

Ferntree Gully & Rowville
Financial Services Ltd

ABN 88 093 823 708

annual report 2011



Ferntree Gully **Community Bank®** Branch

Rowville **Community Bank®** Branch

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Chairman's report

For year ending 30 June 2011

The continued uncertainty with the world's economy has again presented the Board and the Company's employees with many challenges during the year. John Surridge and his staff have continued to meet these challenges by the development of a number of initiatives in an attempt to new customers while at the same time ensuring that as far as possible we are able to continue to service our existing customer base.

Again this year the high turnover of house properties in our catchment area has resulted in many of our old customers selling their homes and moving to other locations, which in the majority of cases has meant the closure of these accounts. In most of these cases the new resident has obtained their home loan from the area where they resided previously presentation John and his staff a challenge of having to attempt to attract these new residents to become customers of our **Community Bank®** branch.

The global financial crisis continues to have an ongoing effect on all aspects of the nation's economy which is reflected in the continued slowing in retail, manufacturing and house sales. Despite all the negatives about the economy the continued support of the people of Fern Tree Gully and Rowville has contributed to a satisfactory 2010-2011 year with growth within the Company continuing resulting in our total business reaching \$197 million and 10,899 accounts.

Despite these difficult financial times the people of Fern Tree Gully and Rowville have continued with their ongoing support of our branches. This support has enabled both Ferntree Gully and Rowville to trade profitably; which has enabled your **Community Bank®** branch to continue to financially support our local community in many projects.

To date, the Fern Tree Gully and Rowville **Community Bank®** branches have contributed and pledged a total of \$1.4 million in local grants and sponsorships thereby boosting the Knox economy and paid dividends to shareholders at the same time.

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

The Fern Tree Gully and Rowville **Community Bank®** branches of Bendigo Bank remain committed to our local community and are proud to be involved with and support many organisations each year.

I welcome Jeff Somers to the Board of Directors. His professional skills since his appointment have proved to be invaluable to the Board.

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 ensured the business at both branches is conducted in a professional, efficient and courteous manner. Tina and Campbell have demonstrated a commitment to the bank and the local community. As the branches have continued to grow so has the requirement for our management team to be in attendance at functions after hours. Under their leadership the staff continues to demonstrate the word "community" by their friendly and courteous manner when dealing with you the customer.

As a result of the continuing financial situation world wide it has become necessary for Bendigo and Adelaide Bank Ltd to adjust the trailer fees which our **Community Bank®** branches receive for some items of business we transact. This will result in the commission payable to the Company will be reduced in the next financial year, restoring the income share on these items back to 50/50.

Chairman's report continued

Your Directors continue to work diligently as you can see from the figures above. While your **Community Bank**[®] branches have continued to grow so have the time requirements expected from Directors. Their role in ensuring the overall management responsibilities while also planning for the future requires additional responsibilities.

The time expectations of Directors from Bendigo and Adelaide Bank Ltd are continuing to increase thereby adding to the time Directors have to devote to **Community Bank**[®] business.

In planning for future growth of the Company your Directors are recommending that the Company's name be altered to Knox Community Financial Services Limited in order to reflect our planned growth in the immediate 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 **Community Bank**[®] branches I am hopeful our business will continue to grow and benefit our community.



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

General Manager's report

For year ending 30 June 2011

Our combined total balance as at the 30 June 2011 was \$197 million in footings, the good news is that not long after this we passed the \$200 million mark and have kept going upwards. This is an outstanding result.

Back in the heady days of the initial meetings at the Masonic Hall in 2001, who would have thought we would have achieved these figures.

It is a testament to all of those who took the initiative then to put their money forward to enable the establishment of our banks and of the continued commitment of those who have followed on.

It also demonstrates the excellent support of our loyal customers.

Bendigo and Adelaide Bank Ltd have adjusted the way we earn our income on some of the products; this will see a drop in income for the next year so that the income share on these products is restored to 50/50.

The Board and Management have planned to combat this with plans to grow our business to enable us to continue our support of the community and shareholders.

We have not been backward in promoting the bank in various media and sponsorship outlets. This initiative has been extremely beneficial to us.

Once again we have been able to maintain our community support of the various sporting clubs, schools, youth groups, aged care, aged services, charitable groups and many more of those organisations which are an essential part of our community.

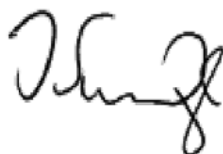
As shareholders you can proudly recommend our branch to others with the confidence they will receive service and attention second to none. Their continued support of our **Community Bank**[®] branches will help us to maintain funding to our community partners.

I also recommend that you support the change in our Company's name to reflect where we want to be in the future.

I would like to thank the staff led by Tina Leslie and Campbell Connell for their commitment to your **Community Bank**[®] branch. These two managers are prepared 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. They continue to put in many hours promoting your bank within the community whilst guiding the business to ensure your assets are protected.



John Surridge
General Manager

Ferntree Gully Manager's report

For year ending 30 June 2011

Another year has passed for your **Community Bank**[®] branch, we have been able to hold strong and keep focus on the reason why we are here.

As at the 30 June 2011 we have a total of 7,192 accounts with a combination of loans and deposits totalling \$115 million.

With the support of the shareholders and the community we have been able to support the area and keep the customers coming into the bank branch and this gives the traders an excellent opportunity to increase their individual businesses.

With some innovative marketing initiatives' the traders should be able to turn these potential clients into committed clients to ensure the Village is the place to shop.

Again we have been able to put funds back into the community by means of sponsorship this has been done by supporting the local clubs and Community organisations such as Ferntree Gully Eagles Football club, Ferntree Gully T.O.W.N Club, U3A Knox Annual Art Show, Coonara Community House, Mountain District Learning Centre, Glengollan Village for the Aged, Knox Historical Society an many many more and we are still committed to make sure that funds keep flowing back into the community and as long as we have your support this will continue.

Again I would like to take the opportunity to thank John Surridge for his ongoing support and guidance, the Board for all their hard work that it put in during the year, and the staff which helps make your **Community Bank**[®] branch the fantastic business that it is today.

You can be guaranteed that the staff and the Board will not be resting on the results that have been achieved to date; we will strive to keep growing and increasing the current level of business to enable your community to benefit from our profits.

I look forward to another successful year for the Fern Tree Gully **Community Bank**[®] Branch.



Tina Leslie
Branch Manager

Rowville Manager's report

For year ending 30 June 2011

It is again a pleasure to be part of the Fern Tree Gully and Rowville Financial Services Ltd Annual report. On 17 July 2011 I celebrated five years as your **Community Bank**[®] Manager, time seems to have really flown by and it certainly has been an interesting journey.

As at 30 June 2011 our Rowville **Community Bank**[®] Branch had achieved funds under management of \$81.2 million. The number of our accounts has also grown to 3,707 and we continue to provide our customers with the best possible service along with the Bendigo Bank products.

Over the years our **Community Bank**[®] branch has assisted many local community organisations with financial grants enabling a number of projects that have been undertaken by these groups to be completed for the benefit of their members.

The Rowville Football Club has been provided with a new set of goal posts; a gazebo and this year were given financial assistance to purchase new furniture for their club rooms. The Rowville Netball Club has been assisted with the provision of equipment bags for the coaches and this year were given some assistance to purchase new players uniforms and now all teams wear the same uniform.

The Rowville **Community Bank**[®] Branch sponsorship continues to support the Rowville, Eildon Park & Lysterfield Cricket Clubs, and Churchill Park Golf Club. The Rowville Playgroup and Activity Group has been the recipient of a donation for the purchase of new learning equipment for the children. The banking in schools program continued at both Heany Park and Parkridge Primary Schools. The opportunity for me to visit schools to instruct the children on the benefits of saving for the future is enjoyed by the children, teachers and myself.

It would not have been the year it was without the assistance of our board of Directors. I would like to thank the Board and my fellow Managers John Surridge and Tina Leslie along with the Outer Eastern Management team at the Bendigo and Adelaide Bank Ltd particularly Regional Manager Sophia Cole, Operations Manager Natalie Goid and Lending Manager Bryan Greene. The staff members at Rowville have worked under trying times this year. They have continued to do their best – congratulations on job well done.

The support of shareholders over the last five years is appreciated. I encourage all shareholders to continue to promote our **Community Bank**[®] branch at every opportunity.



Campbell Connell
Branch Manager

Finance report

For year ending 30 June 2011

This financial year has produced another outstanding result with the Company continuing its sustained business growth highlighted by:

- Total ordinary operating income of \$2,017,167 a 9.6% increase on the previous financial year
- Total ordinary operating profit before tax of \$482,957 a 42.4% increase on the previous financial year
- Return on shareholders funds before tax of 30.5%
- Earnings per share before tax of \$0.62
- Declaration of a \$0.15 dividend per share
- Approximate net realisable asset coverage of \$1.70 per share
- Reduction in the internal Company loan to \$247,670 a decrease of \$217,518 on the previous financial year

There was an increase in community donations to \$94,831 and the costs associated with the franchise renewal of the Ferntree Gully **Community Bank**[®] Branch were \$50,000. The Station St property currently valued at \$754,138 combined with the \$574,585 in cash reserves within the investment account provides on a conservative estimate sufficient realisable assets to cover the value of shareholders capital.

The cash retained for reinvestment in the business was \$213,669 after allowing for tax expense of \$168,460 and dividend payment of \$117,112.

As the Company progresses in the next financial year the key financial objectives will continue to be to:

- Protect and increase shareholder value through consistent dividend payments and increase the net realisable asset coverage per share.
- Progressively eliminate the internal loan from the 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 report

For year ending 30 June 2011

The marketing activities for the year 2010/2011 continue improving our links with the community. Our focus has been towards activities that see the greatest return to the bottom line of our business. To that end we have directed the majority of our marketing towards sponsorships and donations. Our Company website and email based newsletter during 2011 has been disappointing, so we have made changes to website, and will make similar changes to the newsletter.

Income

The income stream for the marketing budget is made up by Market Development Funds provided by Bendigo and Adelaide Bank Ltd, and Company funds.

Income	Total
Marketing Dev fund	\$100,000
Company Contribution	\$60,000
Totals	\$160,000

Expenses

Marketing activities are divided into four segments, advertising, sponsorship, donations, and general marketing.

Expenses	Total
Advertising	\$10,278
Sponsorships	\$33,433
Donations	\$82,370
Marketing	\$30,644
	\$156,725

Advertising

Represents marketing aimed to increase the awareness of our Company in the community. Costs include marketing staff wages, the Website and newsletter, with print advertising in the local community based newspapers of Ferntree Gully and Rowville.

Sponsorship

Represents marketing aimed at a direct feedback to Company. The task requires considerable time from the three senior managers, and provides direct exposure to clubs, organisations, and community groups where we hope to gain business from the organisations and its members.

Donations

Represents marketing to a similar target group as sponsorships, but without the expected direct feedback. As per last year the two largest sponsorship items are the rent assistance offered to Illoura (\$20,869), and the

Marketing report continued

building sponsorship to Glengollan village \$60,000 (\$300,000 over 5 years). The Illoura support is now finished; Glengollan still has two years to run.

General Marketing

Represents all other cost associated with marketing, such as signs, banners, gazebos, and promotional items,

The total expenses for marketing, was on budget.

Community Grants 2011

Community Grants applications totalled in excess of \$190,000, made up of \$105,000 eligible for community grants, \$80,000 transferred to marketing for review, and \$5,000 not eligible.

The committee review process resulted in the final figure totalling \$20,568.

A further \$15,000 is approved for the applications transferred to marketing for the 2011-2012 budget.

2011/2012

The marketing plan for 2011/2012 year will be leverage off our existing shareholder, business accounts and all account holders.

In short we will focus of Company value in both brand awareness and real return to our Company.

To assist the management, the Board has approved the part time position of Community Liaison Officer,

responsible for the day to day operations of the marketing department, and reporting to the General Manager.

This will allow our Branch Management staff to focus on the banking, with the Community Liaison responsible for sponsorships, donations, advertising, website and newsletter tasks along with new initiatives targeted to gaining local business accounts.

Visitors to our branches will see TV monitors displaying Bendigo Bank products, along with community news and events linked to our branches. The content will also be made available via our websites at

www.ftgcommunity.com.au and

www.rowvillecommunity.com.au

We will continue to improve our marketing, with the aim to increase our Company's standing in the community, while creating greater returns to the Company, the shareholders, our account holders, and the wider community.

Yours sincerely



Etienne Clauw
Marketing Director

Directors' report

For the financial year ended 30 June 2011

Your Directors present this report on the Company for the financial year ended 30 June 2011.

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	8	11
Darren Pearce	11	11
Hurtle Lupton	10	11
Etienne Clauw	8	11
Phillip Reibelt	7	11
Desmond Higginbotham	10	11
Anthony Holland	9	11
Jeffrey Somers (appointed during the year)	5	6

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 2011 \$	Year ended 30 June 2010 \$
	314,497	241,838

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 \$482,957.

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 \$117,112.50 (\$0.15 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	5000
Darren Pearce	500
Hurtle Lupton	1,000
Etienne Clauw	0
Phillip Reibelt	0
Desmond Higginbotham	1,000
Anthony Holland	500
Jeffrey Somers	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: 20 October 2011

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Classification of expenses by nature			
Revenues from ordinary activities	2	2,017,167	1,840,201
Borrowing costs expense	3	0	-69
Bad and doubtful debts	3	-3,001	-2,504
Depreciation and amortisation expenses	3	-16,284	-22,313
Other expenses from ordinary activities		-1,514,925	-1,475,867
Profit from ordinary activities before income tax		482,957	339,448
Income tax expense relating to ordinary activities	4	-168,460	-97,610
Net profit attributable to members of the Company		314,496	241,838

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position as at 30 June 2011

	Note	2011 \$	2010 \$
Current assets			
Cash assets	6	872,559	583,061
Total current assets		872,559	583,061
Non-current assets			
Property, plant and equipment	7	883,597	896,681
Intangible assets	8	0	0
Total non-current assets		883,597	896,681
Total assets		1,756,157	1,479,743
Current liabilities			
Payables	9	21,966	27,813
Current tax liabilities	10	154,522	69,646
Total current liabilities		176,488	97,459
Total liabilities		176,488	97,459
Net assets		1,579,668	1,382,284
Equity			
Contributed equity	11	780,750	780,750
Retained profits		798,918	601,534
Total equity		1,579,668	1,382,284

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity for the year ended 30 June 2011

	Retained profits \$	Issued and paid up capital \$	Total \$
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
Profit attributable to the members	314,497		314,497
Shares issued during the year		0	0
Subtotal	916,031	780,750	1,696,781
Dividends paid or provided for	-117,112		-117,112
Balance at 30/06/2011	798,919	780,750	1,579,669

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows for the year ended 30 June 2011

	2011 \$	2010 \$
Cash flow from operating activities		
Receipts from customers	2,006,496	1,830,851
Payments to suppliers and employees	-1,509,122	-1,485,406
Interest received	14,530	6,232
Interest and other costs of finance	0	-69
Income tax paid	-102,093	-149,892
Net cash provided by (used in) operating activities (note 2)	409,810	208,186
Cash flow from investing activities		
Fixed asset purchases	-3,200	-6,445
Net cash provided by (used in) investing activities	-3,200	-6,445
Cash flow from financing activities		
Dividends paid	-117,112	-93,690
Net cash provided by (used in) financing activities	-117,112	-93,690
Net increase (decrease) in cash held	289,499	108,051
Cash at the beginning of the year	583,061	475,010
Cash at the end of the year (note 1)	872,560	583,061

The accompanying notes form part of these financial statements.

Financial statements continued

	2011 \$	2010 \$
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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	297,474	244,744
Investment account	574,585	337,816
Deposit bonds	500	500
	872,559	583,061

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

Operating profit (loss) after tax	314,496	241,838
Depreciation & amortisation	16,284	22,313
Increase/(decrease) in provision for income tax	66,366	-45,813
Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:		
Increase (decrease) in trade creditors and accruals		
Increase (decrease) in loans	0	-9,734
Net cash provided by operating activities	409,811	208,186

Notes to the financial statements

For year ended 30 June 2011

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 (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 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 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 as at the end of the reporting period.

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.

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.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

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 Fern Tree Gully & Rowville Financial Services Ltd includes the cost of materials, direct labour, 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.

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.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

Property, plant and equipment (continued)

c) Depreciation (continued)

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 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.

Financial instruments

a) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

Financial instruments (continued)

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 or 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.

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.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

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.

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.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

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

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.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

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.

	2011	2010
	\$	\$
Note 2. Revenue		
Operating activities:		
Other sales revenue (including banking)	1,981,906	1,818,094
Rents	14,872	15,874
Interest revenue	14,530	6,233
Rebates & refunds	5,859	0
	2,017,167	1,840,201

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	0	3,423
Bad and doubtful debts	3,001	2,504
Depreciation of non-current assets	16,284	18,890
Interest and borrowing costs	0	69

Notes to the financial statements continued

	2011 \$	2010 \$
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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	168,460	99,164
Under provision in respect of prior years	0	-1,555
Income tax expense attributable to profit from ordinary activities	168,460	97,610

Note 5. Dividends

Dividends provided for or paid	117,112	93,690
	117,112	93,690

Note 6. Cash assets

Bank accounts:

Cash at bank	297,475	244,745
Investment account	574,585	337,817

Other cash items:

Deposit bonds	500	500
	872,560	583,061

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	872,560	583,061
	872,560	583,061

Note 7. Property, plant and equipment

Buildings:

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

Notes to the financial statements continued

	2011 \$	2010 \$
Note 7. Property, plant and equipment (continued)		
Leasehold improvements:		
- At cost	46,644	46,645
- Less: Accumulated depreciation	-46,645	-46,645
	0	0
Plant and equipment:		
- At cost	263,636	260,436
- Less: Accumulated depreciation	-134,176	-117,892
	129,460	142,544
	883,598	896,682

Note 8. Intangible assets

Franchise fees:		
- At cost	110,000	110,000
- Less: Accumulated amortisation	-110,000	-110,000
	0	0

Note 9. Payables

Trade creditors	6,323	14,320
Sundry creditors	15,644	13,493
	21,967	27,813

Note 10. Tax liabilities

GST payable	56,741	38,350
Taxation	86,465	20,098
PAYG withholding payable	11,316	11,198
	154,522	69,646

Notes to the financial statements continued

	2011	2010
	\$	\$
Note 11. Contributed capital		
Ordinary shares at \$1.00 each fully paid	780,750	780,750

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 12. 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 2011 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: 20 October 2011

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

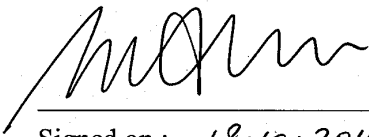
I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been :

- (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 : 18.10.2011

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 FREN TREE GULLY & ROWVILLE FINANCIAL SERVICES LTD for the year ended 30 June 2011 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 that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001, and for such internal control as the directors determine is necessary to enable the presentation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: "Presentation of Financial Statements" that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

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

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:

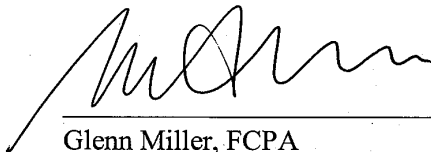
FERN TREE GULLY & ROWVILLE FINANCIAL SERVICES LTD

ABN 88 093 823 708

Independent Auditor Report

- (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date, and 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 : 18.10.2011



Glenn Miller, FCPA

Nickless Miller Meehans Pty Ltd

110 Drummond Street, Oakleigh VIC 3166

Income statement

Income statement
for the year ended 30 June 2011

	2011 \$	2010 \$
Income		
Gross margin	1,206,251	1,091,613
Commission	16,803	14,001
Trailer commission	430,152	381,591
Fee income	228,698	230,890
Market Development Fund	100,000	100,000
Interest received	14,530	6,233
Rebates and refunds	5,859	0
Rent received	14,872	15,874
Total income	2,017,167	1,840,201
Expenses		
Accountancy	22,679	21,937
Advertising, marketing & sponsorship	90,180	68,941
Amortisation	0	3,423
Bad debts	3,001	2,504
Bank fees & charges	248	559
Bendigo and Adelaide Bank Ltd fees	75,392	79,898
Board expenses	0	29,939
Cleaning	27,892	29,757
Couriers	14,484	14,454
Depreciation	16,284	18,890
Donations	94,831	89,340
Franchise fees	50,000	67,268
Filing fees	1,029	1,000
Fines	0	1,350
Fringe benefits tax	4,801	0
Heat, light & power	15,589	9,793

Income statement continued

	2011	2010
	\$	\$
Expenses (continued)		
Insurance	27,531	27,621
Interest	0	69
Legal fees	168	5,044
Payroll tax	15,355	13,493
Postage	3,374	3,003
Printing & stationery	29,067	20,945
Procedural errors	738	659
Rates & land taxes	5,109	6,597
Rent on land & buildings	86,260	96,949
Repairs & maintenance	6,550	4,515
Salaries	774,725	739,466
Security	7,239	4,365
Share registry	4,081	2,696
Staff training	17,164	12,283
Sundry expenses	24,721	16,747
Superannuation	83,843	83,114
Telephone	22,624	17,711
Uniform	6,535	4,665
Workcover insurance	2,713	1,759
Total expenses	1,534,210	1,500,753
Profit from ordinary activities before income tax	482,957	339,448



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Phone: (03) 9755 8611

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