



annual report **2012**

Mt Evelyn & Districts
Financial Services Limited

ABN 93 096 782 240

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Chairperson's report

For year ending 30 June 2012

It is with immense pride that I am writing this report in our tenth anniversary year for Mt Evelyn and Districts Financial Services Ltd and Mt Evelyn **Community Bank**[®] Branch. So much has been achieved in those ten years by your Board, branch management and staff. We have, through what has been a challenging year, continued to maintain our sponsorship commitments, as well as our Annual Grants Program. As one of the more mature companies we are highly regarded and have been used as a benchmark for our community investment.

I am particularly delighted to announce that the continued strong financial performance of your Company in past years has enabled the purchase of the branch building at Montrose. We see this as a notable achievement for our Company, which also adds another significant asset to our balance sheet. In line with the Board's strategic direction, we will continue to explore pockets of opportunity for further expansion opportunities.

Through the **Community Bank**[®] model we have grown the business and continued to support local organisations and underpinned projects in mutually beneficial sponsorships that are an important part of our community fabric. It is a unique approach to banking that is good for you and good for all.

As we head into our second decade we envisage Mt Evelyn and Montrose **Community Bank**[®] branches becoming an integral part of the two "community hubs". We see the branches becoming a resource that will help shape the very way our communities operate. That is why we work with our customers and our communities to build products and services that are relevant to them and contribute to their long-term sustainability. We always act in the best interests of our customers and shareholders, hoping they are one of the same.

Our input into the Montrose community is paying off, with Montrose **Community Bank**[®] Branch now becoming a well known and highly respected part of the Montrose CBD and shopping precinct. The branch is establishing itself nicely and becoming successful in its own right.

Mt Evelyn **Community Bank**[®] Branch consistently meets our expectations with the performance of the business and is recognized as a great support asset for the Mount Evelyn and districts communities.

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 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**[®] 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.

Chairperson's report (continued)

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 rippling effect from the continuance of turbulence in the world's economies has created a difficult lending environment locally. Also as forecasted, we have had carried forward losses in respect of Montrose **Community Bank**[®] Branch.

Despite these circumstances, Mt Evelyn & Districts Financial Services Ltd has exceeded our budget forecasts again and delivered another increase to the total business footings and profitability. (See Treasurer's Report for full financial report). This result has been achieved through sound management from our Senior Group Manager David Watt, and his committed and dedicated branch management and staff.

The total footings of the Company have grown from \$156 million at this time last year to approximately \$161 million at the same time of writing this report. This puts us in the top range of **Community Bank**[®] companies in our region. As a result of this, we will be giving out grants this year of \$80,000 and announcing a dividend to shareholders at our AGM in October.

Directors

The Board is always committed to exemplary company performance and ensuring that our community engagement is strong with tangible outcomes. The 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. The Board believes that the composition fairly represents the interests of our shareholders.

We have seen one change to our Board structure this year with the resignation in February of Rick Bayliss, for personal reasons. Rick, through his thirty year background of business and franchise operation and marketing, brought constructive ideas and comments to Board discussions. On behalf of the Board of Directors, branch management and staff, we wish Rick and Robyn all the very best for their future.

The Board is still satisfied that the current number of Directors is satisfactory.

On behalf of the Board, I would like to thank Director Margi Sank, who took over the Company Secretarial role during the year as well as continuing in the position of Company Treasurer. Margi, a CPA and accredited agent with ASIC and the ATO, has done an exceptional job in this undertaking and carried out the dual tasks with equanimity and vigilance. Margi also continues to manage all matters relating to the NSX and our Share Registry.

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 on-going support as Deputy Chair, Jan Simmons, Georgia Donovan, Craig Keithley, Gareth Little-Hales and Iain Fraser for their outstanding and constructive contribution.

Georgia Donovan, due to increased work commitments, has found it necessary to step down from the Board Secretary position, but will remain as a Director and an advisor to the Board on our Youth Portfolio. Thank you Georgia for your extra assistance.

As mentioned earlier, this is our tenth anniversary year and the Board would love to celebrate this important milestone with our shareholders at our AGM. As it is a significant achievement for you as well as us, we have planned a celebration party that will follow the formal proceedings of the AGM. We look forward to seeing you all there for what we hope is a wonderful night filled with pride and enjoyment.

Chairperson's report (continued)

The branch team

Firstly, on behalf of the Board, our sincere thanks and acknowledgement must go to David Watt for his dedication and the outstanding efforts that he puts into the growth of our branches. David's tireless input is truly inspiring and does not go un-noticed. David is highly respected in the local business, sporting and social communities and has forged many strong relationships, partnerships and friendships over the last ten years. He is truly a wonderful ambassador for our branches and an outstanding luminary in our communities.

Leanne Vaytauer, has done an excellent job managing the day to day operations as Manager of Mt Evelyn **Community Bank**[®] Branch. Leanne is a fantastic support to David and has demonstrated wonderful leadership of the branch team. Our sincere gratitude and thanks to Leanne.

I would also like to acknowledge our amazing and dedicated frontline team, who continue to make us proud of the exemplary service that they deliver. To Sandra, Kaye, Lynne, Janet, Sue, Sharon, Shirleen and Bernadette, our sincere thanks and appreciation to all.

Special thanks and appreciation also to Bev, Melissa and Jan for your assistance to David and Leanne.

Also, to Kevin who has adeptly settled into a supervisory role at Montrose and is overseeing operations at the branch with care and attention to our customers needs. Thanks for a great job at Montrose.

The importance of face-to-face banking remains strong and our friendly staff is there to assist you with all your banking needs.

Bendigo and Adelaide Bank

In a survey into Australian bank customer satisfaction, Bendigo Bank customers rated as more satisfied than any other bank's customers. Bendigo Bank believes that successful customers and successful communities create a successful bank - in that order. By feeding into prosperity, and not off it, creates a wealthier, more cohesive and inclusive community.

The 297 branches in the **Community Bank**[®] network have now returned more than \$80 million in banking profits back to the communities in which they operate. An extraordinary achievement to be applauded.

Bendigo and Adelaide Bank has announced an after tax profit of \$195 million for the year ending 30 June 2012. The Bank believes that the solid results were largely driven by its focus on making it easier for their 1.5 million customers to do business with the Bank. This approach has also seen the Bank continue to record industry-leading customer satisfaction, advocacy results and a rating upgrade.

I was delighted to attend the recent Bendigo and Adelaide Bank National **Community Bank**[®] Conference held in Melbourne. The theme of the conference was "Towards 2022". As the **Community Bank**[®] network enters its fifteenth year, the Bank is already looking at what changes may take place in the next ten years with emerging technologies and demographic changes.

With quantum changes in the way we will be able to communicate, it is an exciting prospect as to how new technology might be utilised in the future to enhance customer service and satisfaction.

Using online media externally to better connect and engage with their customers, Bendigo Bank has recently launched a corporate Facebook page. This joins their Twitter presence that launched in February, and provides another place that the Bank can engage with customers, partners and potential customers about things that are important to them.

I would like to greatly acknowledge the assistance that we receive from our State Support Centre. Special thanks to Mark Nolan, our Regional Manager. With fifteen branches now under his charge, Mark always avails himself to answer our questions. His attendance at our Board meetings and wise counsel is also very much appreciated. To the rest of the team at the Regional Office, sincere thanks to all for your advice and assistance throughout the year.

Chairperson's report (continued)

Sponsorship

Sponsorship is an important part of our support of our communities. Put simply, our sponsorships seek to strengthen community connections, encourage creative and innovative thinking, interaction and participation, solve a problem or build skills. 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 over \$260,000. 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. The reciprocal benefits of these relationships are immeasurable.

Montrose **Community Bank**[®] Branch is being recognized for its community involvement and is receiving great support from the local clubs and organisations. In the two years of being open, these relationships are now being cemented with follow-up sponsorships, whilst we explore other initiatives that we may be able to assist.

The **Community Bank**[®] branches in the Yarra Valley have joined in marketing collaborations by pooling funding for sponsorships of a grander scale. Some of these have been, the Animal Aid Capital Raising Campaign "Give Them a Voice", Yarra Valley Mountain Districts Football Netball League, Yarra Ranges Business and Tourism and Camp Awakenings (a Rotary assisted personal development camp for Year 9 students from our region).

The total of contributions during the 2011/12 financial year brings the total contributions of your Company to the local community to just under \$1.4million since its formation - a truly outstanding achievement.

These are some of the many organisations and initiatives we have been delighted to be able to support this year:-

Sponsorships for 2011/12	
Animal Aid	Rotary Club of Montrose & Districts
Australian Air League Lilydale	Montrose Tennis Club
Basin Community House	Morrison House
Basin Cricket Club	Morrison's
Basin Football Club	Mt Dandenong Pre-school
Billanook Primary School	Mt Evelyn Auskick
Breast Cancer Network	Mt Evelyn Cricket Club
Bridge Builders	Mt Evelyn Football / Netball Club
Coldstream Cricket Club	Mt Evelyn Jnr Football Club
Coldstream Sporting Club	Mt Evelyn Martial Arts
Croydon Cricket Club	Mt Evelyn Pony Club
Croydon Golf Club	Mt Evelyn Primary School
Doongala Riding Club	Mt Evelyn Scout Group
Eastwood Golf Club	Mt Evelyn Tennis Club
Evelyn Ridge Retirement Village	Mt Lilydale Old Collegians Football Club
Joy Avenue Pre-school	Friends of the Rail Trail
Kilsyth Basketball Club	Rotary - Camp Awakenings
Lilydale Bowling Club	Rotary District 9810
Lilydale Show	Sarah Court Pre-school
Melba Support Services	Silvan Progress Association
Melba	Swinburne Student Award
METIC	VCE Showcase
Montrose Cricket Club	Yarra Glen Football Netball Club

Chairperson's report (continued)

Sponsorships for 2011/12 (continued)	
Montrose Football Club	Yarra Hills Sec College (Driver Ed)
Montrose Lions	Yarra Hills Secondary College
Montrose Pre-school	Yarra Valley Mountain District Football

Community Grants 2012

We are committed again this year to our Annual Community Grants Program. At the time of writing this report the grant applications for this year have just closed off. We look forward to reviewing these for assessment in the next 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 and does not take lightly. We are mindful of our duties to all who contribute to our company.

As shareholders, you are ambassadors of our **Community Bank**[®] branches and the tangible benefits they bring to our communities. We want you to spread the word and to encourage others to support the Bank that supports your communities. 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**[®] 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**[®] 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 2012/13,
- We will continue to explore other business expansion opportunities.

I look forward to our AGM and "10 year celebration" with our shareholders on

Thursday 25 October 2012, 6.30pm at Swinburne Lilydale Campus Auditorium, Melba Ave, Lilydale.



Jill Rule
Chairperson

Senior Manager's report

For year ending 30 June 2012

Mt Evelyn **Community Bank**[®] Branch has now been open for over ten years. Over that time, your **Community Bank**[®] company, Mt Evelyn and Districts Financial Services Ltd, has consistently met proposed business expansion levels, including the opening of the Montrose **Community Bank**[®] Branch in 2010. Currently the total group business sits at around \$161 million. The community of Mount Evelyn should be proud of the effort that went into creating its own **Community Bank**[®] branch and the way it has supported the branch since the front doors were opened back in May 2002. As a result of that inspiring support, the community of Montrose is now supporting and enjoying the benefits of its own **Community Bank**[®] branch.

I would like to thank Jill Rule and the Board of Directors, our shareholders and the Regional office team of Bendigo and Adelaide Bank led by Regional Manager, Mark Nolan, for their support as our branches move forward into the future.

I cannot speak highly enough of Jill Rule, our Board Chair, whose unselfish and remarkable qualities have shown Jill to be a community leader of the highest level. Jill is held in such high esteem throughout our communities.

Jill, Gai Williams, Deputy Chair, and Margi Sank, Board Secretary and Treasurer, have combined with Jan Simmons, Georgina Donovan, Craig Keithley, Iain Fraser and Gareth-Little Hales to form a Board of Directors.

I think it would also be remiss to not acknowledge the efforts of Margi Sank whom, alongwith the role of company Treasurer took over the company Secretary position during the year and like any other task undertaken by Margi, this massive workload has been completed without fuss and at the highest degree of expertise.

I would also like to acknowledge the efforts of our dedicated branch teams. Leanne, our Mount Evelyn **Community Bank**[®] Branch Manager, and Kevin, our Montrose **Community Bank**[®] Branch Supervisor, Bev, Melissa, Sandra, Lynne, Jan, Susan, Kaye, Janet, Shirleen, Sharon and Bernadette have set an example of service clearly above and beyond the call of duty.

Our branches are moving toward an exciting time of consolidated steady business growth which will allow the expansion of our community sponsorship and our Annual Community Grant Program. We have already returned significant funds back to our community, and will look to increase this over many years to come.

One of the strengths of the **Community Bank**[®] model is the support of our Board of Directors and the shareholders. Please continue to play your part in the growth of your branches by spreading the word about the very personal banking service provided by both your **Community Bank**[®] branches.



David Watt
Senior Manager

Treasurer's report

For year ending 30 June 2012

It is a pleasure to present my 2012 Treasurer's report.

We are now ten years old and our results are a testament to the vision of the original steering committee, and the members of the past and present Boards.

A review of the profit performance over recent years provides a clear indication of the positive results being achieved and demonstrate the results of the strategic vision and planning of your company.

Year	After-tax profit
2007	\$88,580
2008	\$93,237
2009	\$125,015
2010	\$154,918
2011	\$44,785
2012	\$162,071

It is also testament to our community, the branch team, and their exceptional banking and customer service, that your company has been able to achieve positive results in the economic climate that exists and whilst developing our second branch.

As many of you know, it is central to the **Community Bank**[®] philosophy that banking profits are shared between the shareholders and the community in which we operate. Your Board is mindful of its duty to honour and embrace this vision. In addition, our franchise agreement prescribes the maximum dividends payable by a **Community Bank**[®] company to its shareholders.

Since Mt Evelyn opened its doors to this point in time, your company has contributed just under \$1.4 million in grants and sponsorship.

In addition, to date, we have paid a total of just over \$427,000 in fully franked dividends.

And to the future... Montrose is now nearly two years old and the banking business is accumulating. Initially, and as outlined in the prospectus, it will take some time for Montrose to achieve profitability. Consequently, we expect the profit for the company to be reduced until Montrose achieves profitability and this effect may impact on the dividends to be paid.

In our continuing operations, your Board is prepared for tough times and we continue to evaluate, and where prudent, implement our expansion strategies and opportunities with additional business and locations. We are carefully watching the state of both the local and international economies and we link our strategic plans with the current economic environment.

We are mindful of our joint obligations, to both shareholders and community, and the fact that sponsorship in the community helps us to grow our business and therefore our revenue and profits from which to pay dividends.

Consequently, we will continue to make significant grants and sponsorships within the community either directly or partnering with other **Community Bank**[®] branches and government agencies. Some of our contributions benefit many; whilst some are targeted at smaller groups.

Through our operations, we contribute to enhance the health and vibrancy of our communities. We do this by the sponsorships we pay, our grants program, the dividends we distribute, and through the employment of our fantastic team.

Treasurer's report (continued)

There is the multiplier effect of the dollars we spend.

- The dollars your company contributes is retained and spent locally, creating more work and opportunities for the community.
- We help the many volunteers in local community organisations multiply those dollars.
- We also continue to employ eleven full time and part time employees at the Mt Evelyn and three at Montrose. These wonderful people live in our communities and also help support local business, and further increase the flow-on effect.

We are listed on the National Stock Exchange of Australia (NSX). You are able to use the internet to review various financial and non financial information relating to our company and other **Community Bank**[®] branches. Shares can be traded through stock brokers.

In closing, thank you to all our various stakeholders, Bendigo and Adelaide Bank **Community Bank**[®] network, our local government, our banking customers, you, our shareholders.

Importantly, thank you to David Watt, our Senior Manager, our most wonderful branch teams, and a dedicated and skilled Board of Directors.

We are all looking forward to both growing and sustaining our **Community Bank**[®] branch relationships well into the future.



Margi Sank
Treasurer

Directors' report

For the financial year ended 30 June 2012

Your Directors submit the financial report of the company for the financial year ended 30 June 2012.

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

Margaret Calder Sank

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

Craig Keithley

Director
Police Officer
Director since 28 May 2002

Jillian Lorraine Rule

Chairperson
Retailer
Director since 11 May 2001

Gareth Little-Hales

Director
Environmental Health Officer
Director since 30 October 2008

Gai Williams

Director
Pharmacist
Director since 26 August 2009

Iain Warren Fraser

Director
Police Officer
Director since 24 August 2010

Georgia Miriam Donovan

Director
Administrator
Director since 31 May 2011

Warwick Bayliss

(resigned 28 February 2012)
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.

Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank**[®] services under management rights to operate a franchised branch of Bendigo and Adelaide Bank.

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 \$162,071 (2011: \$44,785).

Directors' report (continued)

Financial position

The net assets of the company have increased by \$117,970 from June 30, 2011 to \$1,824,171 in 2012. The increase is largely due to improved operating performance of the company.

Dividends	Year ended 30 June 2012	
	Cents per share	\$
Dividends paid in the year:		
• Final dividend for the year ended 30 June 2011	1.5	44,101

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report.

Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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.

Future developments

The company will continue its policy of providing banking services to the community.

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

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.

Jillian Rule owns the premises situated at Shop 6-17 Wray Crescent, Mt Evelyn. The premises are rented on normal commercial terms as administration offices and Board suite. During the year ended 30 June, 2012 \$18,039 (2011:\$1,200) was paid in relation to this lease.

Directors' report (continued)

Remuneration report (continued)

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.

Director Remuneration for the year ended 30 June 2012:

	Primary benefits salary & fees 2012 \$	Primary benefits salary & fees 2011 \$
Margaret Calder Sank	21,220	13,371
Janette Christine Simmons	2,275	2,090
Jillian Lorraine Rule	27,206	23,006
Gareth Little-Hales	2,275	2,090
Gai Williams	5,687	5,225
Craig Keithley	2,275	2,090
Iain Warren Fraser	2,275	523
Warwick Bayliss (resigned 28 February 2012)	1,114	-
Georgia Donovan	2,100	-

Indemnifying Officers or Auditor

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 incurred 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.

Directors' report (continued)

Directors' meetings

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

Director	Board meetings#	Audit meetings#
Margaret Calder Sank	10 (11)	3 (3)
Janette Christine Simmons	9 (11)	0 (0)
Jillian Lorraine Rule	11 (11)	3 (3)
Gareth Little-Hales	10 (11)	0 (0)
Gai Williams	10 (11)	0 (0)
Craig Keithley	8 (11)	0 (0)
Iain Warren Fraser	5 (11)	0 (0)
Warwick Bayliss (resigned 28 February 2012)	4 (7)	0 (0)
Georgia Donovan	10 (11)	3 (3)

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 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 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.

Directors' report (continued)

Non audit services

The Directors in accordance with advice from the audit committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect integrity and objectivity of the Auditor; and
- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor independence declaration

The Auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 15 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Mt Evelyn, Victoria on 7 September 2012.



Jillian Lorraine Rule
Chairperson

Auditor's independence declaration



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Email: rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

7 September 2012

The Directors
Mt Evelyn & Districts Financial Services Limited
661A High Street
Kew East, Victoria, 3102

To the Directors of Mt Evelyn & Districts Financial Services Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2012 there has been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

A handwritten signature in black ink, appearing to read 'P. Delahunty', written over a horizontal line.

Philip Delahunty
Partner

Dated at Bendigo, 7 September 2012

Richmond Sinnott & Delahunty
ABN 60 616 244 309

Liability limited by a scheme
approved under Professional
Standards Legislation

Partners:
Warren Sinnott Philip Delahunty
Cara Hall Kathie Teasdale
Brett Andrews David Richmond

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Revenue	2	1,720,259	1,550,001
Employee benefits expense	3	(726,055)	(743,646)
Depreciation and amortisation expense	3	(72,277)	(67,024)
Finance costs	3	(21)	(33)
Other expenses		(424,562)	(452,897)
Operating profit before charitable donations & sponsorships		497,343	286,401
Charitable donations and sponsorship		(264,527)	(221,137)
Profit before income tax expense		232,816	65,264
Income tax expense	4	70,745	20,479
Net profit for the year		162,071	44,785
Other comprehensive income		-	-
Total comprehensive income for the year		162,071	44,785
Earnings per share (cents per share)			
- basic for profit for the year	24	5.51	1.52
- diluted for profit for the year	24	5.51	1.52

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of financial position as at 30 June 2012

	Note	2012 \$	2011 \$
Assets			
Current assets			
Cash and cash equivalents	6	1,055,568	909,732
Receivables	7	183,661	157,766
Other assets	8	7,420	6,573
Current tax receivable	4	-	2,972
Total current assets		1,246,649	1,077,043
Non-current assets			
Property, plant and equipment	9	1,030,643	1,066,745
Deferred tax assets	4	29,723	27,147
Intangible assets	10	112,362	86,375
Total non-current assets		1,172,728	1,180,267
Total assets		2,419,377	2,257,310
Liabilities			
Current liabilities			
Payables	11	450,952	460,560
Current tax payable	4	47,795	-
Loans and borrowings	12	281	260
Provisions	13	96,178	87,789
Total current liabilities		595,206	548,609
Non-current liabilities			
Other liabilities	14	-	2,500
Total non-current liabilities		-	2,500
Total liabilities		595,206	551,109
Net assets		1,824,171	1,706,201
Equity			
Issued capital	15	1,527,561	1,527,561
Retained earnings	16	296,610	178,640
Total equity		1,824,171	1,706,201

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of cash flows for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Cash flows from operating activities			
Cash receipts in the course of operations		1,772,211	1,581,081
Cash payments in the course of operations		(1,529,027)	(1,460,270)
Interest paid		(21)	(33)
Interest received		33,968	32,952
Income tax paid		(22,555)	(60,730)
Net cash flows from operating activities	17b	254,576	93,000
Cash flows from investing activities			
Payments for property, plant and equipment		(4,392)	(284,630)
Payments for intangible assets		(57,768)	(84,045)
Net cash flows used in investing activities		(62,160)	(368,675)
Cash flows from financing activities			
Proceeds from borrowings		(2,479)	20
Dividend paid		(44,101)	(73,502)
Net cash flows used in financing activities		(46,580)	(73,482)
Net increase / (decrease) in cash held		145,836	(349,157)
Cash and cash equivalents at start of year		909,732	1,258,889
Cash and cash equivalents at end of year	17a	1,055,568	909,732

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of changes in equity for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Issued capital			
Balance at start of year		1,527,561	1,527,561
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		1,527,561	1,527,561
Retained earnings			
Balance at start of year		178,640	207,357
Profit after income tax expense		162,071	44,785
Dividends paid	23	(44,101)	(73,502)
Balance at end of year		296,610	178,640

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of significant accounting policies

(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 2012 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing **Community Bank**[®] services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement of fair value of selected non current assets, financial assets and financial liabilities.

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 7 September 2012.

(b) 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.

(c) 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Buildings	2.5%
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.

(d) Impairment 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.

(e) 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(f) 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.

(g) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

(h) 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.

(i) Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

(j) 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.

(k) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

(l) Borrowings

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

(m) Provisions

Provisions are recognised when the company 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(n) 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.

(o) Comparative figures

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

(p) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

The company assesses impairment at the end of each reporting period by calculating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(q) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Classification and subsequent measurement (continued)

Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtors are experiencing significant financial difficulty or changes in economic conditions.

	2012	2011
	\$	\$
Note 2. Revenue		
Revenue from continuing activities		
- services commissions	1,680,244	1,517,049
Other revenue		
- interest received	40,015	32,952
	1,720,259	1,550,001

Note 3. Expenses

Employee benefits expense

- wages and salaries	652,227	672,962
- superannuation costs	66,497	68,293
- workers' compensation costs	2,640	1,884
- other costs	4,691	507
	726,055	743,646

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- buildings	6,159	6,159
- building improvements	4,792	3,649
- plant and equipment	29,543	25,854
Amortisation of non-current assets:		
- intangible assets	31,783	31,362
	72,277	67,024
Finance costs		
- Interest paid	21	33
Bad debts	4,842	8,542

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%	69,845	19,579
Add tax effect of:		
- Non-deductible expenses/temporary differences	3,477	6,428
Current income tax expense	73,322	26,007
Origination and reversal of temporary differences	(2,577)	(5,528)
Deferred income tax expense/(benefit)	(2,577)	(5,528)
Income tax expense	70,745	20,479
Deferred tax assets		
Future income tax benefits arising from temporary differences are recognised at reporting date as realisation of the benefit is regarded as probable.	29,723	27,147
Tax liabilities/(asset)		
Current tax payable/(receivable)	47,795	(2,972)

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report	3,900	3,900
- Share registry services	4,433	4,485
	8,333	8,385

Notes to the financial statements (continued)

	2012 \$	2011 \$
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Note 6. Cash and cash equivalents

Cash at bank and on hand	1,055,568	909,732
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The effective interest rate on short term bank deposits was 3.7% (2011: 3.6%).

Note 7. Receivables

Commission receivable	161,550	141,571
Interest receivable	22,111	16,064
Sundry receivable	-	131
	183,661	157,766

Note 8. Other assets

Prepayments	7,420	6,573
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Note 9. Property, plant and equipment

Land at cost	118,611	118,611
Buildings		
At cost	706,418	703,928
Less accumulated depreciation	(57,994)	(51,835)
	648,424	652,093
Building improvements		
At cost	189,663	195,663
Less accumulated depreciation	(17,004)	(12,212)
	172,659	183,451
Plant and equipment		
At cost	265,336	257,434
Less accumulated depreciation	(174,387)	(144,844)
	90,949	112,590
Total written down amount	1,030,643	1,066,745

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 9. Property, plant and equipment (continued)		
Movements in carrying amounts		
Buildings		
Carrying amount at beginning of year	652,093	208,226
Additions	2,490	450,026
Disposals	-	-
Depreciation expense	(6,159)	(6,159)
Carrying amount at end of year	648,424	652,093
Building improvements		
Carrying amount at beginning of year	183,451	50,078
Additions	-	137,022
Disposals	(6,000)	-
Depreciation expense	(4,792)	(3,649)
Carrying amount at end of year	172,659	183,451
Plant and equipment		
Carrying amount at beginning of year	112,590	60,862
Additions	7,902	77,582
Disposals	-	-
Depreciation expense	(29,543)	(25,854)
Carrying amount at end of year	90,949	112,590

Note 10. Intangible assets

Preliminary costs		
At cost	126,136	126,136
Less accumulated amortisation	(73,691)	(54,623)
	52,445	71,513
Franchise renewal fees		
At cost	67,768	61,467
Less accumulated amortisation	(7,851)	(46,605)
	59,917	14,862
	112,362	86,375

Notes to the financial statements (continued)

	2012	2011
	\$	\$
Note 11. Payables		
Trade creditors	25,459	20,236
Other creditors and accruals	425,493	440,324
	450,952	460,560

Note 12. Borrowings

Current

Bank loan	281	260
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Note 13. Provisions

Employee benefits	96,178	87,789
Movement in employee benefits		
Opening balance	87,789	69,159
Additional provisions recognised	53,851	39,136
Amounts utilised during the year	(45,462)	(20,506)
Closing balance	96,178	87,789

Note 14. Other liabilities

Non current

Shire loan	-	2,500
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The loan was repaid during the financial year.

Note 15. Share capital

2,940,081 ordinary shares fully paid	1,527,561	1,527,561
Share capital comprises the following:		
- 695,010 shares initial capital	695,010	695,010
- 7,500 shares issued for no consideration on incorporation	-	-
- 1,405,020 bonus 2:1 issue of shares in 2009	-	-
- 832,551 shares for additional capital in 2010 for Montrose branch	832,551	832,551
	1,527,561	1,527,561

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 16. Retained earnings		
Balance at the beginning of the financial year	178,640	207,357
Profit after income tax	162,071	44,785
Dividends paid	(44,101)	(73,502)
Balance at the end of the financial year	296,610	178,640

Note 17. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	1,055,568	909,732
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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	162,071	44,785
Non cash items		
- Depreciation	40,494	35,662
- Amortisation	31,783	31,362
Changes in assets and liabilities		
- (Increase) / decrease in receivables/other assets	(26,744)	(26,141)
- Increase / (decrease) in payables	(9,608)	28,953
- Increase / (decrease) in provisions	8,389	18,630
- Increase / (decrease) in tax payable	47,795	(34,723)
- (Increase) / decrease in deferred tax asset	396	(5,528)
Net cash flows from operating activities	254,576	93,000

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
 Iain Warren Fraser
 Warwick Bayliss (resigned 28 February 2012)
 Georgia Donovan

Notes to the financial statements (continued)

Note 18. Related party disclosures (continued)

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

Jillian Rule owns the premises situated at Shop 6-17 Wray Crescent, Mt Evelyn. The premises are rented on normal commercial terms as administration offices and Board suite. During the year ended 30 June, 2012 \$18,039 (2011: \$1,200) was paid in relation to this lease.

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.

Director remuneration for the year ended 30 June 2012:

	Primary benefits salary & fees 2012 \$	Primary benefits salary & fees 2011 \$
Margaret Calder Sank	21,220	13,371
Janette Christine Simmons	2,275	2,090
Jillian Lorraine Rule	27,206	23,006
Gareth Little-Hales	2,275	2,090
Gai Williams	5,687	5,225
Craig Keithley	2,275	2,090
Iain Warren Fraser	2,275	523
Warwick Bayliss (resigned 28 February 2012)	1,114	-
Georgia Donovan	2,100	-

Directors' shareholdings	2012	2011
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
Iain Warren Fraser	3,500	3,500
Warwick Bayliss (resigned 28 February 2012)	20,000	20,000
Georgia Donovan	-	-

The was no movement in shares held during the year. Other than stated below, each share held is fully paid.

Notes to the financial statements (continued)

Note 19. Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There have been no other 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. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Mt. Evelyn and Districts, Victoria. The company has a franchise agreement in place with Bendigo & Adelaide Bank Limited who account for 100% of the revenue (2011: 100%).

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 and Principal place of business
37 Wray Crescent,
Mt Evelyn VIC 3796

	2012	2011
	\$	\$

Note 23. Dividends paid or provided for on ordinary shares

(a) Dividends paid during the year

(i) Previous year final		
Franked dividends - 1.5 cents per share (2011: 2.5 cents)	44,101	73,502
	44,101	73,502

(b) Franking credit balance

The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	124,477	120,824
- Franking credits that will arise from the payment / (refund) of income tax payable as at the end of the financial year	47,795	(2,972)
	172,272	117,852

The tax rate at which dividends have been franked is 30% (2011: 30%).

Notes to the financial statements (continued)

	2012	2011
	\$	\$

Note 24. Earnings per share

Basic earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit after income tax expense	162,071	44,785
Weighted average number of ordinary shares for basic and diluted earnings per share	2,940,081	2,940,081

Note 25. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.

The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012	2011
		\$	\$
Financial assets			
Cash & cash equivalents	6	1,055,568	909,732
Receivables	7	183,661	157,766
Total financial assets		1,239,229	1,067,498
Financial liabilities			
Payables	10	450,952	460,560
Total financial liabilities		450,952	460,560

Financial risk management policies

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.

Specific financial risk exposure and management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

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	
	2012 \$	2011 \$
Cash and cash equivalents	1,055,568	909,732
Receivables	183,661	157,766
	1,239,229	1,067,498

The company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables are due from Bendigo and Adelaide Bank.

None of the assets of the company are past due (2011: 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.

(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.

Financial liability and financial asset maturity analysis

	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
30 June 2012				
Financial liabilities due for payment				
Payables	(450,952)	(450,952)	-	-
Loans and borrowings	(281)	(281)	-	-
Total expected outflows	(451,233)	(451,233)	-	-

Notes to the financial statements (continued)

Note 25. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis (continued)

	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial assets - cashflow realisable				
Cash & cash equivalents	1,055,568	1,055,568	-	-
Receivables	183,661	183,661	-	-
Total anticipated inflows	1,239,229	1,239,229	-	-
Net (outflow)/inflow on financial instruments	787,996	787,996	-	-

	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
30 June 2011				
Financial liabilities due for payment				
Payables	(460,560)	(460,560)	-	-
Loans and borrowings	(260)	(260)	-	-
Total expected outflows	(460,820)	(460,820)	-	-
Financial assets - cashflow realisable				
Cash & cash equivalents	909,732	909,732	-	-
Receivables	157,766	157,766	-	-
Total anticipated inflows	1,067,498	1,067,498	-	-
Net (outflow)/inflow on financial instruments	606,678	606,678	-	-

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at June 30 2012 and June 30 2011.

(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 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.

Notes to the financial statements (continued)

Note 25. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis

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

	Carrying amount	
	2012	2011
	\$	\$
Fixed rate instruments		
Financial assets	809,514	287,590
Financial liabilities	-	-
	809,514	287,590
Floating rate instruments		
Financial assets	246,054	622,142
Financial liabilities	(281)	(260)
	245,773	621,882

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 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

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.

Notes to the financial statements (continued)

Note 25. Financial risk management (continued)

Capital management (continued)

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%.

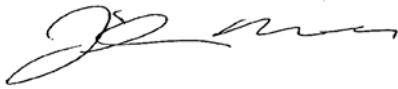
The Board is managing the growth of the business in line with this requirement. There are no other imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2012 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

In accordance with a resolution of the Directors of Mt Evelyn & Districts Financial Services Limited, the Directors of the company declare that:

- 1 the financial statements and notes of the company as set out on pages 16 to 36 are in accordance with the Corporations Act 2001 and:
 - (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (ii) give a true and fair view of the company's financial position as at 30 June 2012 and of the performance for the year ended on that date;
- 2 in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Jillian Lorraine Rule
Chairperson

Signed on 7 September 2012.

Independent audit report



**Richmond
Sinnott &
Delahunty**

Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, Victoria
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www.rsdadvisors.com.au

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

Report on the Financial Report

We have audited the accompanying financial report of Mt Evelyn & Districts Financial Services Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company for the year ended 30 June 2012.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Richmond Sinnott & Delahunty
ABN 60 616 244 309

Liability limited by a scheme
approved under Professional
Standards Legislation

Partners:

Warren Sinnott
Cara Hall
Brett Andrews

Philip Delahunty
Kathie Teasdale
David Richmond

Independent audit report (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence


In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

- (a) the financial report of Mt Evelyn & Districts Financial Services Limited is 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 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1(a).

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants


Philip Delahunty

Partner
Bendigo

Date: 7 September 2012

NSX report

Mt Evelyn & Districts Financial Services Limited is a public company incorporated in Australia and listed on the National Stock Exchange of Australia (NSX).

Shareholding

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	Number of shares held
1 to 1,000	167	113,015
1,001 to 5,000	251	653,250
5,001 to 10,000	64	465,484
10,001 to 100,000	70	1,708,332
100,001 and over	0	-
Total shareholders	552	2,940,081

Equity securities

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.

Ten largest shareholders

The following table shows the 10 largest shareholders.

Shareholder	Number of fully paid shares held	Percentage of issued capital
Lloyd Albert Harrington	76,000	2.6%
Giuliano Sciore & Marisa Sciore	75,000	2.6%
Eda Paige	60,000	2.0%
Jillian Lorraine Rule as Trustee for <The Rule Super Fund A/C>	60,000	2.0%
Richard Everitt Thorne	60,000	2.0%
Simon George Miller	60,000	2.0%
Scipio Nominees Pty Ltd	51,000	1.7%
John Schneider as Trustee for <Schneider Family S/Fund A/C>	39,000	1.3%

Independent audit report (continued)

Ten largest shareholders (continued)

Shareholder	Number of fully paid shares held	Percentage of issued capital
Timothy Brendan Herlihy & Paula Ruth Herlihy	30,001	1.0%
Carolynne Marjorie Soucek & Peter Zdenek Soucek	30,000	1.0%
	541,001	18.4%

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
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 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.

Independent audit report (continued)

Annexure 3

There are no material differences between the information in the company's Annexure 3 and the information in the financial documents in its Annual Report.

5 Year summary of performance

	2008 \$	2009 \$	2010 \$	2011 \$	2012 \$
Gross Revenue	998,917	1,090,930	1,276,410	1,550,001	1,720,259
Net profit before tax	134,948	179,218	221,742	65,264	232,816
Total assets	883,956	945,896	1,890,175	2,257,310	2,419,377
Total liabilities	106,267	129,601	155,257	551,109	595,206
Total equity	777,689	816,295	1,734,918	1,706,201	1,824,171



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

Montrose **Community Bank**[®] 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
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