauer. Leanne has had extensive previous banking experience and has fitted in very well with the team.

Recently you would have received correspondence from Richmond Sinnott Delahunty advising that they had been appointed by us to act as our Share Registry Provider. This appointment came about due to our previous provider, Computershare, opting to no longer provide the Registry services we require such as the issuing of dividend payments.

Under the rules of our constitution it is necessary for a third of our board to stand down prior to each AGM. Three Directors, Jan Simmons, Albert Buitenhuis and Arch Carswell have decided to stand down and each director has offered themselves for re-election. Our Board endorses the re-instatement of each Director.

I am pleased to advise that the Board accepted an application from James Chapman to join 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.

The Board has, since inception of the Company in May 2001, always had a policy of nil remuneration for Directors. After almost seven and a half years of very successful operation and growth, the Board has considered, after much deliberation and consultation whether it is appropriate for Directors to receive some remuneration for their time and effort.

The Board recognises its responsibilities, some of which are quite onerous and demanding and has always placed it's priorities toward the Shareholders, the Community and the Company including the Branch, management and staff.

Bendigo Bank's "viewpoint" is as follows-

"Background"

One of the foundations of Community Banking is the volunteer capacity of the formation steering committee and Board.

An enormous amount of time has been dedicated by you, the Board, from initial campaign stages, to opening the doors for trading, to governing the community company through its ongoing growth cycle.

While historically remuneration has not been received by directors, we recognise the key role the Board plays in the success of the Branch, along with the time, commitment and legal/moral responsibility that is inherent as a director of a public company.

As we move forward, it may be appropriate for your Board to consider remunerating the directors of your Board for the services that they provide to the company.

Community Banking Philosophy

In Bendigo's view, the underlying philosophy is that local community individuals represent their community on a voluntary basis, by taking on the role of director of the community company.

Having said this, we are mindful that each individual taking on such a role, takes on significant responsibility, has accountability to their community for their actions and in many cases the director's role involves a consistent and substantial amount of workload.

It is not Bendigo's place to decide whether community company directors be remunerated for their efforts. Ultimately it is up to each Board as to the position they take on this matter.

We are however mindful of several principles from a network and an individual community company perspective:

In making a decision to remunerate directors for their work, it is Bendigo's strong advice that it would be important to ensure that the three goals of the concept were not compromised, ie:

- Retaining from surpluses sufficient capital to ensure stability of the company and the provision of sufficient reserves for future times
- Rewarding the Shareholders, on a commercial but not excessive basis, for their contribution of capital to the business.
- Injecting profits into the community, with an overall focus on building that community's future prosperity and capacity.

The matter of remunerating directors is one that Bendigo believes needs to be put forward to the company's shareholders for consultation, prior to being voted upon by a majority of the shareholders at the meeting (including proxy votes)

Whilst the amounts proposed to be payable to directors will be determined by each Board, in Bendigo's view these amounts need to be conscionable and reasonable, taking into account the general goals of the community company."

Therefore the Board considers it is an appropriate time to put to shareholders the proposition of Director's remuneration. The Board recommends remuneration for the current financial year, ie 2008-2009 as follows:-

Chairperson	\$12000.00 per annum
Company Secretary	\$ 5000.00 per annum
Treasurer	\$ 5000.00 per annum
All other Directors	\$ 2000.00 per annum each

The proposal to shareholders for their ratification is for Director remuneration and not for specific amounts. The amounts mentioned above are as a guide and are typical of the proposal. The amounts may vary from year to year, but must be affordable after all other considerations. They will also be clearly detailed in each and every Annual Report. Upon ratification by shareholders of the proposal, the Board will develop and instigate a Director Remuneration Policy with strict guidelines and adherence to "Director Duties and Obligations" requirements.

The proposal for Director remuneration would bring our Company into line with other similar financial institutions eg. Credit Unions and many other Community Bank® companies that have also attained similar goals, success and growth.

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 the 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 97361425 or 0417 594 693.

Yours Sincerely



Allan Grundy
Chairman