

annual report 2010



Carrum Downs Financial
Services Limited
ABN 89 088 990 470

Carrum Downs **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2010

It is again a pleasure to report to you that our 11th year of operation has been a successful one. We weathered the global financial storm and consolidated the position of the branch.

Once again I can report that the Board approved and paid a dividend of \$0.28 cents in the year and achieved other significant financial and social milestones.

As of 30 June we had accumulated cash reserves of \$1,000,000 and returned to the community in excess of \$1,000,000 in the form of grants, donations and sponsorship. This was also the year in which the whole **Community Bank**[®] movement achieved a milestone of \$43,000,000. Importantly we have returned a total in excess of \$615,000 to you as shareholders.

During the year we provided financial support for a mother of three young children, she was dying of cancer and needed a drug that would cost \$1,500 per injection to prolong her life. The drug was not supported by the government and the family was in financial trouble. Your **Community Bank**[®] branch provided \$21,000 to enable her to survive for a further three valuable months.

This experience led the Board to establish the Extra Time Foundation in conjunction with the Bendigo Bank's Community Enterprise Foundation™ to provide support to others in a similar circumstance. Extra Time is open to tax deductible public donations and in the coming year we hope to convince other **Community Bank**[®] branches to contribute on an annual basis. Since establishing Extra Time the fund has supported two other terminally ill people to access a drug for brain cancer and provided sterile dressings for another patient. I commend the foundation to you and you can donate at our branch or any Bendigo Bank branch.

These achievements speak volumes for the social and financial benefits of banking with a **Community Bank**[®] branch. This is also a significant selling point to attract customers that seek and value the social capital that is created by banking with us.

Whilst this has been a year of consolidation we have undertaken a strategic review of the past 10 years and set out on planning for the future. During the year we have strengthened the relationship with our partner, Bendigo and Adelaide Bank Ltd. Together we have worked to develop the criteria required to undertake an expansion and for identifying and evaluating prospective sites. I am pleased to report that we have commenced discussions with the Hampton Park community who are enthusiastic about the prospect of establishing a **Community Bank**[®] branch. This will continue over the coming months and we will keep you informed of our progress in the newsletter.

The Board also commissioned an independent review of its performance and effectiveness. In the same way Bendigo review the performance of the staff we believed that we could not rely on the success of the branch as the sole arbiter of our effectiveness this process also requires a self appraisal and a peer review.

We also commissioned an independent review of the remuneration currently received by the Directors for the task that they undertake and responsibilities and liabilities that come with the position.

Chairman's report continued

Professional development is a key to growth in business to that end I have asked all Directors to complete the AICD Director's course and to maintain their professional development by attending the regular short courses and briefings undertaken by the AICD.

In the coming year we will implement a policy of a minimum of two Directors to attend Bendigo Bank's **Community Bank**[®] national conference and we will also have representation at the state conference. I believe that there is significant value to be gained from the experience of others.

The performance of the staff under the direction of our Manager Mick Spruhan has again been integral to the ongoing success of the business.

In closing we look forward to the next five years with confidence that CDFS will continue to perform for our shareholders; Bendigo Bank and the community.

To my Board I thank you for your support and work of the past and I am sure that you will step up to a new level in the coming year to meet the undoubted challenges of expansion and staff management.



Gary J Rowe. Dip FS (MBM), GAICD.
Chairman

Manager's report

For year ending 30 June 2010

Carrum Downs **Community Bank**[®] Branch celebrated its 10th Birthday birthday during the course of this financial year and it is very pleasing to report continued growth of \$7.38 million which took our overall book balance to \$118.496 million. Account numbers remained static due to a large number of dormant accounts being removed from our active accounts ledger.

Our consumer lending section was the highlight of our continued growth with an increase of approximately \$6.6 million and deposit funds increased approximately \$896,000.

During this year we welcomed Wendy to our staff to replace Lesley who resigned. Our Youth Trainee Lauren was offered a part time position upon the completion of her contract. Our ATMs process well in excess of 21,000 transactions in any given month and we continue to be one of the Region's busiest branches for over the counter transactions processing between 7,500 – 8,000 transactions per month.

Local competition from the ANZ has not had an undue effect on our growth as we continue to open between 95 – 120 new accounts per month.

The staff at Carrum Downs branch continue to provide a standard of service that we are extremely proud of and I thank them for their outstanding efforts. They have in no small way contributed to the success that is Carrum Downs **Community Bank**[®] Branch.

Our success, due to your support has enabled us to contribute in the community to many and varied groups from local sporting clubs, schools and interest groups to supporting a Seeing Eye dog.

2011 will be another challenging year and we would urge you to encourage your friends, family and neighbours to seriously consider changing their current banking to support your **Community Bank**[®] branch.



Mick Spruhan
Branch Manager

Directors' report

For the financial year ended 30 June 2010

Since the start of the financial year there has been no change in Directors. The Directors in office and the meetings attended by each of the Directors of the Company during the period were:

| Number of meetings held | no. | |
|------------------------------------|------------|---------------|
| Directors meeting | 13 | |
| Number of meetings attended | | |
| Gary Rowe | 13 | |
| Lindsay Wells | 13 | |
| Jason Pater | 13 | |
| Christine Grayland | 12 | |
| Debbie Taylor | 0 | entitled to 5 |
| Greg Sugars | 12 | |
| Trevor Collins | 12 | |
| Terry Rankin | 8 | entitled to 8 |

The profit of the Company for the year after providing for income tax and before a dividend distribution amounted to \$209,724.07.

A review of the operations of the Company during the financial year and the results of those operations are as follows:-

The principal activities of the Company during the financial year were: - Operation of **Community Bank®** Franchise in Carrum Downs.

No significant change in the nature of these activities occurred during the year. The Company will continue with its policy of providing banking services to the community.

A dividend of \$0.28 per share (total dividend payable \$96,742.80) has been declared and paid.

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.

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

Directors' report continued

Auditors' Independence Declaration

A Copy of the Auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on the page 7.



Gary Rowe
Director



Lindsay Wells
Director

Dated: 3 December 2010

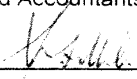
Auditor's independence declaration

**AUDITORS' INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
CARRUM DOWNS FINANCIAL SERVICES LIMITED**

We hereby declare, that to the best of our 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.

Name of Firm: Venn Milner & Co
Chartered Accountants

Name of Director: 
L.A. Milner A.C.A Registered Auditor

Address: Suite 1, 10 - 12 Chapel Street, Blackburn VIC 3130.

Dated : 3rd December 2010

Financial statements

Detailed statement of financial performance For the year ended 30 June 2010

| | 2010 \$ | 2009 \$ |
|---------------------------------|---------------------|---------------------|
| Income | | |
| Commissions received | 218,716.05 | 200,945.09 |
| Gross margin income | 885,126.31 | 792,653.56 |
| ATM Revenue | 104,403.00 | 81,558.40 |
| Interest received | 32,893.02 | 53,111.53 |
| Other income | 222,346.04 | 218,842.94 |
| Marketing Development Fund | 50,000.08 | 43,000.13 |
| Total income | 1,513,484.50 | 1,390,111.65 |
| Expenses | | |
| Accountancy | 21,827.00 | 20,656.36 |
| Advertising and promotion | 16,579.71 | 31,572.41 |
| Audit fees | 6,000.00 | 4,921.72 |
| Bad debts | 1,314.46 | 1,568.72 |
| Bank fees and charges | 1,158.19 | 676.54 |
| Cash delivery | 2,253.53 | 883.98 |
| ATM - Cash delivery | 23,987.60 | 27,315.19 |
| Cleaning/rubbish removal | 8,864.55 | 8,553.00 |
| Computer equipment running cost | 13,888.51 | 14,774.36 |
| Computer equipment support cost | 7,078.56 | 7,248.77 |
| Delivery | 9,618.34 | 8,643.36 |
| Depreciation - plant | 26,438.63 | 29,087.17 |
| Directors fees | 99,799.50 | 99,956.25 |
| Donations | 231,695.06 | 426,137.93 |
| Electricity | 2,360.02 | 2,737.09 |
| Entertainment | 6,513.86 | 4,346.75 |
| Filing fees | 1,540.00 | 1,000.00 |

The accompanying notes form part of these financial statements.

Financial statements continued

Detailed statement of financial performance (continued) For the year ended 30 June 2010

| | 2010 \$ | 2009 \$ |
|-----------------------------|------------|------------|
| Expenses (continued) | | |
| Franchise fee | 10,000.00 | |
| Fringe benefits tax | | 11.23 |
| General expenses | 7,246.47 | 3,638.56 |
| ATM - Discrepancies | (143.63) | (3,642.72) |
| Insurance | 14,845.00 | 14,834.77 |
| Insurance - Workcover | 733.42 | 1,074.00 |
| Interest - Australia | 16.75 | 31.59 |
| Lease payments | 10,276.35 | 10,898.19 |
| ATM Leasing | 8,825.47 | 8,825.49 |
| Legal fees | 1,588.64 | 528.42 |
| Long service leave | 32,806.00 | |
| Postage | 2,609.33 | 3,640.00 |
| Printing & stationery | 13,373.08 | 14,243.12 |
| Protective clothing | 32.55 | |
| ATM Consumables | | 274.78 |
| Procedural errors | | 1,666.98 |
| Rent on land & buildings | 68,390.78 | 62,131.16 |
| Rental - Offsite ATM | 7,671.98 | 8,762.84 |
| Repairs & maintenance | (2,699.80) | 6,247.85 |
| ATM Maintenance | 3,697.18 | 3,961.00 |
| Replacements | 492.00 | 380,445.42 |
| Salaries - ordinary | 451,928.52 | |
| Search fees & credit checks | 2,008.31 | 2,053.95 |
| Security | 1,959.50 | 2,135.03 |
| Share registry | | 1,942.00 |

The accompanying notes form part of these financial statements.

Financial statements continued

Detailed statement of financial performance (continued) For the year ended 30 June 2010

| | 2010 \$ | 2009 \$ |
|--|---------------------|---------------------|
| Expenses (continued) | | |
| Small business tax break | | 4,096.39 |
| Sponsorship | 2,681.82 | 8,685.00 |
| Staff amenities | 3,219.54 | 1,137.08 |
| Staff training | 8,066.61 | 9,072.90 |
| Subscriptions | 2,594.56 | 2,411.37 |
| Superannuation | 42,848.43 | 39,548.90 |
| Switching Fees - ATM | 8,615.92 | 11,019.21 |
| Telephone | 7,533.29 | 7,964.65 |
| Travel, accom & conference | 952.76 | 2,906.83 |
| Total expenses | 1,193,088.35 | 1,300,625.59 |
| Profit from ordinary activities before income tax | 320,396.15 | 89,486.06 |

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of comprehensive income For the year ended 30 June 2010

| | Note | 2010 \$ | 2009 \$ |
|--|----------|-------------------|------------------|
| Continuing operations | | | |
| Revenues from ordinary activities | 2 | 1,513,484.50 | 1,390,111.65 |
| Borrowing costs expense | 3 | (19,118.57) | (19,755.27) |
| Depreciation and amortisation expenses | 3 | (26,438.63) | (29,087.17) |
| Other expenses from ordinary activities | | (1,147,531.15) | (1,251,783.15) |
| Profit before tax | 3 | 320,396.15 | 89,486.06 |
| Income tax expense relating to ordinary activities | 4 | (110,672.08) | (27,497.70) |
| Profit for the year | | 209,724.07 | 61,988.36 |
| Discontinued operations | | - | - |
| Total comprehensive income for the year | | 209,724.07 | 61,988.36 |

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 | 7 | 1,025,821.59 | 758,233.46 |
| Receivables | 8 | 136,399.43 | 124,352.61 |
| Total current assets | | 1,162,221.02 | 882,586.07 |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 91,272.85 | 111,093.98 |
| Total non-current assets | | 91,272.85 | 111,093.98 |
| Total assets | | 1,253,493.87 | 993,680.05 |
| Current liabilities | | | |
| Payables | 10 | 77,833.55 | 36,476.41 |
| Current tax liabilities | 11 | 71,246.13 | 17,808.13 |
| Provisions | 12 | 20,230.81 | 999.40 |
| Total current liabilities | | 169,310.49 | 55,283.94 |
| Non-current liabilities | | | |
| Provisions | 12 | 32,806.00 | |
| Total non-current liabilities | | 32,806.00 | |
| Total liabilities | | 202,116.49 | 55,283.94 |
| Net assets | | 1,051,377.38 | 938,396.11 |
| Equity | | | |
| Contributed equity | 13 | 345,510.00 | 345,510.00 |
| Reserves | 5 | 4,096.39 | 4,096.39 |
| Retained profits | | 701,770.99 | 588,789.72 |
| Total equity | | 1,051,377.38 | 938,396.11 |

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity For the year ended 30 June 2010

| | Share capital \$ | Retained earnings \$ | Reserves \$ | Total \$ |
|---|---------------------|----------------------------|----------------|------------------|
| Balance at 1 July 2008 | 345,510 | 623,544 | | 969,054 |
| Investment allowance | | | 4,096 | 4,096 |
| Payment of dividends | | (96,742) | | (96,742) |
| Total comprehensive income for the year | | 61,988 | | 61,988 |
| Balance at 30 June 2009 | 345,510 | 685,532 | 4,096 | 1,035,138 |
| Payment of dividends | | (96,742) | | (96,742) |
| Total comprehensive income for the year | | 209,724 | | 209,724 |
| Balance at 30 June 2010 | 345,510 | 895,256 | 4,096 | 1,244,862 |

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2010

| | 2010 \$ | 2009 \$ |
|---|---------------------|---------------------|
| Cash flow from operating activities | | |
| Receipts from customers | 1,467,230.20 | 1,320,886.05 |
| Payments to suppliers and employees | (1,018,735.37) | (1,278,852.86) |
| Interest received | 32,893.02 | 53,110.53 |
| Interest and other costs of finance | (19,118.57) | (19,755.27) |
| Income tax paid | (98,103.13) | (89,689.00) |
| Net cash provided by (used in) operating activities (note 2) | 364,166.15 | (14,300.55) |
| Cash flow from investing activities | | |
| Payment for: | | |
| Payments for property, plant and equipment | (6,617.50) | (8,192.77) |
| Net cash provided by (used in) investing activities | (6,617.50) | (8,192.77) |
| Cash flow from financing activities | | |
| Dividends paid | (89,960.52) | (96,418.80) |
| Net cash provided by (used in) financing activities | (89,960.52) | (96,418.80) |
| Net increase (decrease) in cash held | 267,588.13 | (118,912.12) |
| Cash at the beginning of the year | 758,233.46 | 877,145.58 |
| Cash at the end of the year (note 1) | 1,025,821.59 | 758,233.46 |

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows (continued) As at 30 June 2010

| | 2010 \$ | 2009 \$ |
|---|---------------------|-------------------|
| 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 | 25,809.69 | 28,099.01 |
| Investment account | 1,000,000.00 | 730,000.00 |
| Petty cash on hand | 11.90 | 134.45 |
| | 1,025,821.59 | 758,233.46 |

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

| | | |
|---|-------------------|--------------------|
| Operating profit (loss) after tax | 209,724.07 | 61,988.36 |
| Depreciation | 26,438.63 | 29,087.17 |
| Small business tax break | | 4,096.39 |
| Increase/(decrease) in provision for dividends | | |
| Increase/(decrease) in provision for income tax | 12,568.95 | (62,191.30) |
| Changes in assets and liabilities net of effects of purchases and disposals of controlled entities: | | |
| (Increase) decrease in trade and term debtors | (12,046.82) | (14,546.35) |
| Increase (decrease) in trade creditors and accruals | 41,357.14 | 1,257.61 |
| Increase (decrease) in employee entitlements | 45,255.13 | |
| Increase (decrease) in sundry provisions | 40,869.05 | (33,992.43) |
| Net cash provided by operating activities | 364,166.15 | (14,300.55) |

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

This financial report covers Carrum Downs Financial Services Ltd as an individual entity. Carrum Downs Financial Services Ltd is a Company limited by shares, incorporated and domiciled in Australia.

Basis of preparation

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

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

The financial report has been prepared on an accruals basis and is based on historic costs and does not take into account changing money values, or except where specifically stated, current valuations of non-current assets.

Accounting policies

Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax assets and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

Income tax (continued)

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Financial instruments

Recognition and initial measurement

Financial instruments, incorporations financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered with in timeframes established by marketplae convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair calue through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set our below.

Impairment of assets

At each date, the Company reviews 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 asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's 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, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, 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 and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method which, for floating rate financial assets is the rate inherent in the instrument.

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

Goods and Services 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 Tax 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

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

Notes to the financial statements continued

| | 2010 \$ | 2009 \$ |
|--------------------------------------|---------------------|---------------------|
| Note 2. Revenue | | |
| Operating activities: | | |
| Interest revenue* | 32,893.02 | 53,110.53 |
| Other operating revenue: | | |
| Commissions received | 218,716.05 | 200,946.09 |
| Gross margin income | 885,126.31 | 792,653.56 |
| ATM Revenue | 104,403.00 | 81,558.40 |
| Other income | 222,346.04 | 218,842.94 |
| Marketing Development Fund | 50,000.08 | 43,000.13 |
| | 1,513,484.50 | 1,390,111.65 |
| * Interest from: | | |
| Bendigo and Adelaide Bank Ltd | 32,893.02 | 53,110.53 |

Note 3. Profit from ordinary activities

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

| | | |
|--|------------------|------------------|
| Charging as expense: | | |
| Bad and doubtful debts | 1,314.46 | 1,568.72 |
| Leasing costs | | |
| - Bendigo and Adelaide Bank Ltd | 19,118.57 | 19,755.27 |
| Total leasing costs | 19,118.57 | 19,755.27 |
| Depreciation of non-current assets: | | |
| - Plant and equipment | 26,438.63 | 29,087.17 |
| Total depreciation expenses | 26,438.63 | 29,087.17 |

Notes to the financial statements continued

| | 2010 \$ | 2009 \$ |
|--|-------------------|------------------|
| 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 at 30% | 96,118.85 | 26,845.80 |
| Add: | | |
| Tax effect of unpaid superannuation | 3,734.35 | - |
| Tax effect of entertainment | 977.08 | 651.90 |
| Tax effect of long service leave | 9,841.80 | |
| Income tax expense attributable to profit from ordinary activities | 110,672.08 | 27,497.70 |

Note 5. Reserves

| | | |
|--|-----------------|-----------------|
| Balance at the beginning of the reporting period | | |
| ATO - 50% Investment allowance | 4,096.39 | |
| | 4,096.39 | |
| Increase in reserves during the reporting period | | |
| ATO 50% Investment allowance | | 4,096.39 |
| | | 4,096.39 |
| Balance at the reporting date | | |
| ATO 50% Investment allowance | 4,096.39 | 4,096.39 |
| | 4,096.39 | 4,096.39 |

Note 6. Dividends

| | | |
|--------------------------------|------------------|------------------|
| Dividends provided for or paid | 96,742.80 | 96,742.80 |
| | 96,742.80 | 96,742.80 |

Notes to the financial statements continued

| | 2010 \$ | 2009 \$ |
|--|------------|------------|
|--|------------|------------|

Note 7. Cash assets

Bank accounts:

| | | |
|--------------------|--------------|------------|
| Cash at bank | 25,809.69 | 28,099.01 |
| Investment account | 1,000,000.00 | 730,000.00 |

Other cash items:

| | | |
|--------------------|---------------------|-------------------|
| Petty cash on hand | 11.90 | 134.45 |
| | 1,025,821.59 | 758,233.46 |

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 | 1,025,821.59 | 758,233.46 |
| | 1,025,821.59 | 758,233.46 |

Note 8. Receivables

Current

| | | |
|---------------|-------------------|-------------------|
| Trade debtors | 136,399.43 | 124,352.61 |
| | 136,399.43 | 124,352.61 |

Note 9. Property, plant and equipment

Leasehold improvements:

| | | |
|----------------------------------|------------------|------------------|
| - At cost | 74,910.00 | 75,136.31 |
| - Less: Accumulated depreciation | (61,058.10) | (57,420.55) |
| | 13,851.90 | 17,715.76 |

Plant and equipment:

| | | |
|----------------------------------|------------------|------------------|
| - At cost | 114,179.88 | 114,179.88 |
| - Less: Accumulated depreciation | (44,893.14) | (41,785.12) |
| | 69,286.74 | 72,394.76 |

Notes to the financial statements continued

| | 2010 \$ | 2009 \$ |
|---|------------------|-------------------|
| Note 9. Property, plant and equipment (continued) | | |
| Other plant and equipment: | | |
| - At cost | 111,756.83 | 104,913.02 |
| - Less: Accumulated depreciation | (103,622.62) | (83,929.56) |
| | 8,134.21 | 20,983.46 |
| | 91,272.85 | 111,093.98 |

Note 10. Payables

Unsecured:

| | | |
|-------------------|------------------|------------------|
| - Trade creditors | 77,833.55 | 36,476.41 |
| | 77,833.55 | 36,476.41 |

Note 11. Tax liabilities

Current

| | | |
|--|------------------|------------------|
| Provision for GST | 41,932.05 | 8,327.00 |
| Taxation | 110,672.08 | 27,497.70 |
| Pay as you go instalments paid | (93,876.00) | (11,020.00) |
| Taxation - previous year | | (12,250.57) |
| Amounts withheld from salary and wages | 12,518.00 | 5,254.00 |
| | 71,246.13 | 17,808.13 |

Note 12. Provisions

Current

| | | |
|------------------------|------------------|---------------|
| Dividends | 7,781.68 | 999.40 |
| Employee entitlements* | 12,449.13 | - |
| | 20,230.81 | 999.40 |

Non current

| | | |
|---|-----------|---|
| Employee entitlements* | 32,806.00 | |
| * Aggregate employee entitlements liability | 45,255.13 | - |

There were 8 employees at the end of the year.

Notes to the financial statements continued

| | 2010 \$ | 2009 \$ |
|--|-------------------|-------------------|
| Note 13. Contributed capital | | |
| 345,510 Ordinary shares at \$1.00 each fully paid | 345,510.00 | 345,510.00 |

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 14. Remuneration and retirement benefits

Directors' remuneration

Number of Directors whose income from the Company or any related parties was within the following bands:

| | |
|----------------------|-------|
| \$0.00 - \$15,000.00 | No. 8 |
|----------------------|-------|

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

Gary Rowe
Lindsay Wells
Debbie Taylor
Christine Grayland
Jason Pater
Greg Sugars
Trevor Collins
Terry Rankin

Note 15. Superannuation commitments

The entity participated in various complying superannuation funds to provide benefits to employees on retirement, death or disability.

Defined contribution plan

Benefits provided under the plan are based on accumulated contributions and earnings for each employee.

Employees contribute various percentages of their gross income and the Company also contributes at the rate of 9%.

Notes to the financial statements continued

| | 2010 \$ | 2009 \$ |
|---|-----------------|-----------------|
| Note 16. Auditors' remuneration | | |
| Remuneration of the Auditor of the Company for: | | |
| Auditing or reviewing the financial report | 6,000.00 | 4,921.72 |
| | 6,000.00 | 4,921.72 |

Note 17. Contingent liabilities

No contingent liabilities are known.

Note 18. Related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties: Tramic Pty. Ltd. receives monthly rental and monthly marketing levy, Malcolm Wells Accounting Solutions Pty. Ltd. receives fees for accountancy fees, for the preparation of mid year and end of year financial accounts, maintenance of Company Secretarial Affairs and for the preparation of fortnightly wages. Pater Family Trust receives a monthly fee for the preparation of monthly Treasury Reports.

Ultimate parent Company

Not applicable.

Associated Companies

Not applicable.

Other related parties

Not applicable.

Director - related entities

Transactions with Director-related entities:

Tramic Pty. Ltd. receives monthly rental and monthly marketing levy. Malcolm Wells Accounting Solutions Pty. Ltd. for accountancy fees. Pater Family Trust for preparation of Treasury Reports.

Notes to the financial statements continued

Note 18. Related parties (continued)

Directors

Transactions with Directors:

Not applicable.

Percentage of equity interest held by Directors, either directly or indirectly 19.84%

Other benefits derived:

Not applicable.

Identification of related parties

Not applicable.

Note 19. Events subsequent to reporting date

No events subsequent to the reporting date are known to the Directors.

The financial effects of the above have not been brought to account in the accounts at 30 June 2010.

Note 20. Effect of changes in accounting policy

The economic entity never changed its accounting policy during the reporting period.

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
 - (b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the Company.
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.



Gary Rowe
Director



Lindsay Wells
Director

Dated: 3 December 2010

Independent audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARRUM DOWNS FINANCIAL SERVICES LIMITED ABN: 89 088 990 470

Report on the Financial Report

We have audited the accompanying financial report of CARRUM DOWNS FINANCIAL SERVICES LIMITED which comprises the statement of financial position as at 30 June 2010, statement of comprehensive income for the year ended on that date, statement of cash flows, statement of changes in equity and summary of significant accounting policies and other explanatory notes and the director's declaration.

Director's 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 control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the director 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.

Auditors' 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 whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditors' 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 auditors consider 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 director, 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, provided to the directors of CARRUM DOWNS FINANCIAL SERVICES LIMITED on 3rd December 2010, would be in the same terms if provided to the director as at the date of this auditors' report.

Independent audit report continued

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CARRUM DOWNS FINANCIAL SERVICES LIMITED
ABN: 89 088 990 470**

Auditors' Opinion

In our opinion:

- (a) the financial report of CARRUM DOWNS FINANCIAL SERVICES LIMITED is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Name of Firm: Venn Milner & Co
Chartered Accountants

Name of Director: 
L.A. Milner A.C.A Registered Auditor

Address: Suite 1, 10 - 12 Chapel Street, Blackburn VIC 3130.

Dated this day of 3rd December 2010



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Phone: (03) 9782 9788

Franchisee: Carrum Downs Financial Services Limited
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(BMPAR10112) (10/10)