

Mt Evelyn & Districts  
Financial Services Limited

ABN 93 096 782 240

# annual report 2011



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

Montrose **Community Bank**<sup>®</sup> Branch

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# Chairperson's report

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For year ending 30 June 2011

As Chairperson of your Company, Mt Evelyn & Districts Financial Services Ltd, I take great pride in reporting on the 2011 financial year. This is our ninth year of operation and our tenth 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 the **Community Bank**<sup>®</sup> model, 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**

The Board is always committed to exemplary Company performance and ensuring that our community engagement is strong with tangible outcomes. Despite the turbulence of the economic crises over the last three years and the slow and uneven recovery, along with the predicted losses of the Montrose **Community Bank**<sup>®</sup> Branch, Mt Evelyn & District Financial Services Ltd has exceeded our budget forecasts again. The Company delivered another pleasing annual result, being a net profit of \$44,785 (See Financial statements).

This result has been achieved through sound management of our Senior Group Manager, David Watt, and his committed and dedicated staff. The total footings of the business has grown from \$140 million at this time last year to around \$156 million at the same time of writing this report. This represents a 9% increase. Our account base has grown from 6,420 last year to 7,200.

When reviewing the profitability of the Company, we need to be mindful of the establishment costs for Montrose. These costs included the feasibility study, expenses relating to the acquisition of the building, site modifications, branch fit-out costs (including I.T. requirements), start-up fees, training costs payable under the Franchise Agreement, legal fees, the branch launch and working capital.

## Chairperson's report continued

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We are confident Montrose **Community Bank**<sup>®</sup> Branch will become profitable in its own right. We have already received great support from local clubs and organisations and look to further cement these relationships whilst exploring other initiatives that we may be able to assist.

Mt Evelyn **Community Bank**<sup>®</sup> Branch is traveling extremely well and growth is consistent. We have maintained our involvement with sponsorships to local groups and clubs and will be giving out grants this year of \$80,000 and announcing a dividend to shareholders at the AGM.

### **Company assets**

As part of the arrangement for the Montrose **Community Bank**<sup>®</sup> Branch premises, the Company entered into an agreement on 17 August 2010 to purchase the premises along with the associated business. A lease agreement has been entered into until the settlement date of the property in 2012.

### **Directors**

Your Board is in excellent shape to deliver sound corporate governance, monitor risks, meet all fiduciary requirements and protect the shareholder's assets. Being always mindful of succession planning, the Board examines its size regularly to determine whether the number of Directors is appropriate. In this regard, the Board is satisfied that the current number of Directors is satisfactory. The Board believes that the composition fairly represents the interests of the shareholders.

We have seen some changes to our Board structure this year with the much regrettable resignation in June of James Chapman, Director and Company Secretary. James' personal business interests have required him to devote more time to his career and developing his business. James brought enthusiasm, energy and constructive contribution to the Board table, which was highly valued and appreciated. James also did an outstanding job in his Secretarial role. His social awareness and humanitarian attributes were exhibited with the charitable cause of Nadia's Challenge (children with cancer) that James brought to the attention of Bendigo and Adelaide Bank Ltd. A national campaign was launched through the Bank's Community Enterprise Foundation™. We were very proud that our Director James had instigated Bendigo and Adelaide Bank Ltd's involvement in this extremely worthwhile charitable cause.

On behalf of the Board of Directors, branch management and staff, I sincerely wish James every success for his future endeavours. I am sure that he will reach great heights in the corporate arena. Our best wishes to James.

However, we have been extremely fortunate to have two new Directors join our Board this year.

Rick Bayliss in March 2011 and Georgia Donovan in May 2011. These appointments will be ratified at our AGM in October.

Georgia brings a diverse range of skills to our Board. As a Rotary Exchange Student, Georgia has had extensive experience in a mentoring role with international students. While administrating the family's business, Ray Donovan Real Estate with her father Ray, Georgia has also developed a keen interest in community based initiatives and we look forward to her taking on a Youth Adviser role on our Board. Georgia has also been appointed as Board Secretary and will be assisting with the dissemination of Board documents and general Board related correspondence duties.

Rick brings 30 years of experience in business operation, business development and franchise management. Rick has a strong sense of community responsibility and engagement. We look forward to involving Rick in our business development, sponsorship and marketing.

On behalf of the Board, I would also like to thank Margi Sank, who has taken over the Secretarial role as well as continuing in the Company Treasurer position. The Board is extremely pleased with this outcome. Margi brings to the Secretarial role, a broad knowledge of office management and operational skills. Margi is a Registered Agent with ASIC and Tax Agent with the ATO and has always overseen BSX compliance requirements in the past. Margi

# Chairperson's report continued

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continues to do a fantastic job in competently delivering our monthly, six monthly and annual financial reports with precision timing and accuracy.

I would also like to acknowledge my other fellow Directors, who bring a diverse range of skills to the Board table. Sincere thanks to Gai Williams for her support as Deputy Chair, Jan Simmons, Craig Keithley, Gareth Little-Hales and Iain Fraser for their outstanding and constructive contribution.

Your Board has worked extremely hard this year to ensure that Montrose **Community Bank**<sup>®</sup> Branch is an integral part of the Montrose CBD and shopping precinct, whilst remaining diligent with our commitment to the Mt Evelyn **Community Bank**<sup>®</sup> Branch. We have found it worthwhile to split our marketing and sponsorship committee into sub-committees, Mt Evelyn and Montrose, to have maximum concentration on each branch. We are currently planning Montrose's 1st birthday as a street party on 19 November commencing at 9am. Next year is Mt Evelyn's 10th birthday in May, and we will definitely be celebrating that milestone.

Many **Community Bank**<sup>®</sup> Companies have recognised the need to establish an official Board Office and Meeting Room, rather than the executive committee working from their homes and holding meetings in coffee shops and others sites. This enables all the Company records to be kept in the one location and creates a more professional profile for the Company to their community. Our Board decided last year that this was the best and most practical option for our Company and began to look into finding a small office locally to lease. A couple of available spaces were considered and as I own one of them, I declared a Conflict Of Interest and was excluded from all discussion relating to the decision. The Board unanimously decided to lease my available office. We have been using the new office now for couple of months and it has been wonderful to hold our Board and committee meetings in a central location that has everything we need under one roof.

Therefore, I (Jill Rule) dutifully declare that I am the landlord of the Board Office Suite.

I would like to take this opportunity to thank Jan Simmons, CEO Morrisons, for the use of one of Morrisons meeting rooms for our Board meetings, for the last ten years or so. It really has been very much appreciated.

## **The branch team**

I cannot speak highly enough of our excellent frontline teams. Their service and enthusiasm to our shareholders and customers is exemplary. David Watt, Senior Group Manager, has done an amazing job this year in managing the 'settling in' of the new staff at Montrose, whilst continuing to oversee to the daily operations at Mt Evelyn **Community Bank**<sup>®</sup> Branch. And he has not missed a beat. On behalf of the Board, thank you David for your dedication and outstanding efforts that you put into the growth of our Company. Your tireless input definitely does not go un-noticed and is very much appreciated.

Leanne Vaytauer, in stepping up as Branch Manager, has taken on the role with enthusiasm and strong managerial skills and is doing a fantastic job managing the operations of Mt Evelyn **Community Bank**<sup>®</sup> Branch. Leanne's appointment has enabled David to concentrate more of his time on business development. Sincere Thanks to Leanne for your support to David and wonderful leadership of your team.

I am constantly hearing praise for the friendly way in which our staff attend to our customers. We are very proud of our teams for the personalised service they deliver on a daily basis. Our sincere gratitude and appreciation to Sandra, Kaye, Lynne, Janet, Sue, Sharon and Shirleen. Special thanks also go to Kevin, Bev, Melissa and Jan in assisting David and Leanne.

## **Bendigo and Adelaide Bank Ltd**

Our partner, Bendigo and Adelaide Bank Ltd, has continued to excel again this year in Australia's world of banking. Announcing an increase of almost \$100 million for the full-year profit on last year, Bendigo Bank was also recognised by The Readers Digest as "Australia's Most Trusted Bank" as well as by the Asian Banking & Finance Retail & Banking Awards as having "the best Corporate Social Responsibility program". Bendigo and

## Chairperson's report continued

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Adelaide Bank Ltd has also received credit rating upgrades from two separate Ratings Agencies and had their Basic Black Credit Card named as a winner in Your Money Magazine's Best of the Best Awards for 2011. Rural Bank, a subsidiary arm of Bendigo and Adelaide Bank Ltd, received a ratings upgrade as well.

We are extremely proud to be associated with all of these achievements.

I would like to greatly acknowledge the assistance that we receive from our State Support Centre. Area Manager Alison Burr, Regional Manager Mark Nolan and their teams are a great support not only to our branches, but for the Board's needs as well. Their expertise and commitment to assisting us in all of our needs, is very much appreciated. Special thanks to Mark Nolan.

### **Sponsorship**

We have continued to look for ways to increase our community engagement with new initiatives. This year we have sponsored local organisations, clubs, groups and the youth with just under \$161,000. Our sponsorship dollar goes to a wide and varied range of extremely worthwhile projects and initiatives. Without our support some of the many organisations would struggle to exist, or simply not be able to do the things that they do. It is extremely rewarding when we receive anecdotal feedback that a member of the community who was formerly isolated, is now able to play lawn bowls because of a club being able to assist through our support. The reciprocal benefits of these relationships are immeasurable.

You the shareholder, are part of this, and it is because you had the vision to join us in this wonderful journey, to make our "community" a better place for our children to inherit.

One exciting new initiative currently being developed with Bendigo and Adelaide Bank Ltd is Animal Aid's re-development of their facility in Coldstream. Late last year our Regional Office began discussions with Animal Aid, to see how a partnership could be developed to assist them in the re-development of their facility at Killara Road, Coldstream. Since that first meeting, great progress has been made with Federal politician's support, generous pledges from philanthropic individuals and Bendigo and Adelaide Bank Ltd engaging in a State-wide campaign to be launched next year, which will see The Hon. Fran Bailey as Capital Campaign Chair.

Animal Aid is a wonderful organisation that does so much more than is probably widely known. They were at the frontline during the devastating Black Saturday fires to help rescue wildlife and livestock, as well as domestic animals. Animal Aid has also looked after the Shire's animal pound for several years and operates a boarding kennel and veterinary clinic out of its current, old and under-equipped buildings. They also run an adoption program for misplaced animals and teach other animal shelters with outreach programs. Currently, the Yarra Ranges, Outer Eastern and Gippsland **Community Bank**<sup>®</sup> branches have agreed to jointly support the campaign in becoming a major sponsor and will offer deposit facilities in the branches for donations from the community when the campaign is launched.

So, please watch out for this very deserving cause next year around May and generously donate.

Bendigo and Adelaide Bank Ltd's philanthropic arm Community Enterprise Foundation™ launched the Queensland Flood Appeal earlier this year which we were also very proud to be associated with.

As part of our sponsorship arrangements, we sponsor many events throughout the year for our partners. This year these events ranged from sporting, awards nights, an art exhibition for students, tournaments, community events, business networking functions, activities for the Rotary and Lions Clubs in our catchments and many, many more.

One of these events was a Business Networking Breakfast that we hosted for the Lilydale Chamber of Commerce. This was extremely well attended by local businesses and guest speaker, Tim Birthisel from Bendigo and Adelaide Bank Ltd, spoke about what **Community Bank**<sup>®</sup> branches have done for their communities. I was also a speaker that day and have been complemented many times for my speech. I would like to share it with you:

## Chairperson's report continued

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The lifecycle of a **Community Bank**<sup>®</sup> branch is not unlike the lifecycle of a tree.

A seed is planted, develops into a seedling, becomes a small sapling and grows into a tree that bears fruit.

It can take several years for a tree to grow depending on growing conditions. In order to grow, a tree needs a good solid foundation, to be staked firmly to enable it to grow straight, strong and tall, and the sustenance of water and nutrients. A tree also needs to be resilient to severe weather conditions from time to time.

Occasionally, two living plants are grafted together. One part supplies a vigorous rootstock and the other provides the fruit. Each part retains its own identity, but the success of this union depends on the compatibility of the two parts. The closer the relationship between the rootstock and the grafted plant, the greater the chance of a successful union.

As the tree grows it provides shelter, shade, a safe haven and food for habitat, and nourishment from the leaves that fall for the micro-organisms that live beneath it. A tree also gives off oxygen that is the lifeblood for all living species.

When a tree is fully grown it has spread its root system into the community where it was planted. It will bear fruit if pollination of its blossoms occurs. The number of seeds inside a fruit depends on the health of the tree.

Comparably, from the first stages of planting the seed of the idea to establish a **Community Bank**<sup>®</sup> branch, the commitment and support of the community is vital for the groundwork of the planning and imbedding of the project.

When the new **Community Bank**<sup>®</sup> branch opens and grows, the firm ongoing support provided by Bendigo and Adelaide Bank Ltd strengthens the resilience of the branch to weather unfavorable conditions, like the Global Financial Crisis.

It can take some time for a branch to become profitable, but this can be sped up by the amount of business that the community brings to that branch. With good solid footings of business and the ongoing acquisition of new accounts and income streams that come from those, a **Community Bank**<sup>®</sup> branch will grow and flourish by generating profits that can then be distributed back to various local clubs, groups and organisations through community grants and sponsorships.

A **Community Bank**<sup>®</sup> branch can become a foundation and the lifeblood of a community by spreading its root network system. Sometimes this is to those who would otherwise not be able to pursue some of their plans or projects. The bottom line is that the more profit that is made the more that is given back to community.

### **Healthy Bank, Healthy Community.**

In 1999 the campaign to have a locally owned bank in Mt Evelyn began. Approximately 400 people pledged to support this proposition by investing more than \$700,000 to fund the project, which saw the opening of Mt Evelyn **Community Bank**<sup>®</sup> Branch in May 2002. During the first three years when the branch was establishing itself and spreading its roots through the community, it also managed to give back as much as possible to local sporting clubs, schools, kindergartens and groups whilst also strengthening its base in the purchasing of the branch building. After the first four years the branch had grown to become a strong business with solid footings and retained profits. It was then able to return some of its fruits also to its shareholders in the form of dividends whilst also increasing the amount of support to the community. The branch is now nine and half years old and has given back to Mt. Evelyn and districts more than \$1.2 million by way of community grants, sponsorships and dividends to our shareholders.

From the small beginnings of a sapling, the branch has now grown to become a fundamental and vital part of our town and has been a catalyst in the rapid growth of our commercial precinct. Our Manager, David Watt, and his team do a fantastic job and I am constantly hearing praise for the personalised service that they deliver to all "Our Customers". Whether a customer has substantial holdings with the branch or a small savings account, everyone

## Chairperson's report continued

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is treated with equal importance and respect. The staff love what they do, as a Board, we love what we do and we look forward to seeing the further growth of our "tree of lifeblood" to "Our Community".

Mt. Evelyn **Community Bank**<sup>®</sup> Branch branched out into Montrose with the opening of a second branch for the Company in November 2010. We believe that this is a strong and compatible union with Montrose. With the solid rootstock from Mt. Evelyn **Community Bank**<sup>®</sup> Branch, the support of Bendigo and Adelaide Bank Ltd, the shareholders as the stakeholders and under the cultivation of David and his team, Montrose **Community Bank**<sup>®</sup> Branch will flourish and grow the strong roots that it needs to support its own local community with the fruits of its success.

These are some of the many organisations and clubs we have been delighted to assist this year:

### Sponsorships for 2010 – 2011

Animal Aid	Melba	Mt Evelyn Mem Pre School
Basin Community House	Melba Support Services	Mt Evelyn Pony Club
Basin Football Club	METIC	Mt Evelyn SDS
Breast Cancer Foundation	Monbulk Bowling Club	Mt Lilydale Old Coll FC
Bridge Builders	Montrose Cricket Club	Pramwalkers
Coldstream Cricket Club	Montrose Football Club	Relay For Life
Coldstream Football Club	Montrose Lions	Rotary District 9810
Croydon Cricket Club	Montrose Rotary	Sarah Court Pre School
Croydon Golf Club	Montrose Soccer Club	SOYR (VCE Art Showcase)
Doongala Riding Club	Montrose Tennis Club	St Marys Mount Evelyn
Eastern Volunteers	Morrison's	The Basin Cricket Club
Eastwood Golf Club	Mount Evelyn Football Club	Variety Club
Hansen Park Pre School	Mount Evelyn Scouts	Yarra Glen CFA
Joy Avenue Pre School	Mt Dandenong Pre School	Yarra Glen Football Club
Lilydale Bowls Club	Mt Evelyn Auskick	Yarra Hills Secondary College
Lilydale Business Breakfast	Mt Evelyn Christian School	Yarra Valley Football / Netball
Lilydale Elderly Citizens	Mt Evelyn Cricket Club	
Lilydale Football Club	Mt Evelyn Football Club	

### Community grants 2011

We are committed again this year to our Community Grants Program. At the time of writing this report the Grant Applications for this year have not closed off. We look forward to reviewing these for assessment in the next few weeks. These will be announced at our AGM in October.

### 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> branches and the tangible



## Chairperson's report continued

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benefits they bring to our communities. We want you to spread the word and to encourage others to support the branches that supports your communities. I encourage those shareholders who are not yet banking with Mt Evelyn and Montrose **Community Bank**<sup>®</sup> 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.

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

We are in a strong financial position

We will continue our community engagement

We are confident of obtaining our objectives throughout 2011/2012

We will continue to explore other business expansion opportunities

I look forward to our AGM with shareholders on Thursday 27 October 2011, 7.00pm at Hardy House, RSL, 49 Birmingham Road, Mt Evelyn.



**Jill Rule**

**Chairperson**

# Senior Manager's report

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For year ending 30 June 2011

Our Mount Evelyn **Community Bank**<sup>®</sup> Branch has now been open for nine and a half years and in November 2010 was joined by its sister branch, the Montrose **Community Bank**<sup>®</sup> Branch. Montrose **Community Bank**<sup>®</sup> Branch is a separate branch in its own right, but created through the hard work of the Montrose community under the guidance of Mount Evelyn and Districts Financial Services Ltd, your own **Community Bank**<sup>®</sup> Company.

The Community of Mount Evelyn and districts 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.

The Montrose community will no doubt feel equally as proud of their **Community Bank**<sup>®</sup> branch.

At the time of writing this report last year, the business footings sat at around \$140 million – now the business footings for this group of two branches sits at around \$156 million – a very good result in the current economic climate.

Those footings are the result of the efforts of our dedicated branch teams. Through a branch restructure at Mount Evelyn, Leanne was appointed as your new Branch Manager. Leanne has proved to be an excellent appointment, and leads a strong team of Melissa and Jan, our Customer Relationship Officers along with our Customer Service Officers, Sandra, Lynne, Susan, Kaye and Janet.

The Montrose **Community Bank**<sup>®</sup> Branch team has worked very well as a part of our **Community Bank**<sup>®</sup> branch family. Kevin, our original Customer Service Supervisor has relocated to Montrose, and he is ably supported by Customer Service Officers Shirleen and Sharon as the branch grows to be a very strong contributor to the local community of Montrose.

Both teams have set an example of service clearly above and beyond the call of duty through the past year and we are confident this will continue for many years to come.

I would like to thank each member of the Mount Evelyn and Montrose **Community Bank**<sup>®</sup> branches team for their outstanding contribution to our business growth to date

I would like to thank Jill Rule, Gai Williams, Margi Sank 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 moves forward into the future.

Jill is tireless in her role as Board Chair and her leadership qualities are widely acknowledged. Gai and Margi have provided outstanding support in their roles as Deputy Chair and Treasurer, and with Margi now assuming the Company Secretary portfolio your Company is in very good hands indeed. With a wealth of experience in all walks of life, fellow Directors Jan Simmons, Craig Keithley, Gareth Little-Hales, Iain Fraser, Rick Bayliss and Georgia Donovan provide excellent and on going support to your Board executive.

Without the support of a very strong Board and shareholder base, your branch teams would not have been able to achieve what they have this year.

Finally, my role has changed slightly and I look to provide a supporting role to our clients and two branches. My role has expanded to include the managerial responsibilities of Montrose **Community Bank**<sup>®</sup> Branch with Bev working in a special Customer Relationship Officer role supporting the executive of both branches.

## Senior Manager's report continued

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We look forward to our new challenges to ensure both Mount Evelyn 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> model is the support of the Board of Directors and the shareholders. Please continue to play your part in the growth of our branches by spreading the word about the very personal banking service provided by your **Community Bank**<sup>®</sup> branches.



**David Watt**  
**Senior Manager**

# Directors' report

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For the financial year ended 30 June 2011

Your Directors submit the financial report of the Company for the financial year ended 30 June 2011.

## Directors

The names and details of the Company's Directors who held office during or since the end of the financial year are:

### **Janette Christine Simmons**

Director  
Manager  
Director since 11 May 2001

### **James Justin Chapman**

Secretary  
Manager  
Director since 19 December 2007  
Resigned 21 June 2011

### **Craig Keithley**

Director  
Police Officer  
Director since 28 May 2002

### **Gareth Little-Hales**

Director  
Environmental Health Officer  
Director since 30 October 2008

### **Iain Warren Fraser**

Director  
Police Officer  
Director since 24 August 2010

### **Georgia Miriam Donovan**

Director  
Administrator  
Director since 31 May 2011

### **Margaret Calder Sank**

Treasurer and Company Secretary  
Accountant  
Director since 11 May 2001  
Appointed Company Secretary 21 June 2011

### **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

### **Warwick Bayliss**

Director  
Company Director  
Director since 1 March 2011

Directors were in office for this entire year unless otherwise stated.

No Directors have material interests in contracts or proposed contracts with the Company.

# Directors' report continued

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## 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.

## Review of operations

The profit of the Company for the financial year after provision for income tax was \$44,785 (2010: \$154,918).

Dividends	Year ended 30 June 2011	
	Cents per share	\$'000
Dividends paid in the year:		
- Final dividend for the year ended 30 June 2010	2.5	73,502

## Significant changes in the state of affairs

The Company opened their second branch site in Montrose during the year.

In order to secure the premises from which to operate the Montrose branch, the Company signed an agreement on 17 August 2010 to purchase premises along with the associated business. A lease agreement has been entered into while awaiting settlement of the property due in 2012.

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

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.

## Remuneration report

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

## Remuneration report (continued)

Director remuneration for the year ended 30 June 2011:

	<b>Primary benefits salary &amp; fees 2011 \$</b>	<b>Primary benefits salary &amp; fees 2010 \$</b>
Margaret Calder Sank	13,371	5,113
Janette Christine Simmons	2,090	2,045
Jillian Lorraine Rule	23,006	9,008
Gareth Little-Hales	2,090	2,045
Gai Williams	5,225	1,306
Craig Keithley	2,090	2,045
Albert Buitenhuis (resigned 24 August 2010)	697	5,113
James Justin Chapman (resigned 21 June 2011)	5,225	2,045
Iain Warren Fraser (appointed 24 August 2010)	523	-
Warwick Bayliss (appointed 1 March 2011)	-	-
Georgia Donovan (appointed 31 May 2011)	-	-

## 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' meetings

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

<b>Director</b>	<b>Board meetings #</b>
Margaret Calder Sank	8 (12)
Janette Christine Simmons	9 (12)
Jillian Lorraine Rule	12 (12)
Gareth Little-Hales	12 (12)

# Directors' report continued

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## Directors' meetings (continued)

Director	Board meetings #
Gai Williams	12 (12)
Craig Keithley	12 (12)
Albert Buitenhuis (resigned 24 August 2010)	1 (2)
James Justin Chapman (resigned 21 June 2011)	7 (11)
Iain Warren Fraser (appointed 24 August 2010)	9 (10)
Warwick Bayliss (appointed 1 March 2011)	4 (4)
Georgia Donovan (appointed 31 May 2011)	1 (1)

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

## Company Secretary

Margi Sank took over the role of Company Secretary on 21 June 2011 which was previously held by James Chapman. She has been a Director of the Company since incorporation on May 2001 and held the position of Company Secretary for the Company's first two years of operation. Margi has over 30 years of experience in running an accounting practice and has extensive skills in advising small and medium sized enterprises. She holds a Bachelor of Business and is a Certified Practicing Accountant, a Registered Tax Agent and has held membership of other professional and community organisations.

## Corporate Governance

The Company has implemented various corporate governance practices, which include:

- The establishment of an audit committee. Members of the audit committee are Margi Sank, Jill Rule, David Watt, James Chapman (resigned) and Georgia Donovan;
- Director approval of operating budgets and monitoring of progress against these budgets;
- Ongoing Director training; and
- Monthly Director meetings to discuss performance and strategic plans.

## Non audit services

Details of amounts paid or payable to the Auditor for non-audit services provided during the financial year by the Auditor are outlined in note 5 to the financial statements.

The Directors have considered the non-audit services provided during the year by the Auditor and are satisfied the provision of these services is compatible with the general standards of independence for Auditors imposed by the Corporations Act 2001 for the following reasons:

- all non audit services have been reviewed to ensure they do not impact the integrity and objectivity of the Auditor; and
- none of the services undermine the general principles relating to Auditor independence as set out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing the Auditors own work, acting in management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

# Directors' report continued

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## **Auditor Independence Declaration**

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



5 September 2011

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 2011, 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.



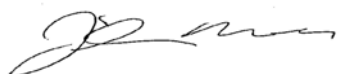
**Philip Delahunty**  
Partner  
Richmond Sinnott & Delahunty

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Partners: Kenneth J Richmond • Warren J Sinnott • Philip P Delahunty • Brett A Andrews  
Level 2, 10-16 Forest Street, 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

Liability limited by a scheme approved under Professional Standards Legislation

Signed in accordance with a resolution of the Board of Directors at Mt Evelyn, Victoria on 5 September 2011.



**Jillian Lorraine Rule**



# Financial statements

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## Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Revenue from continuing operations	2	1,550,001	1,276,410
Employee benefits expense	3	(743,646)	(495,216)
Depreciation and amortisation expense	3	(67,024)	(33,886)
Finance costs	3	(33)	(16)
Charitable donations and sponsorship		(221,137)	(273,894)
Other expenses		(452,897)	(251,656)
<b>Profit before income tax expense</b>		<b>65,264</b>	<b>221,742</b>
Income tax expense	4	20,479	66,824
<b>Profit after income tax expense</b>		<b>44,785</b>	<b>154,918</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>44,785</b>	<b>154,918</b>
<b>Earnings per share (cents per share)</b>			
- basic for profit for the year	24	1.52	8.51
- diluted for profit for the year	24	1.52	8.51

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of financial position as at 30 June 2011

	Note	2011 \$	2010 \$
<b>Current assets</b>			
Cash and cash equivalents	6	909,732	1,258,889
Receivables	7	157,766	133,379
Other assets	8	6,573	4,819
Current tax receivable	4	2,972	-
<b>Total current assets</b>		<b>1,077,043</b>	<b>1,397,087</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	1,066,745	437,777
Deferred tax assets	4	27,147	21,619
Intangible assets	10	86,375	33,692
<b>Total non-current assets</b>		<b>1,180,267</b>	<b>493,088</b>
<b>Total assets</b>		<b>2,257,310</b>	<b>1,890,175</b>
<b>Current liabilities</b>			
Payables	11	460,560	51,607
Current tax payable	4	-	31,751
Loans and borrowings	12	260	240
Provisions	13	87,789	69,159
<b>Total current liabilities</b>		<b>548,609</b>	<b>152,757</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>551,109</b>	<b>155,257</b>
<b>Net assets</b>		<b>1,706,201</b>	<b>1,734,918</b>
<b>Equity</b>			
Share capital	15	1,527,561	1,527,561
Retained earnings	16	178,640	207,357
<b>Total equity</b>		<b>1,706,201</b>	<b>1,734,918</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of cash flows for the year ended 30 June 2011

	Note	2011 \$	2010 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		1,581,081	1,313,493
Cash payments in the course of operations		(1,460,270)	(1,089,158)
Interest paid		(33)	(16)
Interest received		32,952	15,650
Income tax paid		(60,730)	(51,352)
<b>Net cash flows from operating activities</b>	<b>17b</b>	<b>93,000</b>	<b>188,617</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(284,630)	(15,708)
Payments for intangible assets		(84,045)	(18,795)
<b>Net cash flows used in investing activities</b>		<b>(368,675)</b>	<b>(34,503)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		20	15
Dividend paid		(73,502)	(68,846)
Proceeds from share issue		-	832,551
<b>Net cash flows from / (used in) financing activities</b>		<b>(73,482)</b>	<b>763,720</b>
<b>Net increase / (decrease) in cash held</b>		<b>(349,157)</b>	<b>917,834</b>
Cash and cash equivalents at start of year		1,258,889	341,055
<b>Cash and cash equivalents at end of year</b>	<b>17a</b>	<b>909,732</b>	<b>1,258,889</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 30 June 2011

	Note	2011 \$	2010 \$
<b>Share capital</b>			
Balance at start of year		1,527,561	695,010
Issue of share capital		-	832,551
Share issue costs		-	-
<b>Balance at end of year</b>		<b>1,527,561</b>	<b>1,527,561</b>
<b>Retained earnings</b>			
Balance at start of year		207,357	121,285
Profit after income tax expense		44,785	154,918
Dividends paid	23	(73,502)	(68,846)
<b>Balance at end of year</b>		<b>178,640</b>	<b>207,357</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2011

## 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 2011 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank**<sup>®</sup> 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 5 September 2011.

### **(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. These changes are not expected to have a material impact on the Company's financial statements.

### **(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 2010 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.

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

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## 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:

<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.

### **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.

# Notes to the financial statements continued

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

### **Goods and services tax (continued)**

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.

### **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.

### **Loans and borrowings**

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

# Notes to the financial statements continued

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

### 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.

### Comparative figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

	2011	2010
	\$	\$

## Note 2. Revenue from continuing operations

### Operating activities

- services commissions	1,517,049	1,260,760
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### Non-operating activities:

- interest received	32,952	15,650
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	<b>1,550,001</b>	<b>1,276,410</b>
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## Note 3. Expenses

### Employee benefits expense

- wages and salaries	672,962	441,900
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- superannuation costs	68,293	48,510
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- workers' compensation costs	1,884	1,533
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- other costs	507	3,273
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	<b>743,646</b>	<b>495,216</b>
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## Notes to the financial statements continued

	2011 \$	2010 \$
Note 3. Expenses (continued)		
<b>Depreciation of non-current assets:</b>		
- buildings	6,159	6,159
- building improvements	3,649	1,466
- plant and equipment	25,854	11,709
<b>Amortisation of non-current assets:</b>		
- intangibles	31,362	14,552
	<b>67,024</b>	<b>33,886</b>
<b>Finance costs</b>		
- Interest paid	33	16
Bad debts	8,542	4,728

### 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%	19,579	66,522
Add tax effect of:		
- Non-deductible expenses/temporary differences	6,428	208
Current income tax expense	26,007	66,730
Origination and reversal of temporary differences	(5,528)	94
<b>Deferred income tax expense/(benefit)</b>	<b>(5,528)</b>	<b>94</b>
<b>Income tax expense</b>	<b>20,479</b>	<b>66,824</b>
<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>27,147</b>	<b>21,619</b>
<b>Tax liabilities/(asset)</b>		
<b>Current tax payable/(receivable)</b>	<b>(2,972)</b>	<b>31,751</b>

## Notes to the financial statements continued

	2011 \$	2010 \$
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### 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	3,900
- Share registry services	4,485	5,722
- Company valuation services	-	1,500
- Prospectus services	-	2,500
	<b>8,385</b>	<b>13,622</b>

### Note 6. Cash and cash equivalents

<b>Cash at bank and on hand</b>	<b>909,732</b>	<b>1,258,889</b>
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### Note 7. Receivables

Commission Receivable	141,571	122,596
Interest Receivable	16,064	10,783
Sundry Receivable	131	-
	<b>157,766</b>	<b>133,379</b>

### Note 8. Other assets

<b>Prepayments</b>	<b>6,573</b>	<b>4,819</b>
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### Note 9. Property, plant and equipment

<b>Land at cost</b>	<b>118,611</b>	<b>118,611</b>
<b>Buildings</b>		
At cost	703,928	253,903
Less accumulated depreciation	(51,835)	(45,677)
	<b>652,093</b>	<b>208,226</b>
<b>Building improvements</b>		
At cost	195,663	58,641
Less accumulated depreciation	(12,212)	(8,563)
	<b>183,451</b>	<b>50,078</b>

## Notes to the financial statements continued

	2011 \$	2010 \$
Note 9. Property, plant and equipment (continued)		
<b>Plant and equipment</b>		
At cost	257,434	180,923
Less accumulated depreciation	(144,844)	(120,061)
	<b>112,590</b>	<b>60,862</b>
<b>Total written down amount</b>	<b>1,066,745</b>	<b>437,777</b>
<b>Movements in carrying amounts</b>		
<b>Buildings</b>		
Carrying amount at beginning of year	208,226	208,385
Additions	450,026	6,000
Disposals	-	-
Depreciation expense	(6,159)	(6,159)
<b>Carrying amount at end of year</b>	<b>652,093</b>	<b>208,226</b>
<b>Building improvements</b>		
Carrying amount at beginning of year	50,078	51,544
Additions	137,022	-
Disposals	-	-
Depreciation expense	(3,649)	(1,466)
<b>Carrying amount at end of year</b>	<b>183,451</b>	<b>50,078</b>
<b>Plant and equipment</b>		
Carrying amount at beginning of year	60,862	62,863
Additions	77,582	9,708
Disposals	-	-
Depreciation expense	(25,854)	(11,709)
<b>Carrying amount at end of year</b>	<b>112,590</b>	<b>60,862</b>

## Note 10. Intangible assets

### Preliminary costs

At cost	126,136	21,295
Less accumulated amortisation	(54,623)	(4,759)
	<b>71,513</b>	<b>16,536</b>

## Notes to the financial statements continued

	2011 \$	2010 \$
Note 10. Intangible assets (continued)		
<b>Franchise renewal fees</b>		
At cost	61,467	51,467
Less accumulated amortisation	(46,605)	(34,311)
	<b>14,862</b>	<b>17,156</b>
	<b>86,375</b>	<b>33,692</b>

### Note 11. Payables

Trade creditors	20,236	18,393
Other creditors and accruals	440,324	33,214
	<b>460,560</b>	<b>51,607</b>

### Note 12. Loans and borrowings

#### Current

<b>Bank loan</b>	<b>260</b>	<b>240</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.

### Note 13. Provisions

<b>Employee benefits</b>	<b>87,789</b>	<b>69,159</b>
<b>Movement in employee benefits</b>		
Opening balance	69,159	69,618
Additional provisions recognised	39,136	33,992
Amounts utilised during the year	(20,506)	(34,451)
<b>Closing balance</b>	<b>87,789</b>	<b>69,159</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.

## Notes to the financial statements continued

	2011 \$	2010 \$
<b>Note 15. Share capital</b>		
1,527,561 shares fully paid of \$1	1,527,561	1,527,561
7,500 shares issued for \$0	-	-
1,405,020 bonus shares*	-	-
	<b>1,527,561</b>	<b>1,527,561</b>

Equity comprises 1,527,561 fully paid shares of which 832,551 were issued during the year ended 30 June 2011. 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	207,357	121,285
Profit after income tax	44,785	154,918
Dividends paid	(73,502)	(68,846)
<b>Balance at the end of the financial year</b>	<b>178,640</b>	<b>207,357</b>

### Note 17. Statement of cash flows

#### (a) Cash and cash equivalents

<b>Cash assets</b>	<b>909,732</b>	<b>1,258,889</b>
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#### (b) Reconciliation of profit from ordinary activities after tax to net cash from operating activities

Profit from ordinary activities after income tax	44,785	154,918
Non cash items		
- Depreciation	35,662	19,334
- Amortisation	31,362	14,552

## Notes to the financial statements continued

	2011 \$	2010 \$
<b>Note 17. Statement of cash flows</b>		
<b>Changes in assets and liabilities</b>		
- (Increase) / decrease in receivables/other assets	(26,141)	(25,922)
- Increase / (decrease) in payables	28,953	10,722
- Increase / (decrease) in provisions	18,630	(459)
- Increase / (decrease) in tax payable	(34,723)	15,378
- (Increase) / decrease in deferred tax asset	(5,528)	94
<b>Net cash flows from operating activities</b>	<b>93,000</b>	<b>188,617</b>

## Note 18. Related party disclosures

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

Margaret Calder Sank  
Janette Christine Simmons  
Jillian Lorraine Rule  
Gareth Little-Hales  
Gai Williams  
Craig Keithley  
Albert Buitenhuis (resigned 24 August 2010)  
James Justin Chapman (resigned 21 June 2011)  
Iain Warren Fraser (appointed 24 August 2010)  
Warwick Bayliss (appointed 1 March 2011)  
Georgia Donovan (appointed 31 May 2011)

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 2011:

	Primary benefits salary & fees 2011 \$	Primary benefits salary & fees 2010 \$
Margaret Calder Sank	13,371	5,113
Janette Christine Simmons	2,090	2,045
Jillian Lorraine Rule	23,006	9,008
Gareth Little-Hales	2,090	2,045
Gai Williams	5,225	1,306
Craig Keithley	2,090	2,045
Albert Buitenhuis (resigned 24 August 2010)	697	5,113
James Justin Chapman (resigned 21 June 2011)	5,225	2,045
Iain Warren Fraser (appointed 24 August 2010)	523	-
Warwick Bayliss (appointed 1 March 2011)	-	-
Georgia Donovan (appointed 31 May 2011)	-	-

Directors' shareholdings	2011	Movement	2010
Margaret Calder Sank	25,003	-	25,003
Janette Christine Simmons	8,690	-	8,690
Jillian Lorraine Rule	83,628	-	83,628
Gareth Little-Hales	1,500	-	1,500
Gai Williams	26,500	-	26,500
Craig Keithley	3,000	-	3,000
Albert Buitenhuis (resigned 24 August 2010)	23,000	-	23,000
James Justin Chapman (resigned 21 June 2011)	-	-	-
Iain Warren Fraser (appointed 24 August 2010)	3,500	-	3,500
Warwick Bayliss (appointed 1 March 2011)	20,000	-	20,000
Georgia Donovan (appointed 31 May 2011)	-	-	-

The was no movement in shares held 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

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

	2011	Movement	2010
The following Directors shares were issued for \$0.			
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 and assets

There were no contingent liabilities or assets 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

	2011 \$	2010 \$
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### Note 23. Dividends paid or provided for on ordinary shares

#### (a) Dividends paid during the year

(i) Previous year final		
Franked dividends - 2.5 cents per share (2010: 9.8 cents per share)	73,502	68,846
	<b>73,502</b>	<b>68,846</b>



## Notes to the financial statements continued

	2011 \$	2010 \$
Note 23. Dividends paid or provided for on ordinary shares (continued)		
<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	120,824	113,442
- Franking credits that will arise from the payment / (refund) of income tax payable as at the end of the financial year	2,972	31,751
	<b>123,796</b>	<b>145,193</b>

The tax rate at which dividends have been franked is 30% (2010: 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>44,785</b>	<b>154,918</b>
<b>Weighted average number of ordinary shares for basic and diluted earnings per share</b>	<b>2,940,081</b>	<b>1,821,296</b>

### 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.

## Notes to the financial statements continued

### Note 25. Financial risk management (continued)

#### (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	
	2011 \$	2010 \$
Cash assets	909,732	1,258,889
Receivables	157,766	133,379
	<b>1,067,498</b>	<b>1,392,268</b>

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

None of the assets of the Company are past due (2010: 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 \$
<b>30 June 2011</b>					
Payables	460,560	(460,560)	(460,560)	-	-
Other liabilities	2,500	(2,500)	-	-	(2,500)
Loans and borrowings	260	(260)	(260)	-	-

## Notes to the financial statements continued

Note 25. Financial risk management (continued)

### (b) Liquidity risk (continued)

	463,320			–	(2,500)
		(463,320)	(460,820)		
	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>

### (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:

	Carrying amount	
	2011 \$	2010 \$
<b>Fixed rate instruments</b>		
Financial assets	287,590	277,425
Financial liabilities	–	–
	<b>287,590</b>	<b>277,425</b>
<b>Variable rate instruments</b>		
Financial assets	622,142	981,464
Financial liabilities	(260)	(240)
	<b>621,882</b>	<b>981,224</b>

# Notes to the financial statements continued

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## Note 25. Financial risk management (continued)

### **(c) Market risk (continued)**

#### 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 2010 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.

### **(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 2011 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 2011 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards and Corporations Regulations 2001; and
- (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 2011.



**Jillian Lorraine Rule**

Signed on 5 September 2011.

# Independent audit report

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

### ***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 2011.

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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Partners: Kenneth J Richmond • Warren J Sinnott • Philip P Delahunty • Brett A Andrews  
Level 2, 10-16 Forest Street, 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.

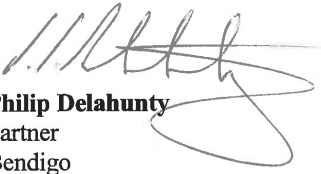
### ***AUDIT OPINION***

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 2011 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: 5 September 2011

# BSX report

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## Share information

In accordance with SIM Venture Securities Exchange BSX Market listing rules the Company provides the following information as at 5 September 2011, 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	168
1,001 to 5,000	257
5,001 to 10,000	62
10,001 to 100,000	71
100,001 and over	0
<b>Total shareholders</b>	<b>558</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 42 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
Lloyd Albert Harrington	76,000	2.58%
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%
Scipio Nominees Pty Ltd	33,000	1.12%
Timothy Brendan Herlihy & Paula Ruth Herlihy	30,001	1.02%
Carolynne Marjorie Soucek & Peter Zdenek Soucek	30,000	1.02%
	<b>523,001</b>	<b>0</b>



# BSX report continued

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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) 9736 1833

The principal administrative office of the Company is located at:

37 Wray Crescent,  
Mt Evelyn VIC 3796  
Phone: (03) 9736 1833

## **Security register**

The security register (share register) is kept at:

Richmond Sinnott & Delahunty Pty Ltd  
Level 2, 10-16 Forest Street,  
Bendigo VIC 3552  
Phone: (03) 5445 4200

## **Company Secretary**

Margi Sank took over the role of Company Secretary on 22 June 2011 which was previously held by James Chapman. She has been a Director of the Company since incorporation on May 2001 and held the position of Company Secretary for the Company's first two years of operation. Margi has over 30 years of experience in running an accounting practice and has extensive skills in advising small and medium sized enterprises. She holds a Bachelor of Business and is a Certified Practising Accountant, a Registered Tax Agent and has held membership of other professional and community organisations.

## **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, Jill Rule, David Watt, James Chapman (resigned) and Georgia Donovan;
- (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.
- (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 **Community Bank**<sup>®</sup> Branch  
Shop 2, 35-39 Wray Crescent, Mt Evelyn VIC 3796  
Phone: (03) 9737 1833

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

Franchisee: Mt Evelyn & Districts Financial Services Limited  
Shop 2, 35-39 Wray Crescent, Mt Evelyn VIC 3796  
Phone: (03) 5967 1482  
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.  
(BMPAR11095) (09/11)

