

Upper Yarra Community Enterprise Ltd

Annual General Meeting 21st November 2007

Chairman's Address

I am extremely proud to be able to present our 8th Annual report to you this evening knowing that our Company is trading in such a healthy state with great potential for further economic growth. In some way I feel guilty presenting this report to you when the 2007 period was substantially presided over by Baden Berry as Chairman. Baden retired as Chairman and a highly valued member of the Board on the 30th June.

I would like to once again pass on my gratitude to Baden for the contribution that he made to the company over the last 5 years. I will say a little bit more about that later on in the meeting. We had two other board retirements during the year, former chairman and foundation director Bob Murray whom we fare welled at last years AGM, and Luciano Corallo who retired in February to concentrate on his substantial farming interests. I'd like to reiterate our appreciation of the contributions made by both Bob and Luciano.

We have slightly changed the format of the Annual General Meeting. In previous years we took the opportunity at this meeting to present grants to community groups. We have decided to move away from that format for two reasons; firstly, we acknowledge the primary purpose of an AGM is to provide a forum for shareholders to talk to the Board and clarify any issues without any external influences or time pressures. As directors of a public company we are fully aware of our responsibilities in regards to accountability and transparency and value this opportunity to interact with our shareholders.

Secondly, we believe there is greater value in grants being presented by Directors at meetings of the recipient community groups. This increases awareness of the grants program amongst the groups membership and provides an opportunity to market the Bank brand in the community in a very positive way.

The company's results in the 2007 year were again outstanding. To have increased our lending and deposit portfolio over the year by 7.6% to \$79.5 million was an excellent achievement. Particularly given there was virtually no growth in the previous financial period. This reinforces that we have the right structure in place to support the business. This growth has continued into 2008.

I am particularly pleased to report that we have undertaken a comprehensive review of policies over the year. This has resulted in the development of a number of new policies and some changes in existing policies to ensure that they are consistent with contemporary practice. Of particular note was the development of a profit distribution formula that will guide us in the future on how we allocate funds towards grants, sponsorship and shareholder dividends. The recent announcement of a 12 cent per share dividend (up from 9 cents last year) was exciting news for the Board and shareholders alike.

We are also very proud of our record in providing financial support to community groups and projects. In 2006 we contributed just over \$200,000 by way of community grants and sponsorship. As I stand here tonight we have contributed over \$600,000 in grants and contributions since June 2004, that's \$600,000 in less than 3 ½ years. This only goes to demonstrate the strength of the community bank model and of course the great success of the Warburton Bank story.

I would like to extend my congratulations to Darren and his team for their excellent work over the year. We are very lucky to have such a committed group. Very special thanks also to our Executive Officer Geoff Vickers. Geoff works tirelessly in support of the Bank and is critical in our ongoing success. Appreciation is extended to the Bendigo Bank, in particular our regional manager Alison Burr, Alison and her team have been an invaluable source of information and support to me over my first few months as chairman.

I believe it is also important to recognise the associate companies who provide us support throughout the year, this includes: Michael Aicher our company accountant, Warren Sinnott from Richmond Sinnott & Delahunty our auditors, David Rush from Rennick & Gaynor and Tim Mepstead our company solicitors. Success of most companies' depends heavily on the level of professional assistance and advice received. Our company is no exception.

As for my fellow Directors, they are an amazing group of community minded people who have willingly given of there time to support their local community. They are a delight to work with and have very capably represented you the shareholders, our customers and of course our community. To voluntarily take on the role of custodians of a \$1 Million plus community owned organisation and undertake the role with such professionalism, passion and humility is a credit to each and every one of them.

Finally I think it is appropriate for me to quickly touch on the recent announcements in regards to the opening of a new branch in partnership with the Yarra Junction community. Whilst this development did not occur in the 2007 year it is a significant milestone none the less. This is a very exciting project, with the launch of the prospectus due shortly. Whilst this venture will have an adverse impact on our balance sheet in the short term it is a great opportunity for our company to grow and extend the benefit of the community banking model across the Upper Yarra region and at the same time ensure the ongoing viability of what we have already achieved. I would like to quote the late and much respected Mr Ian De La Rue in his 2004 chairman's report: *"We would be foolish to rest on our laurels as the rewards of this journey are more than economic achievement, most importantly we must reflect on the desire and commitment to improve our community's ability to have a sustainable and viable future"*. The decision to open a second branch in partnership with the Yarra Junction community is a further step in our journey of achieving that desired sustainable and viable future for Warburton and the Upper Yarra region.

On behalf of the Board, I thank you for making your time available to attend tonight's meeting. We look forward to the ongoing growth and development of this amazingly successful community owned enterprise and look forward to your continued support.

Rodney McKail
Chairman