

annual report 2010



Ferntree Gully & Rowville
Financial Services Limited
ABN 88 093 823 708

Ferntree Gully and Rowville **Community Bank**[®] branches

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Chairman's report

For year ending 30 June 2010

This financial year commenced well, however since December 2009 the business sector has slowed dramatically. Retail and manufacturing have been particularly affected by this slowdown in business, resulting in John SurrIDGE and his staff developing initiatives in an attempt to keep our existing customers and at the same time attract new ones.

The high turnover of house properties has seen many old customers selling their homes and moving to other locations, which in the majority of cases has meant the closure of that customers account. In most cases the new resident has obtained their home loan from the area where they resided previously, resulting in John and his staff having to attempt to win these new residents as customers.

The Board has taken a number of new initiatives to attract the younger people of our community to become customers by offering incentives to them when they take up a car loan with either Ferntree Gully or Rowville **Community Bank**[®] branches. For those taking a home loan, incentives are provided to help these customers to establish their new or existing home.

To date, the branches have contributed and pledged a total of \$1.3 million in local grants and sponsorships, thereby boosting the Knox economy while paying a dividend to our shareholders at the same time!

Your Directors have recommended a 15 cents per share dividend to be paid.

Ferntree Gully and Rowville **Community Bank**[®] branches remain committed to our local community and are proud to be involved with and support many organisations during the year.

None of the above would have been possible without the continuing hard work of our management team and their staff! John in his role of General Manager has provided sound and professional skills to ensure that the business at both branches is conducted in an efficient and courteous manner. Tina and Campbell have demonstrated a commitment to the bank and the local community. The management team has of necessity had to be in attendance at functions and interviews after hours in order to ensure that your **Community Bank**[®] branches are available to satisfy our customers' requirements. Under their combined leadership the staff continues to demonstrate that the word "community" has a real meaning. This is exemplified by their friendly and courteous manner when dealing with you the customer.

I welcome Anthony (Tony) Holland to the Board of Directors. His professional skills since his appointment 12 months ago have proved to be invaluable to the Board.

I wish to also record my sincere appreciation to all of the Directors who have worked diligently to ensure your **Community Bank**[®] branches continue to act professionally, thereby satisfying the legal requirements associated with operating a Company.

Chairman's report continued

Your Directors have considered and investigated a number options and possibilities which would enable the Company to grow. This particular role is seen as an ongoing challenge by the Board thereby ensuring that we can plan and grow in the future.

Thank you to the many shareholders and clients who continue to support the **Community Bank**[®] concept. With the continued support of all involved in our branches I am confident our business will grow and benefit our community.



Hurtle Lupton O.A.M., J.P.
Chairman

General Manager's report

For year ending 30 June 2010

As you will all be aware 2009 was an extremely difficult year for the financial industry with the downturn in the global economy. This did have an impact on our business by reducing the margin income we receive from Bendigo and Adelaide Bank Ltd.

At Ferntree Gully and Rowville **Community Bank**[®] branches we were able to get through the year in good financial shape due to the quality business we had on our books thanks to our customers' loyal support.

You will be able to see in the financial reports that the profitability of the business did not suffer overall as we were able to the continue to grow our business,

This enabled us to continue to support many community projects that are part and parcel of our charter.

These partnerships in the community build on the efforts of many volunteers. They are wide ranging, from meals for those in need in our communities, education, special children's needs, elderly citizens, volunteer groups to sporting clubs.


By doing this we not only help our customers, but get our brand out to the wider community encouraging them to join us and be part of keeping our capital in our local community.

As shareholders you can proudly recommend our bank to others with the confidence they will receive service and attention second to none, also their banking will help us to continue to maintain this essential service in our communities.

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

I also pass on my thanks to Bendigo and Adelaide Bank Ltd, who continue to support us,

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



John Surridge
General Manager

Ferntree Gully Manager's report

For year ending 30 June 2010

It has been another exciting 12 months for Ferntree Gully **Community Bank**[®] Branch.

We have 7,223 accounts as at the end of the financial year, a fantastic result that has come in large parts via the positive referrals and recommendations that has been given from our shareholders and customers.

This increase has resulted in the total business deposits and lending holding steady even in these difficult times with a balance of \$114,107,520. It is incredible that we have been able to achieve the business levels we have and I would like to take this opportunity in thanking all our shareholders and customers for their continued support.

As you will see from the various reports the funds continually keep flowing back into the community through our grants program and also our continued sponsorship with various clubs.

The branch is fast approaching its 10th birthday this November, which in its self is a huge achievement 10 years old and still going strong.

I would also like to take this opportunity to thank the Board of Directors for their support, General Manager John Surridge for his guidance and the staff for their dedication and support to the success of Ferntree Gully **Community Bank**[®] Branch.

As shareholders you can be guaranteed that the staff and the Board will not be resting on the results that have been achieved so far, we will continue to strive and grow so that we can distribute more funds back into the community.



Tina Leslie
Branch Manager

Rowville Manager's report

For year ending 30 June 2010

Rowville **Community Bank**[®] Branch has now been operating for six years and has had another year of steady growth and so it is again a pleasure to be part of the Ferntree Gully and Rowville Financial Services Ltd Annual Report.

The branch has now achieved funds under management amount of \$75.03 million. We have had an increase of \$17.29 million from the last financial year ending figure of \$57.74 million. The number of our accounts has also grown to 3,577 and we continue to provide our customers with the best possible service along with the full range of banking products and services.

I have again had the pleasure of getting involved with the different community groups in our area including the Rowville Rotary Club where we joined together to change the light globes of Rowville from the old incandescent globes to the new "green" energy saving globes and all for free. In fact, apart from the householders, the main beneficiary of the program was the Rotary Club who received \$2.00 for every globe that was changed. The School Banking program continues to the Grade 5 students at Heany Park Primary School and we now have Park Ridge Primary School taking on the program later this year. I have also had the opportunity to visit the schools with V8 Super Car driver Tony D'Alberto. Tony delivers a Road Safety message to the primary school children and driver safety message to the Year 11 students at the secondary schools.

It would not have been the year it was without the support and guidance from our General Manager Mr. John Surridge and I take this opportunity to thank him. Ferntree Gully **Community Bank**[®] Branch Manager Tina Leslie is also thanked for her help, expertise and patience. Thanks to our loyal staff members who continually service both the Rowville and Ferntree Gully communities. We have employed a few new young staff members who we hope will enjoy their experience in our **Community Bank**[®] branches and have a long and successful career in banking.

To our Board of Directors who serve the community so professionally and provide the expertise to our branches, thank you.

As we continue to grow our business I urge all our shareholders to recommend and promote your **Community Bank**[®] branch at every opportunity.



Campbell Connell
Branch Manager.

Finance report

For year ending 30 June 2010

This financial year has produced another excellent result, with the Company continuing its sustained business growth from last year, highlighted by:

- Total ordinary operating income: \$1,840,201 a 14% increase on the previous financial year, and a 24% increase over the last 3 financial years.
- Total ordinary operating profit before tax: \$339,448 a 1.1% increase on the previous financial year, and a 12.6% increase over the last three financial years.
- Return on shareholders funds before tax of 26%.
- Earnings per share of \$0.43.
- Declaration of a \$0.15 dividend per share.
- Approximate net realisable asset coverage of \$1.64 per share.

Rowville **Community Bank**[®] Branch continues to produce consistent increasing returns ahead of last years plan by \$105,000. This has allowed a reduction in the internal Company loan to \$511,571, 18.5% less than at the end of the previous financial year. Ferntree Gully **Community Bank**[®] Branch continues producing consistent solid results. While the increase in profit was modest, during the year there was an increase in community donations of \$83,863 over the previous financial year, and costs associated with the franchise renewal for Rowville **Community Bank**[®] Branch of \$76,525.

There has been a revaluation of the Station Street property that now sits on the balance sheet at \$754,138, a 65% increase in value on the original purchase price. This property combined with the \$583,061 in cash reserves provides, on a conservative estimate, sufficient realisable assets to cover the value of shareholders capital.

As the Company progresses into the future, the key financial objectives will continue to be to:

- Protect and increase shareholder value through consistent dividend payments, and increasing the net realisable asset coverage per share.
- Progressively reduce the internal loan from Rowville to Ferntree Gully **Community Bank**[®] Branch
- Expand local community engagement by growing the social dividend through increasing grants and donations to worthwhile local projects and causes which will increase long term community goodwill to the Company providing increasing revenue and profit.

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



Darren Pearce
Finance Director

Marketing Director's report

For year ending 30 June 2010

The Marketing activities for the 2009/2010 financial year focused on maximising our strongest source of business, our current customers. Our Company website and email based newsletter continue to gain content and support.

Income

The income stream for the Marketing budget is made up of Market development funds provided by Bendigo and Adelaide Bank Ltd, and Company funds.

Income	Total
Marketing dev fund	\$100,000
Company contribution	\$70,000
Total	\$170,000

Expenses

Marketing activities are divided into four segments, Advertising, Sponsorship, Donations, and General Marketing.

Expenses	Total
Advertising	\$14,606
Sponsorships	\$23,955
Donations	\$100,530
Marketing	\$30,990
Total	\$170,081

- Advertising:
Advertising expenses include marketing staff wages, and ongoing cost for the website and newsletter, with print advertising limited to local community based newspapers.
- Sponsorship:
This is our largest managed expense involving our managers and community groups to maximise exposure and benefit the Ferntree Gully **Community Bank**[®] Branch and Rowville **Community Bank**[®] Branch.
- Donations:
Donations were used to supplement our sponsorship activities. This year, we have two large sponsorship items with the rent assistance offered to Illoura (\$36,837), and the building sponsorship to Glengollan village \$60,000 (\$300,000 over 5 years).
- General Marketing:
Items such as banners, shade gazebos, and promotional items.

The total expenses for Marketing was on budget.

Marketing Director's report continued

Community grants

Community grants applications totalled more than \$96,000. The committee recommended \$40,640 in community grants, with the Community grants presentation evening showing the true benefit of the **Community Bank®** model.

Our plan for the 2010/2011 financial year will be to focus on bringing together improvements to our lending incentive scheme, enhance the Company website, regular release of the Company email newsletter.

We anticipate that these improvements will further benefit both our customers and our business customers.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Etienne Clauw', written in a cursive style.

Etienne Clauw
Marketing Director

Directors' report

For the financial year ended 30 June 2010

Your Directors present this report on the Company for the financial year ended 30 June 2010.

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	
Graeme McEwin	11	11	
Roy Bragge	3	5	(resigned during the year)
Darren Pearce	10	11	
Hurtle Lupton	11	11	
Etienne Clauw	6	11	
Phillip Reibelt	5	11	
Desmond Higginbotham	10	11	
Anthony Holland	6	7	(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 30 June 2010	Year ended 30 June 2009
	\$	\$
	241,838	229,936

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 \$339,448.

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.

Directors' report continued

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 \$93,690.00 (\$0.12 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' 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
Graeme McEwin	5,000
Roy Bragge	1,500
Darren Pearce	500
Hurtle Lupton	1,000
Etienne Clauw	0
Phillip Reibelt	0
Desmond Higginbotham	1,000
Anthony Holland	500

Directors' report continued

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.

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: 7 September 2010.

Financial statements

Statement of comprehensive income For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Classification of expenses by nature			
Revenues from ordinary activities	2	1,840,201	1,614,055
Borrowing costs expense	3	(69)	(980)
Bad and doubtful debts	3	(2,504)	(813)
Depreciation and amortisation expenses	3	(22,313)	(41,160)
Other expenses from ordinary activities		(1,475,867)	(1,235,676)
Profit from ordinary activities before income tax		339,448	335,426
Income tax expense relating to ordinary activities	4	(97,610)	(105,490)
Net profit attributable to members of the Company		241,838	229,936

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position As at 30 June 2010

	Note	2010 \$	2009 \$
Current assets			
Cash assets	6	583,061	475,010
Total current assets		583,061	475,010
Non-current assets			
Property, plant and equipment	7	896,682	910,972
Intangible assets	8	0	1,578
Total non-current assets		896,682	912,550
Total assets		1,479,743	1,387,560
Current liabilities			
Payables	9	27,813	33,843
Financial liabilities	10	0	9,734
Current tax liabilities	11	69,646	109,846
Total current liabilities		97,459	153,424
Total liabilities		97,459	153,424
Net assets		1,382,284	1,234,136
Equity			
Contributed equity	12	780,750	780,750
Retained profits		601,534	453,386
Total equity		1,382,284	1,234,136

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity For the year ended June 2010

	Retained profits \$	Issued & paid up capital \$	Total \$
Balance at 30/06/2008	301,525	780,750	1,082,275
Profit attributable to the members	229,936		229,936
Shares issued during the year		0	0
Subtotal	531,461	780,750	1,312,211
Dividends paid or provided for	(78,075)		(78,075)
Balance at 30/06/2009	453,386	780,750	1,234,136
Profit attributable to the members	241,838		241,838
Shares issued during the year		0	0
Subtotal	695,224	780,750	1,475,974
Dividends paid or provided for	(93,690)		(93,690)
Balance at 30/06/2010	601,534	780,750	1,382,284

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Cash flow from operating activities			
Receipts from customers		1,830,851	1,576,016
Payments to suppliers and employees		(1,485,406)	(1,189,138)
Interest received		6,233	9,233
Interest and other costs of finance		(69)	(980)
Income tax refunded		6,469	4,213
Income tax paid		(149,892)	(89,376)
Net cash provided by (used in) operating activities (note 2)		208,186	309,968
Cash flow from investing activities			
Fixed asset purchases		(6,445)	(82,235)
Net cash provided by (used in) investing activities		(6,445)	(82,235)
Cash flow from financing activities			
Dividends paid		(93,690)	(78,075)
Net cash provided by (used in) financing activities		(93,690)	(78,075)
Net increase (decrease) in cash held		108,051	149,658
Cash at the beginning of the year		475,010	325,352
Cash at the end of the year (note 1)		583,061	475,010

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows For the year ended 30 June 2010

	2010 \$	2009 \$
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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	244,745	229,121
Investment account	337,817	245,389
Deposit bonds	500	500
	583,061	475,010

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

Operating profit (loss) after tax	241,838	229,936
Depreciation	18,890	20,160
Amortisation	3,423	21,000
Increase/(decrease) in provision for income tax	(45,813)	20,326
Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:		
Increase (decrease) in trade creditors and accruals	(418)	17,538
Increase (decrease) in loans	(9,734)	1,008
Net cash provided by operating activities	208,186	309,968

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Statement of significant accounting policies

The financial report covers Ferntree Gully & Rowville Financial Services Ltd as an individual entity. Ferntree 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 (including Australian Accounting Interpretations) 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. 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 and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial report of Ferntree 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 charge 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)

Income tax (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.

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.

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 Ferntree Gully & Rowville Financial Services Ltd includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

Property, plant and equipment (continued)

b) Plant and equipment (continued)

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.

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 Ferntree 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 Ferntree Gully & Rowville Financial Services Ltd are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or 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 or over the term of the lease

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, 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 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 profit or loss immediately.

b) Financial assets at fair value through profit and loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

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 and are subsequently measured at amortised cost.

d) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed of determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

e) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

f) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

g) 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)

h) Impairment

At each reporting date, the Directors assess whether there is objective evidence that a 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 Ferntree 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 into 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

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.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

Goods and Service Tax (GST) (continued)

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.

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 assess 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.

	2010	2009
	\$	\$

Note 2. Revenue

Operating activities:

Other sales revenue (including banking)	1,818,094	1,590,807
Rents	15,874	14,015
Interest revenue	6,233	9,233
	1,840,201	1,614,055

Notes to the financial statements continued

	2010 \$	2009 \$
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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	3,423	21,000
Bad and doubtful debts	2,504	813
Depreciation of non-current assets	18,890	20,160
Interest and borrowing costs	69	980

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	99,164	104,912
Under provision in respect of prior years	(1,555)	578
Income tax expense attributable to profit from ordinary activities	97,610	105,490

Note 5. Dividends

Dividends provided for or paid	93,690	78,075
	93,690	78,075

Note 6. Cash assets

Bank accounts:

Cash at bank	244,745	229,121
Investment account	337,817	245,389

Other cash items:

Deposit bonds	500	500
	583,061	475,010

Notes to the financial statements continued

	2010 \$	2009 \$
Note 6. Cash assets (continued)		
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	583,061	475,010
	583,061	475,010

Note 7. Property, plant and equipment

Buildings:

- At cost	754,138	754,138
	754,138	754,138

Leasehold improvements:

- At cost	46,645	46,645
- Less: Accumulated depreciation	(46,645)	(44,800)
	0	1,845

Plant and equipment:

- At cost	260,436	253,991
- Less: Accumulated depreciation	(117,892)	(99,002)
	142,544	154,989
	896,682	910,972

Note 8. Intangible assets

Franchise fees:

- At cost	110,000	110,000
- Less: Accumulated amortisation	(110,000)	(108,422)
	0	1,578

Notes to the financial statements continued

	2010 \$	2009 \$
Note 9. Payables		
Trade creditors	14,320	24,024
Sundry creditors	13,493	9,819
	27,813	33,843

Note 10. Borrowings

Bank loans	0	9,734
	0	9,734

Note 11. Tax liabilities

GSt payable	38,350	24,765
Taxation	20,098	65,911
PAYG withholding payable	11,198	19,096
Superannuation payable	0	74
	69,646	109,846

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.

Directors' 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 2010 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: 7 September 2010.

Auditor's independence declaration

FERN TREE GULLY & ROWVILLE FINANCIAL SERVICES LTD

ABN 88 093 823 708

Auditor's Independence Declaration

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To THE DIRECTORS OF: FERN TREE GULLY & ROWVILLE FINANCIAL SERVICES LTD

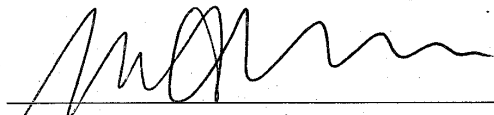
I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been :

- (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 Meehans Pty Ltd

110 Drummond Street, Oakleigh VIC 3166



Signed on: 7th September 2010

Independent audit report

FERN TREE GULLY & ROWVILLE FINANCIAL SERVICES LTD

ABN 88 093 823 708

Independent Auditor Report

Report on the financial report

We have audited the accompanying financial report of FERN TREE GULLY & ROWVILLE FINANCIAL SERVICES LTD for the year ended 30 June 2010 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 Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls 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 the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001 would be in the same terms if provided to the directors as at the date of this auditor's report.

Independent audit report continued

FERN TREE GULLY & ROWVILLE FINANCIAL SERVICES LTD

ABN 88 093 823 708

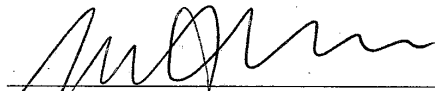
Independent Auditor Report

Auditor's Opinion

In our opinion:

- (a) the financial report of FERN TREE GULLY & ROWVILLE FINANCIAL SERVICES LTD 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 2010 and of its performance for the year ended on that date, and complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
 - (ii) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Signed on : *7th September 2010*



Glenn Miller, FCPA

Nickless Miller Meehans Pty Ltd

110 Drummond Street, Oakleigh VIC 3166

Income statement

For the year ended 30 June 2010

	2010 \$	2009 \$
Income		
Gross margin	1,091,613	951,083
Commission	14,001	13,165
Trailer commission	381,591	315,129
Fee income	230,890	228,762
Market Development Fund	100,000	82,667
Interest received	6,233	9,233
Rent received	15,874	14,015
Total income	1,840,201	1,614,055
Expenses		
Accountancy	21,937	38,569
Advertising, marketing & sponsorship	68,941	70,068
Amortisation	3,423	21,000
Bad debts	2,504	813
Bank fees & charges	559	378
Bendigo and Adelaide Bank Ltd fees	79,898	83,201
Board expenses	29,939	14,137
Cleaning	29,757	24,321
Couriers	14,454	13,709
Depreciation	18,890	20,160
Donations	89,340	5,477
Equipment replacements	0	1,191
Franchise fees	67,268	0
Filing fees	1,000	1,000
Fines	1,350	0
Heat, light & power	9,793	10,654
Insurance	27,621	28,612

Income statement continued

	2010 \$	2009 \$
Expenses (continued)		
Interest	69	980
Legal fees	5,044	365
Payroll tax	13,493	9,819
Postage	3,003	3,015
Printing & stationery	20,945	20,471
Procedural errors	659	1,507
Rates & land taxes	6,597	5,200
Rent on land & buildings	96,949	97,888
Repairs & maintenance	4,515	4,008
Salaries	739,466	675,343
Security	4,365	3,666
Share registry	2,696	4,331
Staff training	12,283	7,705
Sundry expenses	16,747	18,292
Superannuation	83,114	73,015
Telephone	17,711	17,536
Uniform	4,665	0
Workcover insurance	1,759	2,196
Total expenses	1,500,753	1,278,629
Profit from ordinary activities before income tax	339,448	335,426



Ferntree Gully **Community Bank**[®] Branch
67 Station Street, Ferntree Gully VIC 3156
Phone: (03) 9756 0332

Rowville **Community Bank**[®] Branch
Shop 7, Wellington Village Shopping Centre,
1100 Wellington Road, Rowville VIC 3178
Phone: (03) 9755 8611

Franchisee: Ferntree Gully & Rowville Financial Services Limited
67 Station Street, Ferntree Gully VIC 3156
ABN: 88 093 823 708

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Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
(BMPAR10060) (09/10)