

# annual report 2010



Mt Evelyn & Districts  
Financial Services Limited  
ABN 93 096 782 240

Mt Evelyn & Districts **Community Bank**<sup>®</sup> Branch

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# Chairperson's report

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For year ending 30 June 2010

In this my first year as Chairperson of your Company, I take great pride in reporting another excellent result for this the 2010 financial year. This is our eighth year of operation and our ninth Annual Report.

## **Our values**

Mt Evelyn & Districts Financial Services Ltd operates by the following values:

- Commitment to exceed customer expectations.
- Products relevant to our respective customers' lifestyles and needs.
- Being proud to be a regional and **Community Bank**<sup>®</sup> branch in building long term relationships with our customers.
- Maintaining public trust by always acting in an ethical manner.
- Providing convenient access to our services.
- Delivering "value" and ensuring equity and fairness in pricing.
- Leading and empowering our staff to make a difference.
- Contributing to the communities in which we operate.

## **Our vision**

Mt Evelyn & Districts Financial Services Ltd through its **Community Bank**<sup>®</sup> branch operations, has continued to provide profits that underpin enterprise and encourage generational, shareholder and community support for banking services, which in turn will lead to enhanced community and work environments strengthened by ethical governance.

## **Our mission**

We have focused on providing a level and breadth of banking services that build confidence and trust thereby engaging the community to ensure long term sustainability, and growth for the business, partnerships, community and shareholders. We have continued to achieve through excellence, equality, integrity, loyalty, respect and trust.

## **Our current position**

Since taking over the Chair position at last year's AGM, I have found the role to be extremely rewarding, although challenging at times. I have enjoyed immensely the opportunity to be involved in making a difference to some of the various sectors of our community.

This last year has been a very busy one, to say the least. Whilst the establishment of a second branch in Montrose has taken a lot of work, it has not distracted us from our obligations and regular commitments to our Mt Evelyn & Districts **Community Bank**<sup>®</sup> Branch. I think that our results for this financial year will be testimony to this. Extra time throughout the year has been put in for the necessary meetings for the legalistic and new branch requirements with Bendigo and Adelaide Bank Ltd. An enormous amount of time was also spent on the "right"

## Chairperson's report continued

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site acquisition and the legalities incurred with that, plus regular meetings with the Steering Committee and Bendigo and Adelaide Bank Ltd to drive the campaign forward.

I would now like to acknowledge the Montrose Steering Committee, chaired by Gareth Little-Hales. The group has worked tirelessly over the last eighteen months in giving up their time, a lot of which was on weekends. They are extremely passionate and are to be applauded for their efforts. On behalf of the Directors, management and the shareholders, I sincerely thank you all.

It is extremely pleasing to see a strong profit and growth result, especially given the economic turmoil that we have all seen. I am delighted to announce that the value of our business has grown from \$120 million at 30 June 2009 to just over \$133 million at 30 June 2010. This represents an increase of 10.9%.

Our bank business is comprised of 50% loans and 50% deposits, a very favorable mix. Our account base at the time of writing this report (early October) has also grown from 6,020 to 6,421 and the current value of the business is just over \$140 million. The total revenue for the fiscal year was \$1,276,410 compared with \$1,090,930 for the previous year. This equates to an increase of 17%. Profit after tax was \$154,918, an increase on last year's \$125,015 of 23.92%.

These figures have been achieved through sound management by our Manager David Watt, and his committed staff and the strong implementation of policies and procedures from excellent governance by your Board. To date, Mt Evelyn and Districts Financial Services Ltd has given back to the community \$425,020 in sponsorships and \$514,971 in community grants.

Approximately another \$90,000 will be given out to recipients at this year's AGM in November. To date, the Company has paid shareholders dividends to the total of \$309,456. An announcement on this year's dividend will also be made at the AGM. It is prudent to mention that in excess of \$50,000 has been invested in the Montrose branch campaign costs, incurred throughout the year. This actually makes our after tax profit in the vicinity of \$200,000, a 60% increase on last year.

### **Directors**

Now I would like to acknowledge my fellow Directors, who bring a diverse range of skills to the running of your Company. Your Board is in very good shape to govern in bringing a strong sense of community, inherent diversity of background and residential location, all of which develops balanced and constructive discussion on views of strategical alternatives. The cohesion of the Board is reflected in the low turnover of Directors and high attendance records of Board meetings.

I am extremely grateful for the support given to me by my fellow Directors in my inaugural year as Chair. Their encouragement and belief in me has emboldened me in embracing my role. I would particularly like to thank the executive members, our Treasurer Margi Sank for her assistance and moral support, Deputy Chair Gai Williams for her backup and support and James Chapman for his support in his secretarial role. James Chapman took over the role of Company Secretary in March this year and has confidently settled into the role and is doing a fantastic job. My sincere thanks are also extended to Jan Simmons, Craig Keithley, Gareth Little-Hales and Albert Buitenhaus for their continuing outstanding contribution.

We recently welcomed Iain Fraser, who has transitioned from the Montrose Steering Committee to join our Board. Iain has a strong involvement with local groups and initiatives in Montrose, where he lives with his family. Iain's appointment will be ratified at the AGM. We now have three Board members from Montrose, whom we are sure are going to be very proactive in driving business to the "new branch".

## Chairperson's report continued

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I would also like to announce that it is with much regret that we see the resignation of Albert Buitenhaus effective from the AGM, 25 November 2010. Albert has been an integral member of the Board, a large part of the time as Company Secretary and more recently as Director and member of the Montrose Steering Committee. Albert's dedication and commitment to "our bank" has been exceptional.

We have been extremely fortunate to have had Albert stay on for another year after his initial plans to retire last year. On behalf of the Board I would like thank you Albert for your commitment and outstanding input throughout your time on the Board and to extend our sincere best wishes for the future. We wish you and Kathy good health, prosperity and "happy caravanning".

### **The branch team**

David Watt and his staff have outdone themselves again this year. The positive results this year can certainly be attributed to our wonderful and dedicated frontline team. Without David's drive and determination and without the efforts of the staff towards providing exceptional customer service, we would certainly not be basking in the warmth of another profitable year.

I am constantly hearing praise for the personalized service that they deliver to all our customers. Whether a customer has substantial holdings with the branch or a small savings account, everyone is treated with equal importance and respect. They all do a fantastic job and I cannot praise them highly enough. I sincerely thank David and his team on behalf of the Board and the shareholders.

To incorporate Montrose into our Company structure, changes were necessary to the staffing arrangements at Mt Evelyn. I am delighted to announce that David Watt has been appointed as Senior Group Manager of both Mt Evelyn and Montrose branches and Leanne Vaytaufer has stepped up to take on the Manager's role at Mt Evelyn. Kevin Wilson has been appointed as Customer Service Supervisor at Mt Evelyn and Bev Doig has taken on a special Customer Relationship Officer role to assist David. The Board congratulates all on their appointments. Assisting David at Mt Evelyn branch also is Melissa, our Customer Relationship Officer and Customer Service Officers, Sandra, Lynne, Jan, Sue, Kaye and Janet (who was appointed earlier in the year to relieve between the two branches). We have also recently appointed Shelley Murcutt, our new Branch Manager for Montrose who has been working out of the Mt Evelyn branch since July this year. Shelley is very keen to "roll up her sleeves" and has already spent a lot of time introducing herself to the locals and traders in the shopping strip at Montrose. We welcomed both Janet and Shelley to the team.

At present we are interviewing for the balance of staff for Montrose which will comprise of three Customer Service Officers and a Customer Relationship Officer. It is anticipated that the branch will be very busy, especially in the first few weeks. The staff from Mt Evelyn will be a fantastic support and backup to the Montrose team, when required.

### **Bendigo and Adelaide Bank Ltd**

In March this year we lost our Regional Manager, Alison Burr who was elevated to Area Manager for the East and South East Regions of Victoria. Alison had been our minder since 2006 and gave us the utmost support and encouragement. We wished her every success for her new role. As the Yarra Valley region is part of Alison's charge, we still get to see her from time to time.

A strong relationship with our partner Bendigo and Adelaide Bank Ltd is vital for the success of the Company and I can assure you that our support team from Bendigo and Adelaide Bank Ltd is right behind us all the way. I thank all of our support team at the Regional Office for all of your assistance throughout the year. Mark Nolan has

## Chairperson's report continued

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replaced Alison as our Regional Manager and has quickly settled into the role since moving from Western Australia with his family to take up the position. Mark began attending our Board meetings in April and I believe we are developing a strong relationship with him. Mark is diligent in his promptness in answering and reporting back to our concerns. We look forward to continuing and strengthening our relationship with him.

Adam Rimington, our Community Development Support Manager, has been with us from the beginning of the Montrose campaign. Adam's guidance and encouragement throughout the eighteen months of campaigning and the last three months of planning the branch fit-out and Grand Opening has been outstanding and very much appreciated. When the progress had slowed up at times with the process Adam always had positive words of encouragement and faith in us. I would like to take this opportunity to sincerely thank Adam for all his hard work in assisting us in bringing the **Community Bank**<sup>®</sup> concept to Montrose.

In November 2009, The Australian Financial Review's Investor magazine conducted a survey which saw Bendigo and Adelaide Bank Ltd voted the best overall service provider and day to day banking provider for 2009.

In May 2010, Bendigo and Adelaide Bank Ltd's **Community Bank**<sup>®</sup> network celebrated a momentous milestone with the announcement that it has now returned more than \$40 million dollars to support local community groups and projects right across Australia. The milestone further strengthens the importance of the **Community Bank**<sup>®</sup> network as an alternative source of funding for local community initiatives.

In August 2010, a Brisbane based consulting firm, Engaged Marketing, released results of its latest Consumer Loyalty Benchmarking study, naming Bendigo Bank as having the equal highest Net Promoter Score in the Australian banking sector. The survey based on more than 6,600 consumer responses, rated nine banks on customer loyalty using the Net Promoter Score, which measures the likelihood to recommend.

Bendigo and Adelaide Bank Ltd is committed to help grow the prosperity of our "community" and we are proud to have them as our business partner.

### **Business expansion**

At the time of my appointment as Chair, we were nine months into the campaign of engagement with the community of Montrose to establish a **Community Bank**<sup>®</sup> branch in their town. An Extraordinary General Meeting was held by our Company in January 2010 for the adoption by our shareholders of a new constitution and the new share issue in the Company by way of a prospectus for the proposed Montrose branch. Voting was unanimous on both counts. Bonus shares were issued to make it equitable between existing shareholders and the new applicants.

Soon after, based on the unanimous decision to proceed, the success of the feasibility study conducted in August 2009 by independent Auditors HLB Mann Judd Consulting and the strength of our business plan, Bendigo and Adelaide Bank Ltd granted our Company a franchise agreement and congratulated our Company on this milestone achievement. We officially launched our new prospectus for Montrose in March and by the cut-off date of 25 June had exceeded our minimum target required of \$750,000 in share applications by \$82,551, giving us a total of \$832,551. This provided the Company with extra working capital after the branch set up costs are paid. Our share base went from 702,510 as at 30 June 2009 to 2,940,081 at 30 June 2010, when we were delighted to allot 82,551 new shares at \$1 each to our new shareholders.

The last three months have been very busy in procuring a suitable location, organising the branch fit-out and the official launch of the new branch on 12 November 2010. We believe that we have achieved the best outcome for our site with an agreement in place for an initial rental period and the purchase of the freehold on the second

## Chairperson's report continued

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anniversary of the commencement of the lease. Thus, creating another long term asset for our Company. We believe that we have a strong and compatible union with Montrose and with the solid foundations from the Mt Evelyn branch, the support of Bendigo and Adelaide Bank Ltd and with David and his team at the helm, Montrose **Community Bank**<sup>®</sup> Branch will flourish and grow the strong roots that it needs to support its own community with the profits of its success.

We will continue to explore other expansion opportunities, with you the shareholder's, best interests at heart.

### Snapshot since last year's AGM

November 2009	Branch staff Bushfire Plan Policy developed
December 2009	The Allan Grundy Youth Achievement Award presented
January 2010	Extraordinary General Meeting
March 2010	Franchise agreement approved
	Due diligence process conducted for Montrose
	New prospectus listed with ASIC
April 2010	Prospectus launch
May 2010	Our eighth birthday
	State Conference, Lorne, Victoria
	Interviews for Montrose Manager
June 2010	Share offer closed and issue of new shares
	Capital raised necessary for Montrose branch
July 2010	Premises secured for Montrose branch
	Appointment of Branch Manager for Montrose
September 2010	Lease commenced for Montrose branch
	Montrose branch fit-out commences
	National Conference, Adelaide
October 2010	Recruitment of staff for Montrose
	Hand-over of branch on completion of fit-out
November 2010	Grand Opening of Montrose <b>Community Bank</b> <sup>®</sup> Branch
	Annual General Meeting
	Presentation of Grants for 2010

### Sponsorships for 2009 – 2010

We have been delighted to assist many groups and clubs again this year. Some of which are:-

Mount Evelyn Football Club	Mt Evelyn Pony Club	Lilydale Bowling Club
Mt Evelyn Netball Club	Monbulk Soccer Club	Lilydale Football Club
Coldstream Football Club	Eastern Health	Bridge Builders
Joy Avenue Pre School	Monbulk Bowling Club	Yarra Glen Fire Brigade
Eastwood Golf Club	Mount Evelyn Junior Football Club	Montrose Football Club

## Chairperson's report continued

Morrison House	Japara Community House Montrose	Sarah Court Pre School
Monbulk Cricket Club	Mount Evelyn Scouts	Bowel Cancer Australia
Mount Evelyn Primary School	Rotary Club of Lilydale	Monbulk Soccer Club
Mount Evelyn Tennis Club	Yarra Glen Football Club	Basin Football Club
Mt Evelyn Relay For Life	Mount Lilydale Old Collegians Football Club	Mt Evelyn Junior Football Club
Walmsley Retirement Village	Variety Club	Montrose Tennis Club
Coldstream Cricket Club	Monbulk Ranges Soccer Club	Mount Evelyn Auskick
Croydon Golf Club	Monbulk Netball Club	Pembroke (Student Driver Ed)
Yarra Glen Fire Brigade	Montrose Soccer Club	Montrose Lions
Mt Evelyn Cricket Club	Mt Dandenong Pre School	Mount Evelyn Toy Library
Eastern Ranges Football Club	Monbulk Football Club	Lions Club of Lilydale
Eastern Volunteers	Croydon Cricket Club	
Eastwood Golf Club		
The Basin Community House		

### Community Grants 2010

To be presented at the AGM 25 November 2010

Melba Support Services	Bridge Builders
Careforce Community Services	Coldstream Social & Sporting Club
Morrison House	Mt Evelyn Girl Guides
Hills Community Childcare	Mountain Top Toy Library
Montrose Football Club	Sarah Court Pre School
Mt Evelyn Football/Netball Club	
Scouts Victoria	
Mt Dandenong Pre School	

### Summary

As Chairperson I thank you, our shareholders, for the support and faith that you have shown in your Board of Directors, in allowing us to represent you in overseeing the operations and strategic direction of our Company. Make no mistake. The achievements of this Company would not be possible without the support and trust provided by our customers, our shareholders and the community at large. This support and trust carries with it considerable responsibility which your Board willingly accepts. We are mindful of our duties to all who contribute to our Company.

As shareholders, you are ambassadors of our **Community Bank**<sup>®</sup> branch and the tangible benefits it brings to "our community". We want you to spread the word and to encourage others to support the bank that supports your community. I encourage those shareholders who are not yet banking with Mt Evelyn and Montrose branches, that you consider doing so. For those who are already enjoying the **Community Bank**<sup>®</sup> experience, we encourage you to share this with your family and friends.



## Chairperson's report continued

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In closing I would like to say that your Board of Directors contribute generously of their time to embrace the **Community Bank®** philosophy and work cooperatively toward achieving our goals for your Company.

We are in a strong financial position.

We will continue and look to increase our community engagement.

We are confident of obtaining our objectives throughout 2010/2011.

We will continue to explore other business expansion opportunities.

I look forward to our Annual General Meeting with shareholders on Thursday 25 November at 7.00pm 2010 at Pembroke Secondary College, 2 Old Hereford Road, Mt Evelyn (next to Morrison House).



**Jill Rule**

**Chairperson**

# Senior Manager's report

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For year ending 30 June 2010

Our **Community Bank**<sup>®</sup> branch has now been open for eight and a half years. In that time, the branch has consistently met proposed business expansion levels and the total business sits at around \$140 million. The community of Mount Evelyn should be proud of the effort that went into creating its own **Community Bank**<sup>®</sup> branch and the way it has supported the branch once the front doors were opened back in May 2002.

I would like to thank Jill Rule and the Board of Directors, our shareholders and Alison Burr, Mark Nolan and the Bendigo and Adelaide Bank Ltd Regional team for their on going support as the branch develops.

Part of that development is our partnership with the community of Montrose, which has resulted in the establishment of the Montrose **Community Bank**<sup>®</sup> Branch. It would be remiss of me not to acknowledge the efforts of the Montrose **Community Bank**<sup>®</sup> Steering Committee and in particular those efforts of Jill Rule. Not only was Jill in the chair at Mount Evelyn and driving the Company growth, but Jill also spent countless hours working with the Montrose Steering Committee and her efforts in securing our branch building were nothing short of remarkable.

Margi Sank was also involved in the transition of our Montrose branch premises, and we acknowledge a very satisfactory outcome thanks to both Jill and Margi.

I think it prudent from a branch team perspective to acknowledge the efforts of not only Jill, but all the Board and Steering Committee members whose tireless efforts can sometimes go unnoticed.

It is also noted that Albert Buitenhuis has decided that after a long tenure as a Director, it is time to move on to some much deserved rest and recreation. Albert has made an outstanding contribution and the whole branch team wishes him and his wife Kathy all the very best for the future.

I would also like to acknowledge the efforts of our dedicated staff. Through a branch restructure at Mount Evelyn, Leanne has been appointed as your new Branch Manager. We believe we have made an outstanding appointment, and under Leanne's guidance the branch will continue to grow. Kevin, our Customer Service Supervisor, will lead a strong team of Melissa, our Customer Relationship Officer along with our Customer Service Officers, Sandra, Lynne, Jan, Susan, Kaye and Janet. The team has set an example of service clearly above and beyond the call of duty through past years and we are confident this will continue for many years to come.

I would like to thank each member of the Mt Evelyn & Districts **Community Bank**<sup>®</sup> Branch team for their outstanding contribution to our business growth to date.

We now welcome the Montrose **Community Bank**<sup>®</sup> Branch team to our family. Shelley has been appointed Branch Manager, with Anne as her Customer Relationship Officer and they will be ably supported by Shirleen, Sharon and Mandy as the branch grows to a very strong contributor to the local community of Montrose.

Both branches are 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.

## Senior Manager's report continued

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Finally, my role has changed slightly and I look to provide a supporting role to our clients and two branches. Bev will join me in a special Customer Relationship Officer role and we look forward to our new challenges to ensure both Mount Evelyn & Districts and Montrose **Community Bank**<sup>®</sup> branches reach their full potential and support both Communities for many years to come.

One of the strengths of the **Community Bank**<sup>®</sup> concept 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**  
**Senior Manager**

# Directors' report

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For the financial year ended 30 June 2010

Your Directors submit the financial report of the Company for the financial year ended 30 June 2010.

## 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

Director  
Operations Manager - Retired  
Director since 11 May 2001  
Resigned on 29 October 2009

### Janette Christine Simmons

Director  
Manager  
Director since 11 May 2001

### James Justin Chapman

Secretary  
Manager  
Director since 19 December 2007

### Craig Keithley

Director  
Police Officer  
Director since 28 May 2002

### Gareth Little-Hales

Director  
Environmental Health Officer  
Director since 30 October 2008

### Margaret Calder Sank

Treasurer  
Accountant  
Director since 11 May 2001

### Jillian Lorraine Rule

Chairman  
Retailer  
Director since 11 May 2001

### Gai Williams

Director  
Pharmacist  
Director since 26 August 2009

### Albert Buitenhuis

Director  
Horticulturist  
Director since 18 November 2004  
Resigned 24 August 2010

### Iain Warren Fraser

Director  
Police Officer  
Director since 24 August 2010

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**<sup>®</sup> services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Ltd.

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

# Directors' report continued

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## Operating results

The profit of the Company for the financial year after provision for income tax was \$154,918 (2009: \$125,015).

Dividends	Year ended 30 June 2010	
	Cents per share	\$
Dividends paid in the year:		
- Final dividend for the year ended 30 June 2009	9.8	68,846

## Significant changes in the state of affairs

The Company has raised \$832,551 in capital during the year for the opening of their second branch site.

In the opinion of the Directors there were no other 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

In order to secure the premises from which to operate the Montrose branch, the Company has signed an agreement on 17 August 2010 to purchase these premises along with the associated business. A lease agreement has been entered into while awaiting settlement of the property. The Montrose branch works commenced on 7 September 2010.

There are no other 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.

The Company is to open their second branch site in Montrose in November 2010.

## Directors' benefits

Other than stated below 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.

Prior to 1 November 2008 no Directors' fees were paid as the positions were held on a voluntary basis. Monthly payment of Directors commenced on 1 December 2008 in arrears. Directors will only receive payments after six months of service.

## Directors' report continued

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### Directors' benefits (continued)

Director remuneration for the year ended 30 June 2010:

	Primary benefits salary & fees 2010 \$	Primary benefits salary & fees 2009 \$
Allan Alexander Grundy (resigned 29 October 2009)	5,116	7,000
Margaret Calder Sank	5,113	2,917
Janette Christine Simmons	2,045	1,167
Jillian Lorraine Rule	9,008	2,917
Gareth Little-Hales	2,045	-
Gai Williams (appointed 26 August 2009)	1,306	-
Craig Keithley	2,045	1,167
Albert Buitenhuis (resigned 24 August 2010)	5,113	2,917
James Justin Chapman	2,045	1,167
Iain Warren Fraser (appointed 24 August 2010)	-	-

### Indemnification and Insurance of Directors and Officers

The Company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

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' report continued

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## Directors' meetings

The number of Directors' meetings attended during the year were:

<b>Director</b>	<b>Board meetings #</b>
Allan Alexander Grundy (resigned 29 October 2009)	5 (14)
Margaret Calder Sank	12 (14)
Janette Christine Simmons	14 (14)
Jillian Lorraine Rule	13 (14)
Gareth Little-Hales	11 (14)
Gai Williams (appointed 26 August 2009)	13 (14)
Craig Keithley	12 (14)
Albert Buitenhuis (resigned 24 August 2010)	13 (14)
James Justin Chapman	14 (14)
Iain Warren Fraser (appointed 24 August 2010)	-

# The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

## Company Secretary

James Chapman took over the Company Secretary position after Albert Buitenhuis resigned from the position on 23 February 2010. James has spent his entire life living on the Mt Evelyn and Lilydale border. Qualified in marketing and accounting, James is currently a small business advisor. He has previously operated an equipment leasing business and currently runs an online boat retailing business. James is the Treasurer of the Mt Evelyn RSL and has worked in manufacturing, professional services, superannuation and finance and human resource management and finance and human resource management industries.

## 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, James Chapman, Albert Buitenhuis (resigned) 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.

# Directors' report continued

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## **Auditor Independence Declaration**

The Directors received the following declaration from the Auditor of the Company:

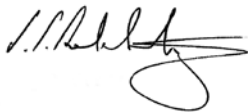
### **Richmond Sinnott & Delahunty** Chartered Accountants



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

## **Auditor's Independence Declaration**

In relation to our audit of the financial report of Mt Evelyn & Districts Financial Services Limited for the financial year ended 30 June 2010, 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.



**Philip Delahunty**

**Partner**

Richmond Sinnott & Delahunty

9 September 2010

Signed in accordance with a resolution of the Board of Directors at Mt Evelyn, Victoria on 9 September 2010.



**Jillian Lorraine Rule**

**Chairperson**



# Financial statements

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## Statement of comprehensive income For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenue from ordinary activities	2	1,276,410	1,090,930
Employee benefits expense	3	(495,216)	(461,291)
Depreciation and amortisation expense	3	(33,886)	(31,870)
Finance costs	3	(16)	(17)
Charitable donations and sponsorship		(273,894)	(197,482)
Administration & other expenses from ordinary activities		(251,656)	(221,052)
<b>Profit before income tax expense</b>		<b>221,742</b>	<b>179,218</b>
Income tax expense	4	66,824	54,203
<b>Profit after income tax expense</b>		<b>154,918</b>	<b>125,015</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>154,918</b>	<b>125,015</b>
<b>Earnings per share (cents per share)</b>			
- basic for profit for the year	24	8.51	17.80
- diluted for profit for the year	24	8.51	17.80

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of financial position As at 30 June 2010

	Note	2010 \$	2009 \$
<b>Current assets</b>			
Cash and cash equivalents	6	1,258,889	341,055
Receivables	7	133,379	107,610
Other assets	8	4,819	4,666
<b>Total current assets</b>		<b>1,397,087</b>	<b>453,331</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	437,777	441,403
Deferred tax assets	4	21,619	21,713
Intangible assets	10	33,692	29,449
<b>Total non-current assets</b>		<b>493,088</b>	<b>492,565</b>
<b>Total assets</b>		<b>1,890,175</b>	<b>945,896</b>
<b>Current liabilities</b>			
Payables	11	51,607	40,885
Current tax payable	4	31,751	16,373
Loans and borrowings	12	240	225
Provisions	13	69,159	69,618
<b>Total current liabilities</b>		<b>152,757</b>	<b>127,101</b>
<b>Non-current liabilities</b>			
Other liabilities	14	2,500	2,500
<b>Total non-current liabilities</b>		<b>2,500</b>	<b>2,500</b>
<b>Total liabilities</b>		<b>155,257</b>	<b>129,601</b>
<b>Net assets</b>		<b>1,734,918</b>	<b>816,295</b>
<b>Equity</b>			
Share capital	15	1,527,561	695,010
Retained earnings	16	207,357	121,285
<b>Total equity</b>		<b>1,734,918</b>	<b>816,295</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of cash flows For the year ended 30 June 2010

	Note	2010 \$	2009 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		1,313,493	1,141,250
Cash payments in the course of operations		(1,089,158)	(948,130)
Interest paid		(16)	(17)
Interest received		15,650	10,414
Income tax paid		(51,352)	(32,082)
<b>Net cash flows from operating activities</b>	<b>17b</b>	<b>188,617</b>	<b>171,435</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(15,708)	(1,018)
Payments for intangible assets		(18,795)	(2,500)
<b>Net cash flows used in investing activities</b>		<b>(34,503)</b>	<b>(3,518)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		15	17
Dividend paid		(68,846)	(86,409)
Proceeds from share issue		832,551	-
<b>Net cash flows from / (used in) financing activities</b>		<b>763,720</b>	<b>(86,392)</b>
<b>Net increase / (decrease) in cash held</b>		<b>917,834</b>	<b>81,525</b>
Cash and cash equivalents at start of year		341,055	259,530
<b>Cash and cash equivalents at end of year</b>	<b>17a</b>	<b>1,258,889</b>	<b>341,055</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

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### Statement of changes in equity For the year ended June 2010

	Note	2010 \$	2009 \$
<b>Share capital</b>			
Balance at start of year		695,010	695,010
Issue of share capital		832,551	-
Share issue costs		-	-
<b>Balance at end of year</b>		<b>1,527,561</b>	<b>695,010</b>
<b>Retained earnings</b>			
Balance at start of year		121,285	82,679
Profit after income tax expense		154,918	125,015
Dividends paid	23	(68,846)	(86,409)
<b>Balance at end of year</b>		<b>207,357</b>	<b>121,285</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2010

## Note 1. Basis of preparation of the financial report

### **(a) Basis of preparation**

Mt Evelyn & Districts Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 9 September 2010.

### **(b) Statement of compliance**

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. 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 2009 financial statements.

#### **Income tax**

Deferred income tax is provided on all temporary differences at the reporting 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 reporting 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.

# Notes to the financial statements continued

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

### **Income tax (continued)**

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.

### **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:

<b>Class of asset</b>	<b>Depreciation rate</b>
Buildings	2.5%
Building 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.

### **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.

# Notes to the financial statements continued

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## Note 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 Statement of Financial Position. Cash flows are included in the Statement of Cash Flows 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 reporting 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 statement of cash flows, 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).

# Notes to the financial statements continued

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## Note 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.

### Loans and borrowings

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.

### Share 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.

	2010	2009
	\$	\$

## Note 2. Revenue from ordinary activities

### Operating activities

- services commissions	1,260,760	1,080,516
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### Non-operating activities:

- interest received	15,650	10,414
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<b>Total revenue from ordinary activities</b>	<b>1,276,410</b>	<b>1,090,930</b>
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## Notes to the financial statements continued

	2010 \$	2009 \$
<b>Note 3. Expenses</b>		
<b>Employee benefits expense</b>		
- wages and salaries	441,900	402,087
- superannuation costs	48,510	46,470
- workers' compensation costs	1,533	1,113
- other costs	3,273	11,621
	<b>495,216</b>	<b>461,291</b>
<b>Depreciation of non-current assets:</b>		
- buildings	6,159	6,159
- building improvements	1,466	1,466
- property, plant and equipment	11,709	13,451
<b>Amortisation of non-current assets:</b>		
- intangibles	14,552	10,794
	<b>33,886</b>	<b>31,870</b>
<b>Finance costs</b>		
- Interest paid	16	17
Bad debts	4,728	3,428

## 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%	66,522	53,766
Add tax effect of:		
- Non-deductible expenses	208	3,062
<b>Current income tax expense</b>	<b>66,730</b>	<b>56,828</b>
Origination and reversal of temporary differences	94	(2,625)
<b>Deferred income tax benefit</b>	<b>94</b>	<b>(2,625)</b>
<b>Income tax expense</b>	<b>66,824</b>	<b>54,203</b>

## Notes to the financial statements continued

	2010 \$	2009 \$
Note 4. Income tax expense (continued)		
<b>Deferred tax assets</b>		
<b>Future income tax benefits arising from temporary differences are recognised at reporting date as realisation of the benefit is regarded as probable.</b>	<b>21,619</b>	<b>21,713</b>
<b>Tax liabilities</b>		
<b>Current tax payable</b>	<b>31,751</b>	<b>16,373</b>

### 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	3,900	3,650
- Share registry services	5,722	2,806
- Company valuation services	1,500	-
- Prospectus services	2,500	-
	<b>13,622</b>	<b>6,456</b>

### Note 6. Cash and cash equivalents

<b>Cash at bank and on hand</b>	<b>1,258,889</b>	<b>341,055</b>
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### Note 7. Receivables

Commission receivable	122,596	107,610
Interest receivable	10,783	-
	<b>133,379</b>	<b>107,610</b>

### Note 8. Other assets

<b>Prepayments</b>	<b>4,819</b>	<b>4,666</b>
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## Notes to the financial statements continued

	2010 \$	2009 \$
<b>Note 9. Property, plant and equipment</b>		
<b>Land at cost</b>	<b>118,611</b>	<b>118,611</b>
<b>Buildings</b>		
At cost	253,903	247,903
Less accumulated depreciation	(45,677)	(39,518)
	<b>208,226</b>	<b>208,385</b>
<b>Building improvements</b>		
At cost	58,641	58,641
Less accumulated depreciation	(8,563)	(7,097)
	<b>50,078</b>	<b>51,544</b>
<b>Plant and equipment</b>		
At cost	180,923	172,727
Less accumulated depreciation	(120,061)	(109,864)
	<b>60,862</b>	<b>62,863</b>
<b>Total written down amount</b>	<b>437,777</b>	<b>441,403</b>
<b>Movements in carrying amounts</b>		
<b>Buildings</b>		
Carrying amount at beginning of year	208,385	213,526
Additions	6,000	1,018
Disposals	-	-
Depreciation expense	(6,159)	(6,159)
<b>Carrying amount at end of year</b>	<b>208,226</b>	<b>208,385</b>
<b>Building improvements</b>		
Carrying amount at beginning of year	51,544	53,010
Additions	-	-
Disposals	-	-
Depreciation expense	(1,466)	(1,466)
<b>Carrying amount at end of year</b>	<b>50,078</b>	<b>51,544</b>

## Notes to the financial statements continued

	2010 \$	2009 \$
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### Note 9. Property, plant and equipment (continued)

#### Plant and equipment

Carrying amount at beginning of year	62,863	76,314
Additions	9,708	-
Disposals	-	-
Depreciation expense	(11,709)	(13,451)
<b>Carrying amount at end of year</b>	<b>60,862</b>	<b>62,863</b>

### Note 10. Intangible assets

#### Preliminary costs

At cost	21,295	2,500
Less accumulated amortisation	(4,759)	(500)
	<b>16,536</b>	<b>2,000</b>

#### Franchise renewal fees

At cost	51,467	51,467
Less accumulated amortisation	(34,311)	(24,018)
	<b>17,156</b>	<b>27,449</b>
	<b>33,692</b>	<b>29,449</b>

### Note 11. Payables

Trade creditors	18,393	10,991
Other creditors and accruals	33,214	29,894
	<b>51,607</b>	<b>40,885</b>

### Note 12. Loans and borrowings

#### Current

<b>Bank loan</b>	<b>240</b>	<b>225</b>
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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.

## Notes to the financial statements continued

	2010 \$	2009 \$
<b>Note 13. Provisions</b>		
<b>Employee benefits</b>	<b>69,159</b>	<b>69,618</b>

## Note 14. Other liabilities

### Non current

<b>Shire loan</b>	<b>2,500</b>	<b>2,500</b>
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The loan is non-interest bearing and does not have a specific repayment period.

## Note 15. Share capital

1,527,561 shares fully paid of \$1	1,527,561	695,010
7,500 shares issued for \$0	-	-
1,405,020 bonus shares*	-	-
	<b>1,527,561</b>	<b>695,010</b>

Equity comprises 1,527,561 fully paid shares of which 832,551 were issued during the year ended 30 June 2010. In recognition for shareholders who contributed to pre-incorporation funds to enable the feasibility study to be completed, 7,500 shares were issued with no consideration paid by the shareholders at the rate of one additional share for each \$1 contributed.

\* A bonus share issue on a 2:1 basis (1,405,020 shares) was issued to all existing shareholders on 3 December 2009.

## Note 16. Retained earnings

Balance at the beginning of the financial year	121,285	82,679
Profit after income tax	154,918	125,015
Dividends paid	(68,846)	(86,409)
<b>Balance at the end of the financial year</b>	<b>207,357</b>	<b>121,285</b>

## Notes to the financial statements continued

	2010 \$	2009 \$
<b>Note 17. Statement of cash flows</b>		
<b>(a) Cash and cash equivalents</b>		
<b>Cash assets</b>	<b>1,258,889</b>	<b>341,055</b>
<b>(b) Reconciliation of profit from ordinary activities after tax to net cash from operating activities</b>		
Profit from ordinary activities after income tax	154,918	125,015
Non cash items		
- Depreciation	19,334	21,076
- Amortisation	14,552	10,794
Changes in assets and liabilities		
- (Increase) / decrease in receivables/other assets	(25,922)	(14,515)
- Increase / (decrease) in payables	10,722	(4,013)
- Increase / (decrease) in provisions	(459)	10,957
- Increase / (decrease) in tax payable	15,378	24,746
- (Increase) / decrease in deferred tax asset	94	(2,625)
<b>Net cash flows from operating activities</b>	<b>188,617</b>	<b>171,435</b>

## Note 18. Related party disclosures

The names of Directors who have held office during the financial year are:

Allan Alexander Grundy (resigned 29 October 2009)

Margaret Calder Sank

Janette Christine Simmons

Jillian Lorraine Rule

Gareth Little-Hales

Gai Williams (appointed 26 August 2009)

Craig Keithley

Albert Buitenhuis (resigned 24 August 2010)

James Justin Chapman

Other than detailed below no Director or related entity has entered into a material contract with the Company.

Prior to 1 November 2008 no Directors' fees were paid as the positions were held on a voluntary basis. Monthly payment of Directors commenced on 1 December 2008 in arrears. Directors will only receive payments after six months of service.

## Notes to the financial statements continued

### Note 18. Related party disclosures (continued)

#### Director remuneration for the year ended 30 June 2010:

	<b>Primary benefits salary &amp; fees 2010 \$</b>	<b>Primary benefits salary &amp; fees 2009 \$</b>
Allan Alexander Grundy (resigned 29 October 2009)	5,116	7,000
Margaret Calder Sank	5,113	2,917
Janette Christine Simmons	2,045	1,167
Jillian Lorraine Rule	9,008	2,917
Gareth Little-Hales	2,045	-
Gai Williams (appointed 26 August 2009)	1,306	-
Craig Keithley	2,045	1,167
Albert Buitenhuis (resigned 24 August 2010)	5,113	2,917
James Justin Chapman	2,045	1,167
Iain Warren Fraser (appointed 24 August 2010)	-	-

<b>Directors' shareholdings</b>	<b>2010</b>	<b>Movement</b>	<b>2009</b>
Allan Alexander Grundy (resigned 29 October 2009)	8,876	19,502	6,876
Margaret Calder Sank	15,001	20,002	5,001
Janette Christine Simmons	2,938	7,752	938
Jillian Lorraine Rule	27,876	55,752	27,876
Gareth Little-Hales	1,500	1,500	-
Gai Williams (appointed 26 August 2009)	26,500	26,500	-
Craig Keithley	2,000	2,500	500
Albert Buitenhuis (resigned 24 August 2010)	9,000	16,000	7,000
James Justin Chapman	-	-	-
Iain Warren Fraser (appointed 24 August 2010)	3,500	3,500	-

The movement in share holdings comprises both share purchases and bonus shares issued during the year. Other than stated below, each share held has a paid up value of \$1 and is fully paid.

## Notes to the financial statements continued

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Note 18. Related party disclosures (continued)

<b>Directors' shareholdings (continued)</b>	<b>Movement</b>	<b>2009</b>
The following Directors shares were issued for \$0.		
Allan Alexander Grundy (resigned 29 October 2009)	1,875	1,875
Janette Christine Simmons	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.

### Note 22. Corporate information

Mt Evelyn & Districts Community Financial Services Limited 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
37 Wray Crescent, Mt Evelyn VIC 3796	37 Wray Crescent, Mt Evelyn VIC 3796



## Notes to the financial statements continued

	2010 \$	2009 \$
<b>Note 23. Dividends paid or provided for on ordinary shares</b>		
<b>(a) Dividends paid during the year</b>		
(i) Previous year final		
Franked dividends - 9.8 cents per share (2009: 12.3 cents per share)	68,846	86,409
	<b>68,846</b>	<b>86,409</b>
<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	113,442	91,595
- Franking credits that will arise from the payment / (refund) of income tax payable as at the end of the financial year	31,751	16,373
	<b>145,193</b>	<b>107,968</b>

The tax rate at which dividends have been franked is 30% (2009: 30%).

## 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:

<b>Profit after income tax expense</b>	<b>154,918</b>	<b>125,015</b>
<b>Weighted average number of ordinary shares for basic and diluted earnings per share</b>	<b>1,821,296</b>	<b>702,510</b>

# Notes to the financial statements continued

## 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 reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2010	2009
	\$	\$
Cash assets	1,258,889	341,055
Receivables	133,379	107,610
	<b>1,392,268</b>	<b>448,665</b>

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 (2009: 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.

## Notes to the financial statements continued

Note 25. Financial risk management (continued)

### (b) Liquidity risk (continued)

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$
<b>30 June 2010</b>					
Payables	51,607	(51,607)	(51,607)	-	-
Other liabilities	2,500	(2,500)	-	-	(2,500)
Loans and borrowings	240	(240)	(240)	-	-
	<b>54,347</b>	<b>(54,347)</b>	<b>(51,847)</b>	<b>-</b>	<b>(2,500)</b>
<b>30 June 2009</b>					
Payables	40,885	(40,885)	(40,885)	-	-
Other liabilities	2,500	(2,500)	-	-	(2,500)
Loans and borrowings	225	(225)	(225)	-	-
	<b>43,610</b>	<b>(43,610)</b>	<b>(41,110)</b>	<b>-</b>	<b>(2,500)</b>

### (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.

#### 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:

## Notes to the financial statements continued

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Note 25. Financial risk management (continued)

### (c) Market risk (continued)

Sensitivity analysis (continued)

	Carrying amount	
	2010	2009
	\$	\$
<b>Fixed rate instruments</b>		
Financial assets	277,425	183,492
Financial liabilities	-	-
	<b>277,425</b>	<b>183,492</b>
<b>Variable rate instruments</b>		
Financial assets	981,464	157,563
Financial liabilities	(240)	(225)
	<b>981,224</b>	<b>157,338</b>

#### 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 2009 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 Statement of Financial Position. The Company does not have any unrecognised financial instruments at year end.

## Notes to the financial statements continued

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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 Statement of Financial Position.

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 2010 can be seen in the Statement of Comprehensive Income.

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

# Directors' declaration

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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 2010 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 2010.



**Jillian Lorraine Rule**  
**Chairperson**

Signed on 9 September 2010.

# Independent audit report

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## 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 statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Mt Evelyn & Districts Financial Services Limited, for the year ended 30 June 2010.

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.

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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](mailto:rsd@rsdadvisors.com.au)  
ABN 60 616 244 309

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## Independent audit report continued

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### ***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 2010 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**

Chartered Accountants



**Philip Delahunty**  
Partner  
Bendigo

Date: 9 September 2010



# BSX report

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## Share information

In accordance with Bendigo Stock Exchange listing rules the Company provides the following information as at 9 September 2010, 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	188
1,001 to 5,000	266
5,001 to 10,000	67
10,001 to 100,000	72
100,001 and over	0
<b>Total shareholders</b>	<b>593</b>

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 43 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	75,000	2.55%
Eda Paige	60,000	2.04%
Jillian Lorraine Rule as trustee for <The Rule Super Fund A/C>	60,000	2.04%
Richard Everritt Thorne	60,000	2.04%
Simon George Miller	60,000	2.04%
John Schneider as trustee for <Schneider Family S/Fund A/C>	39,000	1.33%
Lloyd Albert Harrington	36,000	1.22%

## BSX report continued

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<b>Shareholder</b>	<b>Number of shares</b>	<b>Percentage of capital</b>
Scipio Nominees Pty Ltd	33,000	1.12%
Carolynne Marjorie Soucek & Peter Zdenek Soucek	30,000	1.02%
Dova Eng Co P/L as trustee for <Dova Eng Co P/L Superannuation Fund A/C>	30,000	1.02%
	<b>483,000</b>	<b>0</b>

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### **Registered office and principal administrative office**

The registered office of the Company is located at:

37 Wray Crescent,  
Mt Evelyn VIC 3796  
Phone: (03) 9737 1833

The principal administrative office of the Company is located at:

37 Wray Crescent,  
Mt Evelyn VIC 3796  
Phone: (03) 9737 1833

### **Security register**

The security register (share register) is kept at:

Richmond Sinnott & Delahunty Pty Ltd  
Woodbury Court,  
172-176 Mclvor Road,  
Bendigo VIC 3552  
Phone: (03) 5443 1177

### **Company Secretary**

James Chapman took over the Company Secretary position after Albert Buitenhuis resigned from the position on 23 February 2010. James has spent his entire life living on the Mt Evelyn and Lilydale border. Qualified in marketing and accounting, James is currently a small business advisor. He has previously operated an equipment leasing business and currently runs an online boat retailing business. James is the Treasurer of the Mt Evelyn RSL and has worked in manufacturing, professional services, superannuation and finance and human resource management and finance and human resource management industries.

## BSX report continued

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### **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, James Chapman, Albert Buitenhuis (resigned) 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**<sup>®</sup> Branch  
37 Wray Crescent, Mt Evelyn VIC 3796  
Phone: (03) 9737 1833

Montrose **Community Bank**<sup>®</sup> Branch  
Shop 7, 926-930 Mt Dandenong Tourist Road, Montrose VIC 3765  
Phone: (03) 9728 3177

Franchisee: Mt Evelyn & Districts Financial Services Limited  
37 Wray Crescent, Mt Evelyn VIC 3796  
Phone: (03) 9737 1833  
ABN: 93 096 782 240

[www.bendigobank.com.au/mt\\_evelyn](http://www.bendigobank.com.au/mt_evelyn)  
Bendigo and Adelaide Bank Limited,  
The Bendigo Centre, Bendigo VIC 3550  
ABN 11 068 049 178. AFSL 237879.  
(BMPAR10099) (10/10)