

2008 annual report



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Chairman's report

For year ending 30 June 2008

DAVID LUCAS

It was with regret that the resignation of David Lucas, foundation Chairman of the Company was received. David served in the capacity of Chairman for a period of seven years

The initiative, leadership and driving force David provided after the major banking establishments left Fern Tree Gully ensured the establishment of the Fern Tree Gully **Community Bank**[®] Branch. The success of this branch is due in no small way to his foresight and endeavours.

David's ability to seek measures that would ensure the success of the Company saw the establishment of the Rowville branch. While his realisation that the proposed closure of Fern Tree Gully Post Office would be a severe setback to Fern Tree Gully it would also provide an opportunity for the Company to purchase the Post Office thereby ensuring this important community asset remained.

David's vision that the Company should continue to move forward saw the relocation of the Fern Tree Gully **Community Bank**[®] Branch to the Company's own premises. This action enabled an offer to be made to Illoura for them to use the former branch premises rent free until 2010 as part of the Company's policy of giving portion of our profits back to the community.

The community of Fern Tree Gully owe a great deal to David Lucas for his vision, leadership and drive thereby ensuring that the Fern Tree Gully and Rowville communities are provided with a stable and professional banking service.

* * *

Following David's resignation I was elected Chairman of the Company. I look forward to the challenge of serving Fern Tree Gully and Rowville Financial Services and all of our valued customers in a manner that will enable our Company to continue to grow in a professional manner.

Despite the current economic situation Fern Tree Gully and Rowville branches are trading profitably. This has been due in no small way to our Management Group of John, Tina and Campbell who together with their dedicated and professional staff has ensured the Company have operated in a profitable manner.

Over the seven years of operation your **Community Bank**[®] Company has donated over \$410,000 back to our local community.

Your Directors have recommended a 10 cents per share dividend be paid.

The Directors continue to serve you in a professional manner as can be seen by the results this year. I welcome former Directors, Etienne Clauw and Des Higginbotham back onto the Board. Etienne and Des bring to the Board the managerial skills necessary in the operation of an international Company and a successful small business.

Thank you to everyone who has supported us over the past 12 months. I look to your continued support in the future.



HURTLE LUPTON O.A.M., J.P.
CHAIRMAN

General Manager's report

For year ending 30 June 2008

Once again the citizens of Fern Tree Gully and Rowville have continued their support of our branch.

Your support has helped us continue to grow and place funds back into the local community.

This is what we are about, helping those who help us. Yes we do give priority in funding to our customers; banking with us ensures we make profits that we can then distribute.

We aim to become the leader in community enhancement.

Some of the groups that have benefited from your support during the year include, special children schools, schools, pre schools, sporting clubs, elderly citizen services and various other community groups.

These groups represent a wide cross section of our communities. They all put a lot of time and commitment into making our communities the best places to live and work in. We are proud to be able to assist them in going forward.

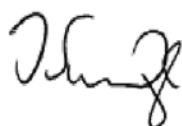
As shareholders we can proudly recommend our branch to others with the confidence they will receive service and attention second to none.

Once again I would like to thank the staff, who are led by Tina Leslie and Campbell Connell for their commitment to your branch. They go above and beyond what they are paid for to attend local functions and promote the branch at every opportunity.

I also pass on my thanks to Bendigo and Adelaide Bank Limited who continue to support us, especially Alison Burr and Scott Elkington, they have gone out of there way to assist us in promoting our branches.

A special thanks must go to our founding Chairman, David Lucas, who has retired from the Board during the year. David put in many unpaid hours to ensure we are in the position we are in today. He did, and still does support our endeavors to be relative in the community.

Last but not least are your Board members, led by Hurtle Lupton who continue to put in unpaid hours to promote your branch within the community and guide the business to ensure your assets are protected.



John Surridge
General Manager

Fern Tree Gully Manager's report

For year ending 30 June 2008

It has been a most productive 12 months for the Fern Tree Gully **Community Bank**[®] Branch, both inside and outside throughout the local community.

As at the 30 June 2008 we have 6989 accounts which is a fantastic result which has come in large parts via the positive referrals and recommendations given by customers.

Our total lending and deposits as of the 30 June 2008 is \$86,373,076 which is an increase of \$4,821,076 for the year.

We have also had an exciting time with the relocation of the branch to its new premises in November, which went without any hiccups. I would like to thank all those who helped with this project including the staff who gave up their time on the weekend for the move so that we were ready for business on the Monday morning.

As you will see from the various reports, funds are continually flowing back into the community and this will continue to be ongoing with your support. I believe the shareholders will be proud, as once again Fern Tree Gully and Rowville **Community Bank**[®] branches are largely promoting our community involvement with the huge success of our grants night which several different organisations received funds from us to fund their projects.

Once again I would like to thank the Board for the hours they put in to promote your bank branches and the community of Fern Tree Gully. A special thanks goes to our General Manager John Surridge for all his guidance and support, also the commitment and dedication from the staff in making your **Community Bank**[®] branch a success.

Finally, I am looking forward to another great year and continued growth for the Fern Tree Gully **Community Bank**[®] Branch.



Tina Leslie

Manager

Fern Tree Gully Community Bank[®] Branch

Rowville Manager's report

For year ending 30 June 2008

What a year it has been at the Rowville **Community Bank**[®] Branch. We have celebrated our third Birthday and have seen our business continue to grow.

At the Rowville **Community Bank**[®] Branch we have increased our funds under management over the year past the \$40 million mark from \$33.5 million to \$43.3 million. The number of accounts also continues to grow from 2398 to 2981. As we continue in the new financial year our business is increasing with the support of the local traders and businesses along with the residents of Rowville.

Donations and sponsorship continues to flow back into the community which makes my job so much more satisfying knowing that the people of Rowville are benefiting, particularly the children at the sporting clubs and schools in our area. Our banking in schools program continued this year at Heany Park Primary School and I am please to advise that we will be taking the program to other schools in the area as well. Most of our community sporting clubs have also got behind our **Community Bank**[®] branch and it is great to have the support working both ways.

The Rowville **Community Bank**[®] Branch would not be where it is today without the dedication and drive of Mr John SurrIDGE (Senior Manger) and I take this opportunity to thank him. Thanks must also go to Tina Leslie (Branch Manger at Ferntree Gully) who has also been instrumental in getting Rowville **Community Bank**[®] Branch to its current position. Both John and Tina have gone beyond the call of duty on many occasions and their expertise and guidance is appreciated. Thanks to our staff who continue to put in their best efforts day in day out including at different stages their weekends as well.

To the Board of Directors who volunteer their time and expertise to our **Community Bank**[®] branches, thank you - it is a pleasure to work with you.

As we move ahead I urge all shareholders to get behind their **Community Bank**[®] branch. Encourage your friends and neighbours to support your/their **Community Bank**[®] branch.



Campbell Connell

Manager

Rowville Community Bank[®] Branch

Marketing Director's report

For year ending 30 June 2008

The marketing activities within the business are shared task between Bendigo and Adelaide Bank and Fern Tree Gully and Rowville Financial Services P/L. The national branding, in branch materials, and product awareness is driven from the Bendigo's corporate marketing department. Fern Tree Gully and Rowville Financial Services is responsible for the local marketing initiatives relevant for the two **Community Bank®** branches operated at Ferntree Gully and Rowville.

Income

In previous years, as the banking business levels were growing, the income stream for the marketing budget was a combination of Bendigo provided funds and Company funds. Our combined banking business value is now at a level where the funds received from Bendigo alone, via the Marketing Development Fund, are sufficient to fund the complete marketing program. No additional Company funds are required to operate the marketing budget. The Bendigo Marketing Development Fund must be spent on marketing activities as defined by Bendigo and any balance remaining cannot be transferred to consolidated income.

Expenses

Marketing activities are divided into four broad segments, advertising, sponsorship, donations, and general. The aim for each is for the Company to gain some advantage back to the business by way of, community awareness, Customer and Client knowledge, and ultimately increased banking business.

Classifications

- Advertising by way of local community new papers and direct mailing to increase brand and branch awareness within the community.
- Sponsorship by way of funds provided to organisations where we are able to leverage some direct involvement through our banking management and staff, and where we receive recognition on an ongoing format via the organisations own internal communication processes. Sponsorships include major payments along with ongoing incentive schemes
- Donations by way of typically single events to either existing sponsorship recipients or new requests from smaller community organisations, where again we are able to have direct contact between our staff and their committee, and we gain further community awareness of our brand
- General marketing includes such items as the Company newsletter, marketing staff wages, posters, banners, and promotional items.

The received income from the Marketing development fund was \$85000.

The total expenses for marketing were within the budget.

Our plan for 2008/09 year will be to focus on areas where we can improve our direct awareness with our existing banking customers.



Etienne Clauw

Marketing Director

Finance and administration report

For year ending 30 June 2008

The financial year has been one of consolidation and sustained growth upon the solid business foundation laid down over the last several years, highlighted by:

- Total ordinary operating income: \$1,522,000 a 12% increase on the previous financial year
- Total ordinary operating profit: \$300,000 a 70% increase on the previous financial year
- Declaration of a \$0.10 dividend per share
- Approximate net realisable asset coverage of \$1.00 per share

The Rowville **Community Bank**[®] Branch produced a cash operating profit for the period January–June 2008, resulting in an annual result 30% over the budget forecast. This has permitted constant repayments of the internal loan to the Rowville **Community Bank**[®] Branch, the balance of which is now under \$700,000 and decreasing consistently.

The Ferntree Gully **Community Bank**[®] Branch result was again solid. Generating sufficient income to not only cover all operating costs, but also fund the considerable expenditure incurred in the relocation of the branch to its new premises, and the new building extensions now under construction.

The property the Ferntree Gully branch now operates from is mortgage free. Combined with the \$300,000 held in cash reserves, there is on a very conservative valuation, sufficient realisable assets to cover the initial investment made by all shareholders.

As the business moves forward into the future, the key financial objectives will be:

- Protecting and growing shareholder value through consistent annual dividend payments, and increasing the net realisable asset coverage per share.
- Increasing the profitability of the Rowville **Community Bank**[®] Branch, thereby consistently reducing the internal loan to the Rowville **Community Bank**[®] Branch.
- Expand community engagement by growing the social dividend to the local community, through increasing grants and donations to worthwhile projects and causes which in turn will in the long run provide an increasing rate in revenue growth

I look forward to the challenge of continuing the role of Finance Director into the future.

Yours Sincerely



Darren Pearce
Finance Director

Directors' report

For year ending 30 June 2008

Your Directors present this report on the Company for the financial year ended 30 June 2008.

Directors

The names of the Directors in office at any time during or since the end of the year are:

Name of Director	Meetings attended	Meetings held	
David Lucas	6	6	(resigned during the year)
Graeme McEwin	9	10	
Roy Bragge	9	10	
Gregory Hyams	1	1	(resigned during the year)
Grantley Bland	2	2	(resigned during the year)
Darren Pearce	10	10	
Emilia Cursaro	8	10	
Hurtle Lupton	4	5	(appointed during the year)
Etienne Clauw	2	4	(appointed during the year)
Phillip Reibelt	5	5	(appointed during the year)
Desmond Higginbotham	1	1	(appointed during the year)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Operating result

The profit of the Company for the financial year after providing for income tax amounted to:

Year ended	Year ended
30 June 2008	30 June 2007
\$	\$
174,939	198,269

Review of operations

A review of the operations of the Company during the financial year and the results of those operations showed an overall profit before income tax of \$225,898 including loss on sale of assets resulting from the relocation of the Ferntree Gully branch.

Directors' report continued

Significant changes in the state of affairs

No significant changes in the Company's state of affairs occurred during the financial year.

Principal activities

The principal activities of the Company during the course of the year were Bendigo Bank **Community Bank**[®] branches operating in Ferntree Gully and Rowville. No significant change in the nature of these activities occurred during the year.

After balance date events

No matters or circumstances have arisen since the end of the financial year which 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 subsequent financial years.

Future developments

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Environmental issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends

During the year the Directors have provided for and paid dividends of \$62,460.00 (\$0.08 per share).

Options

No options over issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Directors' report continued

Directors' interests in shares of the Company or related bodies corporate

The particulars of shares held by the Directors of the Company in the Company or in related bodies corporate which are required to be declared in the register of Directors' share holdings are as follows:

Name of Director	Share holding
David Lucas	5000
Graeme McEwin	5000
Roy Bragge	1500
Gregory Hyams	0
Grantley Bland	1000
Darren Pearce	500
Emilia Cursaro	1000
Hurtle Lupton	1000
Etienne Clauw	0
Phillip Reibelt	0
Desmond Higginbotham	1000

Directors' benefits

No Director has received or has become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company 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 or related body corporate.

Indemnifying Officer or Auditor

No indemnities have been given or agreed to be given or insurance premiums paid or agreed to be paid, during or since the end of the financial year, to any person who is or has been an Officer or Auditor of the Company.

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.

Directors' report continued

International Financial Reporting Standards (IFRS)

Since the introduction of Australian equivalents to International Financial Reporting Standards (IFRS), the Company's financial report has been prepared in accordance with those standards.

Auditors independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 has been included.

Signed in accordance with a resolution of the Board of Directors:



Hurtle Lupton
Director



Darren Pearce
Director

Dated: 1 October 2008.

Financial statements

Income statement For year ending 30 June 2008

	Note	2008 \$	2007 \$
Classification of expenses by nature			
Revenues from ordinary activities	2	1,450,788	1,562,360
Changes in inventories of:			
Raw materials and consumables used	0	(81,504)	
Borrowing costs expense	3	(7,797)	(9,439)
Bad and doubtful debts	3	(700)	(12,256)
Depreciation and amortisation expenses	3	(43,853)	(46,528)
Other expenses from ordinary activities		(1,172,540)	(1,111,625)
Profit from ordinary activities before income tax		225,898	301,008
Income tax expense relating to ordinary activities	4	(50,959)	(102,739)
Net profit attributable to members of the Company		174,939	198,269

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet As at 30 June 2008

	Note	2008 \$	2007 \$
Current assets			
Cash assets	6	325,352	401,315
Total current assets		325,352	401,315
Non-current assets			
Property, plant and equipment	7	857,897	686,298
Intangible assets	8	13,578	25,578
Total non-current assets		871,475	711,876
Total assets		1,196,827	1,113,191
Current liabilities			
Payables	9	25,240	1,494
Financial liabilities	10	8,726	7,760
Current tax liabilities	11	80,586	134,141
Total current liabilities		114,552	143,395
Total liabilities		114,552	143,395
Net assets		1,082,275	969,796
Equity			
Contributed equity	12	780,750	780,750
Retained profits		301,525	189,046
Total equity		1,082,275	969,796

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2008

	Note	2008 \$	2007 \$
Cash flow from operating activities			
Receipts from customers		1,450,415	1,367,894
Payments to suppliers and employees		(1,087,916)	(1,132,915)
Interest received		15,043	10,729
Interest and other costs of finance		(7,797)	(9,439)
Income tax refunded		4,249	17,679
Income tax paid		(112,363)	0
Net cash provided by (used in) operating activities (note 2)		261,631	253,948
Cash flow from investing activities			
Proceeds from sales of non-current assets		0	277,000
Purchase of non-current assets		(275,134)	(457,288)
Net cash provided by (used in) investing activities		(275,134)	(180,288)
Cash flow from financing activities			
Proceeds of issue of shares		0	1,500
Dividends paid		(62,460)	0
Net cash provided by (used in) financing activities		(62,460)	1,500
Net increase (decrease) in cash held		(75,963)	75,160
Cash at the beginning of the year		401,315	326,155
Cash at the end of the year (note 1)		325,352	401,315

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2008

	2008 \$	2007 \$
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Note 1. Reconciliation of cash

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.

Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

Cash at bank	167,217	142,015
Investment account	157,635	258,800
Deposit bonds	500	500
	325,352	401,315

Note 2. Reconciliation of net cash provided by/used in operating activities to net profit

Operating profit (loss) after tax	174,939	198,269
Depreciation	22,853	25,199
Amortisation	21,000	21,329
Increase/(decrease) in provision for income tax	(57,154)	120,418
(Profit) / Loss on sale of property, plant and equipment	71,683	(124,434)
Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:		
(Increase) decrease in trade and term debtors	0	1,058
(Increase) decrease in raw materials	0	20,972
Increase (decrease) in trade creditors and accruals	27,344	(13,547)
Increase (decrease) in loans	967	4,684
Net cash provided by operating activities	261,631	253,948

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 1. Statement of significant accounting policies

The financial report covers Fern Tree Gully & Rowville Financial Services Ltd as an individual entity. Fern Tree Gully & Rowville Financial Services Ltd is a Company limited by shares, incorporated and domiciled in Australia.

(A) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The financial report of Fern Tree Gully & Rowville Financial Services Ltd comply with all Australian equivalents to International Financial Reporting Standards (IFRS) in their entirety.

(B) Accounting policies

Income tax

The change for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

The amount of Benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenses. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

a) Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arms length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

b) Plant and equipment

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining the recoverable amounts.

The cost of fixed assets constructed within Fern Tree Gully & Rowville Financial Services Ltd includes the cost of materials, direct labor, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

Property, plant and equipment (continued)

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the assets original cost is transferred from the revaluation reserve to retained earnings.

c) Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to Fern Tree Gully & Rowville Financial Services Ltd commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An assets carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to Fern Tree Gully & Rowville Financial Services Ltd are classified as finance leases.

Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that Fern Tree Gully & Rowville Financial Services Ltd will obtain ownership of the asset or over the term of the lease.

Lease payments under operating leases, where substantially all the risks and benefits remain with the leaser, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight - line basis over the life of the lease term.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

Financial instruments

a) Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

b) Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in fair value of these assets are included in the income statement in the period in which they arise.

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are stated at amortised cost using the effective interest rate method.

d) Held-to-maturity investments

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Any held-to-maturity investments are stated at amortised cost using the effective interest rate method.

e) Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

f) Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

g) Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

h) Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

Financial instruments (continued)

i) Impairment

At each reporting date, the Directors assess whether there is objective evidence that financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Impairment of assets

At each reporting date, the Directors review the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the assets fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs.

Investments in associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognises the Company's share of post-acquisition reserves of its associates.

Intangibles

a) Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

b) Research and development expenditure

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

Employee benefits

Provision is made for the liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year have been measured at the amount expected to be paid when the liability is settled, plus related on-costs. Employee entitlements payable later than one year have been measured at the present value of the estimated future cash out flows to be made for those entitlements.

Provisions

Provisions are recognised when Fern Tree Gully & Rowville Financial Services Ltd has a legal or constructive obligation, as a result of past events, for which it is probable that the outflow of economic benefit will result and that the outflow can be measured reliably.

Cash and cash equivalents

Cash and Cash Equivalents includes cash on hand, deposits held at call with banks or financial institutions, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking in to account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

Goods and Service Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Comparative figures

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

a) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report 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 internally.

Key estimates - impairment

The Directors assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

	2008 \$	2007 \$
Note 2. Revenue		
Operating activities:		
Post office revenue	0	92,444
Other sales revenue (including banking)	1,493,508	1,326,857
Rents	13,920	7,896
Interest revenue	15,043	10,729
	1,522,471	1,437,926

Notes to the financial statements continued

	2008 \$	2007 \$
Note 2. Revenue (continued)		
Non-operating activities:		
Profit (loss) on disposal of property, plant & equipment	(71,683)	124,434
	(71,683)	124,434
	1,450,788	1,562,360

Note 3. Profit from ordinary activities

Profit (loss) from ordinary activities before income tax has been determined after:

Charging as expense:

Amortisation of non-current assets	21,000	21,329
Bad and doubtful debts	700	12,256
Cost of post office goods traded	0	81,504
Depreciation of non-current assets	22,853	25,199
Interest and borrowing costs	7,797	9,439

Note 4. Income tax

The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax as follows:

Current tax	55,209	85,512
Under provision in respect of prior years	(4,249)	17,227
Income tax expense attributable to profit from ordinary activities	50,959	102,739

Note 5. Dividends

Dividends provided for or paid	62,460	0
	62,460	0

Notes to the financial statements continued

	2008 \$	2007 \$
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Note 6. Cash assets

Bank accounts:

Cash at bank	167,217	142,015
Investment account	157,635	258,800

Other cash items:

Deposit bonds	500	500
	325,352	401,315

Reconciliation of cash:

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

- Cash	325,352	401,315
	325,352	401,315

Note 7. Property plant and equipment

Buildings:

- At cost	678,929	454,361
	678,929	454,361

Leasehold improvements:

- At cost	46,645	106,394
- Less: Accumulated depreciation	(35,800)	(86,549)
	10,845	19,845

Plant and equipment:

- At cost	246,965	347,515
- Less: Accumulated depreciation	(78,842)	(135,422)
	168,123	212,093
	857,897	686,298

Notes to the financial statements continued

	2008 \$	2007 \$
Note 8. Intangible assets		
Franchise fees:		
- At cost	110,000	110,000
- Less: Accumulated amortisation	(96,422)	(84,422)
	13,578	25,578

Note 9. Payables

Trade creditors	6,880	1,494
Sundry creditors	18,360	0
	25,240	1,494

Note 10. Borrowings

Bank loans	8,726	7,760
	8,726	7,760

Note 11. Tax liabilities

GST payable	24,217	22,290
Taxation	45,585	102,739
PAYG withholding payable	9,974	9,112
Superannuation payable	809	0
	80,586	134,141

Note 12. Contributed capital

Ordinary shares at \$1.00 each fully paid	780,750	780,750
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Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Note 13. Company details

The registered office of the Company is 67 Station Street, Ferntree Gully VIC 3156.

Director's declaration

The Directors of the Company declare that:

1. the financial statements and notes are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations; and
 - (b) give a true and fair view of the Company's financial position as at 30 June 2008 and of its 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.

This declaration is made in accordance with a resolution of the Board of Directors.



Hurtle Lupton
Director



Darren Pearce
Director

Dated: 1 October 2008.

Independent audit report

Report on the financial report

We have audited the accompanying financial report of FREN TREE GULLY & ROWVILLE FINANCIAL SERVICES LTD for the year ended 30 June 2008 as set out herein.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the Company's constitution. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101: "Presentation of Financial Statements" that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of 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 judgment, 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 entity's preparation and fair presentation 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 entity'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.

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 Australian professional ethical pronouncements and the Corporations Act 2001.

Independent audit report continued

Auditor's opinion

In our opinion:

- (a) the financial report of Fern Tree Gully & Rowville Financial Services Ltd is in accordance with the Company's constitution, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2008 and of its performance for the year ended on that date, and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the company's constitution.
- (b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Signed on : 22.09.08



Glenn Miller, FCPA

Nickless Miller Pty Ltd

1st Floor, 261-267 High Street, Ashburton

Auditor's independence declaration

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the Directors of: Fern Tree Gully & Rowville Financial Services Ltd

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2008 there have 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.



Glenn Miller, FCPA

Nickless Miller Pty Ltd

1st Floor, 261-267 High Street, Ashburton

Signed on : 22.09.08

Additional statements

Statement of changes in equity As at 30 June 2008

	Retained profits	Issued & paid up capital	Total
Balance at 30/06/2006	(9,222)	779,250	770,028
Profit attributable to the members	198,269		198,269
Shares issued during the year		1,500	1,500
Subtotal	189,046	780,750	969,796
Dividends paid or provided for	0		0
Balance at 30/06/2007	189,046	780,750	969,796
Profit attributable to the members	174,939		174,939
Shares issued during the year		0	0
Subtotal	363,985	780,750	1,144,735
Dividends paid or provided for	(62,460)		(62,460)
Balance at 30/06/2008	301,525	780,750	1,082,275

Additional statements continued

Trading income

	2008	2007
	\$	\$
Trading income		
Sales	0	92,444
Total trading income	0	92,444
Cost of sales		
Add:		
Opening stock	0	20,972
Purchases	0	60,532
	0	81,504
Cost of sales	0	81,504
Gross profit from trading	0	10,940

Additional statements continued

Detailed income As at 30 June 2008

	2008 \$	2007 \$
Income		
Trading profit	0	10,940
Gross margin	958,528	841,434
Commission	13,115	38,224
Trailer commission	219,890	171,557
Fee income	216,975	197,726
Market development fund	84,999	77,917
Interest received	15,043	10,729
Profit (loss) on sale of assets	(71,683)	124,434
Rent received	13,920	7,896
Total income	1,450,788	1,480,856
Expenses		
Accountancy	46,461	21,136
Advertising, marketing & sponsorship	73,515	60,436
Amortisation	21,000	21,329
Bad debts	700	12,256
Bank fees & charges	1,767	2,743
Bendigo bank fees	91,650	75,474
Board expenses	7,865	3,065
Cleaning	17,305	14,926
Collection costs	0	1,728
Commissions	0	208
Computer supplies	0	1,250
Consultants fees	0	9,943
Couriers	13,759	12,981
Depreciation	22,853	25,199
Donations	5,305	28,153

Additional statements continued

Detailed income (continued)

	2008 \$	2007 \$
Expenses (continued)		
Equipment replacements	584	3,191
Filing fees	1,577	590
Fines	1,927	0
General expenses	2,078	712
Heat, light & power	9,035	9,083
Insurance	22,560	20,137
Interest	7,797	9,439
Legal fees	488	3,759
Office supplies	0	371
Payroll tax	15,707	0
Postage	5,569	4,452
Post office expenses	0	11,280
Printing & stationery	19,880	24,418
Procedural errors	(1,347)	838
Rates & land taxes	5,056	5,190
Rent on land & buildings	97,455	102,218
Repairs & maintenance	12,902	4,650
Salaries	602,946	551,650
Security	4,116	3,654
Share registry	5,397	564
Staff training	6,600	1,345
Sundry expenses	16,585	8,515
Superannuation	67,236	63,633
Telephone	16,247	16,015
Wages	0	41,143

Additional statements continued

Detailed income (continued)

	2008	2007
	\$	\$
Expenses (continued)		
Workcover insurance	2,313	2,176
Total expenses	1,224,889	1,179,848
Profit from ordinary activities before income tax	225,898	301,008

Compilation report

On the basis of the information provided by the Directors of Fern Tree Gully & Rowville Financial Services Ltd, we have compiled, in accordance with APS 9: Statement on Compilation of Financial Reports the special purpose financial report of Fern Tree Gully & Rowville Financial Services Ltd for the period ended 30 June 2008, comprising the attached Statement of Financial Performance and Statement of Financial Position.

The specific purpose for which the special purpose financial report has been prepared is set out in Note 1. The extent to which Australian Accounting Standards and other mandatory professional reporting requirements have or have not been adopted in the preparation of the special purpose financial report is set out in Note 1.

The Directors are solely responsible for the information contained in the special purpose financial report and have determined that the accounting policies used are consistent with the financial reporting requirements of Fern Tree Gully & Rowville Financial Services Ltd's constitution and are appropriate to meet the needs of the Directors and Members of the Company.

Our procedures use accounting expertise to collect, classify and summarise the financial information, which the Directors provided into a financial report. Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.

To the extent permitted by law, we do not accept liability for any loss or damage which any person, other than the Company, may suffer arising from any negligence on our part. No person should rely on the special purpose financial report without having an audit or review conducted.

The special purpose financial report was prepared for the benefit of the Directors and Members of Fern Tree Gully & Rowville Financial Services Ltd and the purpose identified above. We do not accept responsibility to any other person for the contents of the special purpose financial report.

Grantley Bland & Associates
26 Station Street
Ferntree Gully VIC 3156



Grantley Bland

5 August 2008.

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