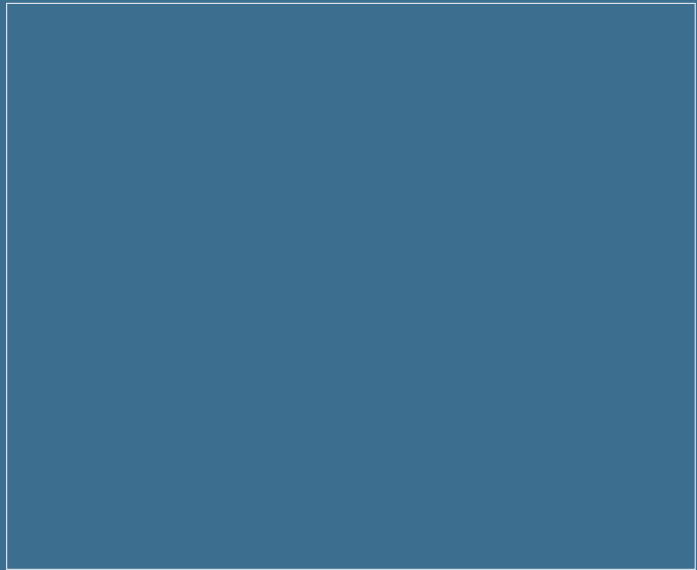
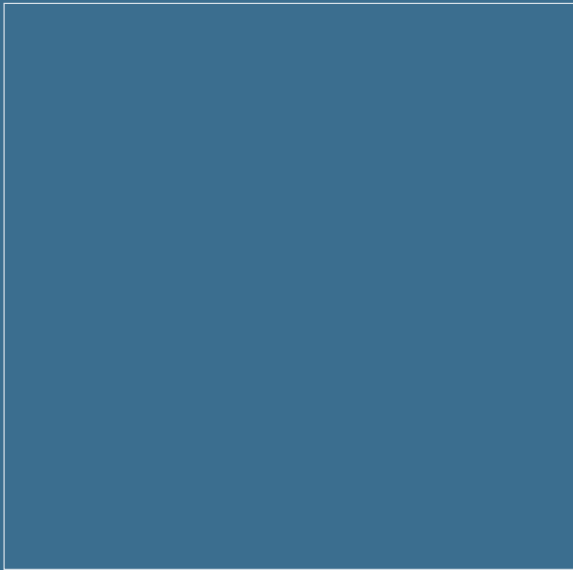


annual report | 2009



Clovelly Community
Financial Services Limited
ABN 69 097 378 740

Clovelly **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2009

Welcome to the Clovelly Community Financial Services Ltd's 2009 Annual Report.

2008/09 was a year of unprecedented financial and economic turmoil. It has been reassuring that our partner Bendigo and Adelaide Bank Ltd has continued to support us in every aspect of our banking enterprise.

Current position

What started as a housing slump in the U.S, and then became a global credit crisis, the 2008/09 financial year proved to be particularly difficult. Given the extent of the economic volatility it is understandable that our profit (before tax) of \$93,620 was down 7% on budget. Given these factors it was pleasing that the Board was able to declare a dividend to share holders.

Our team

During 2008/09 the branch has shown strong growth in total business (deposits + loans) of 29% to \$95 million. To manage the increase in business volume and ensure that we maintained our high level of customer service, we have increased staff numbers. To Peter Swan our Manager and the staff, thank-you for the outstanding service to our growing number of customers.

Board

I would like to welcome Ms Naomi Griffin to the Board. Naomi is a qualified practicing lawyer and brings to the Board a wealth of corporate experience.

I would like to thank the Board members for their continued support and keen participation during the past year.

Community participation

During the financial year 2008/09 the bank distributed over \$50,000 to the Community.

\$33,327 in sponsorships to:

- Bondi Outreach
- Racing Raspberries
- Randwick Council Seniors
- Randwick City Council Disability
- Tamarama SLSC
- Junction Neighbourhood Centre
- Clovelly Nippers

Chairman's report continued

- Norman Andrews House
- Clovelly Eagles
- Bondi SLSC
- Melanoma Sunspot Committee
- Bronte SLSC
- Randwick Botany National Seniors
- Clovelly SLSC
- Coogee Public School
- Randwick Waverley Community Transport
- Coastal Cricket Club
- South Coogee Junior Rugby
- Clovelly Public School
- Randwick Boys/Girls High Schools
- Coogee Netball Club

And \$17,000 in promotions for:

- Night Sky Productions(Coogee Arts Festival)
- Windgap



Michael DeNavi
Chairman.

Manager's report

For year ending 30 June 2009

The 2008/09 financial year has been another great year for Clovelly Community Financial Services Limited.

It has been a very exciting and eventful time in the banking business. Some of the challenges we faced during the year, were a consequence of the global financial crisis, one of the biggest shakeups in the industry since the great depression with a resultant reduction in our margins.

Additionally we had an ATM bomb blast attempted robbery on our branch that destroyed the shop front and closed the branch for a week.

However, in the midst of it all we have seen significant increases in our business.

Total business has grown by 29%. We have increased customer numbers by 7.5% and products per customer by 2%.

As well as continuing our many and varied community support initiatives via sponsorships donations and endorsements, we have also invested into the community by offering our staff Certificate IV traineeships and taken on a school based trainee.

This year's outstanding result was achieved due the work and commitment by our staff and Board of Directors. Thank you for your marvelous contribution and enthusiasm.

The 2008/09 achievement is testament to our vision to be Australia's leading customer-connected banking group and our philosophy of successful customer equals successful community equals successful bank.

My staff and I look forward to the coming year working with our clients to meet their banking and financial needs whilst delivering strong results to stakeholders, and adding support and value to the Community in which we live.



Peter Swan
Manager

Directors' report

For year ending 30 June 2009

Your Directors submit the financial report of the Company for the financial year ended 30 June 2009.

Directors

The names and details of the Company's Directors who held office during or since the end of the financial year are:

Michael Joseph Denavi

Chairperson
Business proprietor

Alexandra Halina Maria Szulikowska

Director / Secretary
Senior Analyst / Programmer

Jonathon Henry Hancock

Director
Stockbroker

Debra Christopher (resigned 25 July 2008)

Director
Interior decorator

Tom Pelle

Director
Public Servant

Andrew Winters

Director
Marketing Manager

Libbi Lumb

Director
Registered Nurse / Manager

Janet Kidson

Director
Office Manager

Merran Lang

Director
Advertising & Marketing Consultant

Naomi Griffin (appointed 10 February 2009)

Director
Lawyer

Directors were in office for this entire year unless otherwise stated.

No Directors have material interests in contracts or proposed contracts with the Company.

Principal activities

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

There has been no significant changes in the nature of these activities during the year.

Directors' report continued

Operating results

Operations have performed very well, and in line with expectations despite difficult conditions experienced during the year. The profit of the Company for the financial year after provision for income tax is \$65,474 (2008: \$99,020).

Dividends	Year ended 30 June 2009	
	Cents per share	\$
Dividends paid in the year:		
- prior year final dividend	5	31,514

Significant changes in the state of affairs

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

Significant events after the balance date

There are no matters or circumstances that have arisen since the end of the financial period that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future periods.

Likely developments

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

Directors' benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and insurance of Directors and Officers

The Company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Managers of the Company except where the liability arises out of conduct involving the lack of good faith.

Directors' report continued

Directors' Meetings

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

Number of meetings held:	10
<hr/>	
Number of meetings attended:	
<hr/>	
Michael Denavi	10
<hr/>	
Jonathon Hancock	9
<hr/>	
Alexandra Szulikowska	8
<hr/>	
Andrew Winters	7
<hr/>	
Janet Kidson	9
<hr/>	
Libbi Lumb	7
<hr/>	
Debra Christopher (resigned 26 July 2008)	0
<hr/>	
Tom Pelle	9
<hr/>	
Merran Lang	6
<hr/>	
Naomi Griffin (appointed 10 February 2009)	5
<hr/>	

Company Secretary

Alexandra Szulikowska was appointed to the position on 18 May 2005. Alexandra Szulikowska has a QA certification from the Australian Computer Society and holds a post-graduate diploma in Information Systems. She has run her own computer consultancy business for the past eleven years.

Corporate governance

The Company has implemented various corporate governance practices, which include:

- (a) The establishment of an audit committee. Members of the audit committee are Alexandra Szulikowska and Janet Kidson;
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

Auditor independence declaration

The Directors received the following declaration from the Auditor of the Company:

Richmond Sinnott & Delahunty
Chartered Accountants

Directors' report continued

Richmond Sinnott & Delahunty Chartered Accountants



172 McIvor Road
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

Auditor's independence declaration

In relation to our audit of the financial report of Clovelly Community Financial Services Limited for the financial year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the Auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott

Partner

Richmond Sinnott & Delahunty

18 September 2009

Signed in accordance with a resolution of the Board of Directors at Clovelly, NSW on 18 September 2009.

Michael Denavi

Chairperson

Financial statements

Income statement For year ending 30 June 2009

	Note	2009 \$	2008 \$
Revenues from ordinary activities	2	814,171	782,301
Employee benefits expense	3	(346,270)	(288,926)
Charitable donations & sponsorship		(33,237)	(32,470)
Depreciation and amortisation expense	3	(33,852)	(32,348)
Finance costs	3	(10)	(8,341)
Administration & other expenses from ordinary activities		(307,182)	(278,431)
Profit before income tax expense		93,620	141,785
Income tax expense	4	28,146	42,765
Profit after income tax expense		65,474	99,020
Earnings per share (cents per share)			
- basic for profit for the year	22	10.39	15.71
- diluted for profit for the year	22	10.39	15.71
- dividends paid per share	21	5.00	3.00

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet As at 30 June 2009

	Note	2009 \$	2008 \$
Current assets			
Cash assets	6	133,669	73,797
Receivables	7	73,168	72,493
Total current assets		206,837	146,290
Non-current assets			
Property, plant and equipment	8	118,816	139,550
Deferred income tax asset	4	69,860	98,006
Intangible assets	9	31,054	44,172
Total non-current assets		219,730	281,728
Total assets		426,567	428,018
Current liabilities			
Payables	10	43,075	60,071
Interest bearing liabilities	11	-	33,251
Provisions	12	39,407	24,571
Total current liabilities		82,482	117,893
Total liabilities		82,482	117,893
Net assets		344,085	310,125
Equity			
Share capital	13	630,284	630,284
Accumulated losses	14	(286,199)	(320,159)
Total equity		344,085	310,125

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2009

	Note	2009 \$	2008 \$
Cash flows from operating activities			
Cash receipts in the course of operations		881,008	764,460
Cash payments in the course of operations		(758,393)	(556,822)
Interest paid		(10)	(8,341)
Interest received		2,032	21
Net cash flows from operating activities	15b	124,637	199,318
Cash flows from investing activities			
Payments for property, plant and equipment		-	(12,860)
Net cash flows used in investing activities		-	(12,860)
Cash flows from financing activities			
Repayment of borrowings		(33,251)	(112,186)
Dividends paid		(31,514)	(17,905)
Net cash flows from financing activities		(64,765)	(130,091)
Net increase/(decrease) in cash held		59,872	56,367
Add opening cash brought forward		73,797	17,430
Closing cash carried forward	15a	133,669	73,797

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity As at 30 June 2009

	Note	2009 \$	2008 \$
Share capital			
Ordinary shares			
Balance at start of year		630,284	630,284
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		630,284	630,284
Accumulated losses			
Balance at start of year		(320,159)	(400,270)
Profit after income tax expense		65,474	99,020
Dividends paid		(31,514)	(18,909)
Balance at end of year		(286,199)	(320,159)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2009

Note 1. Basis of preparation of the financial report

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 18 September 2009.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2008 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

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

Class of asset	Depreciation rate
• Leasehold improvements	7.5%
• Property, plant & equipment	7.5 - 25%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired.

Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the cash flow statement on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date.

The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

The Company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Comparative figures

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

Revenue

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

Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Interest bearing liabilities

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

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Contributed capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

	2009	2008
	\$	\$

Note 2. Revenue from ordinary activities

Operating activities

- services commissions	801,966	781,746
- other revenue	10,173	534
Total revenue from operating activities	812,139	782,280
Non-operating activities:		
- interest received	2,032	21
Total revenue from non-operating activities	2,032	21
Total revenue from ordinary activities	814,171	782,301

Note 3. Expenses

Employee benefits expense

- wages and salaries	318,367	262,556
- superannuation costs	27,145	23,627
- workers' compensation costs	758	2,743
	346,270	288,926

Notes to the financial statements continued

	2009 \$	2008 \$
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- plant and equipment	20,734	19,230
Amortisation of non-current assets:		
- intangibles	13,118	13,118
	33,852	32,348
Finance costs:		
- Interest paid	10	8,341
Bad debts	492	3,744

Note 4. Income tax expense

The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:

Prima facie tax on profit before income tax at 30%	28,086	42,536
Add tax effect of:		
- Non-deductible expenses	60	229
Current income tax expense	28,146	42,765
Income tax expense	28,146	42,765
Deferred income tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	69,860	98,006

Note 5. Auditors' remuneration

Amounts received or due and receivable by
Richmond, Sinnott & Delahunty for:

- Audit or review of the financial report of the Company	3,650	3,650
- Share registry services	1,800	-
	5,450	3,650

Notes to the financial statements continued

	2009 \$	2008 \$
Note 6. Cash assets		
Cash at bank and on hand	133,669	73,797

Note 7. Receivables

Trade debtors	72,762	67,478
Other debtors	286	4,895
Other deposits	120	120
	73,168	72,493

Note 8. Property, plant and equipment

Office equipment

At cost	14,112	14,112
Less accumulated depreciation	(7,215)	(3,994)
	6,897	10,118

Leasehold improvements

At cost	233,502	233,502
Less accumulated depreciation	(121,583)	(104,070)
	111,919	129,432

Total written down amount

	118,816	139,550
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Movements in carrying amounts

Office equipment

Carrying amount at beginning of year	10,118	1,423
Additions	-	10,550
Disposals	-	-
Depreciation expense	(3,221)	(1,855)
Carrying amount at end of year	6,897	10,118

Notes to the financial statements continued

	2009 \$	2008 \$
Note 8. Property, plant and equipment (continued)		
Leasehold improvements		
Carrying amount at beginning of year	129,432	144,497
Additions	-	2,310
Disposals	-	-
Depreciation expense	(17,513)	(17,375)
Carrying amount at end of year	111,919	129,432

Note 9. Intangible assets

Franchise fee		
At cost	50,000	50,000
Less accumulated amortisation	(20,000)	(10,000)
	30,000	40,000
Preliminary expenses		
At cost	15,589	15,589
Less accumulated amortisation	(14,535)	(11,417)
	1,054	4,172
	31,054	44,172

Note 10. Payables

Trade creditors	-	12,729
GST payable	16,798	19,431
Dividends payable	3,051	1,952
Other creditors and accruals	23,226	25,959
	43,075	60,071

Note 11. Interest bearing liabilities

Bank loan	-	33,251
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Notes to the financial statements continued

	2009 \$	2008 \$
Note 12. Provisions		
Employee benefits	39,407	24,571
Number of employees at year end	7	6

Note 13. Share capital

630,284 Ordinary Shares fully paid of \$1 each	630,284	630,284
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Note 14. Accumulated losses

Balance at the beginning of the financial year	(320,159)	(400,270)
Dividends paid	(31,514)	(18,909)
Profit after income tax	65,474	99,020
Balance at the end of the financial year	(286,199)	(320,159)

Note 15. Cash flow statement

(a) Reconciliation of cash

Cash assets	133,669	73,797
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(b) Reconciliation of profit after tax to net cash flows from operating activities

Profit after income tax	65,474	99,020
Non cash items		
- Depreciation	20,734	19,230
- Amortisation	13,118	13,118
Changes in assets and liabilities		
- (Increase) decrease in receivables	(675)	(17,820)
- Increase (decrease) in payables	(16,996)	30,693
- Increase (decrease) in provisions	14,836	12,312
- (Increase) decrease in deferred income tax asset	28,146	42,765
Net cash flows from operating activities	124,637	199,318

Notes to the financial statements continued

Note 16. Director and related party disclosures

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

Michael Denavi

Jonathon Hancock

Alexandra Szulikowska

Andrew Winters

Janet Kidson

Libbi Lumb

Debra Christopher (resigned 25 July 2008)

Tom Pelle

Merran Lang

Naomi Griffin (appointed 10 February 2009)

No related party transaction occurred during the year. No Director's fees have been paid as the positions are held on a voluntary basis.

Directors' shareholdings	2009	2008
Michael Denavi	1	1
Jonathon Hancock	1,000	1,000
Alexandra Szulikowska	-	-
Andrew Winters	1,000	1,000
Janet Kidson	10,000	10,000
Libbi Lumb	500	500
Debra Christopher (resigned 26 July 2008)	-	-
Tom Pelle	2,000	2,000
Merran Lang	-	-
Naomi Griffin (appointed 10 February 2009)	-	-

Each share held is valued at \$1 and is fully paid. The above holdings are held personally or in associated entities. There was no change in shareholdings during the year.

Notes to the financial statements continued

Note 17. Subsequent events

There have been no events after the end of the financial year that would materially affect the financial statements.

Note 18. Contingent liabilities

Clovelly Community Financial Services Limited has provided a guarantee to secure the lease of the bank premises from Q4 & C4 Investments to the value of \$20,378 (2008: \$20,378).

Note 19. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Clovelly, NSW.

Note 20. Corporate information

Clovelly Community Financial Services Ltd is a Company limited by shares incorporated in Australia.

The registered office and principal place of business is:

226 Clovelly Road,
Clovelly NSW 2031

2009
\$

2008
\$

Note 21. Dividends paid or provided for on ordinary shares

Dividends paid during the year

Previous year final

Unfranked dividends - 5 cents per share (2008: 3 cents per share)	31,514	18,909
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Notes to the financial statements continued

	2009 \$	2008 \$
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Note 22. Earnings per share

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

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

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

Profit after income tax expense	65,474	99,020
Weighted average number of ordinary shares for basic and diluted earnings per share	630,284	630,284

Note 23. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Balance Sheet and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2009 \$	2008 \$
Cash assets	133,669	73,797
Receivables	73,168	72,493
	206,837	146,290

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(a) Credit risk (continued)

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

None of the assets of the Company are past due (2008: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$
30 June 2009					
Payables	43,075	(43,075)	(43,075)	-	-
	43,075	(43,075)	(43,075)	-	-
30 June 2008					
Payables	60,071	(60,071)	(60,071)	-	-
Interest bearing liabilities	33,251	(34,567)	(34,567)	-	-
	93,322	(94,638)	(94,638)	-	-

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

Sensitivity analysis

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

	Carrying amount	
	2009	2008
	\$	\$
Fixed rate instruments		
Financial assets	40,852	-
Financial liabilities	-	-
	40,852	-
Variable rate instruments		
Financial assets	92,817	73,797
Financial liabilities	-	(33,251)
	92,817	40,546

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2008 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Balance Sheet. The Company does not have any unrecognised financial instruments at year end.

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(e) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

- (i) the Distribution Limit is the greater of:
 - (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
 - (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and
- (ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2009 can be seen in the Income Statement.

There were no changes in the Company's approach to capital management during the year.

Directors' declaration

In accordance with a resolution of the Directors of Clovelly Community Financial Services Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are 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 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



Michael Denavi
Chairperson

Signed at Clovelly on 18 September 2009

Independent audit report

Richmond Sinnott & Delahunty Chartered Accountants



15 September 2009

The Directors
Clovelly Community Financial Services Ltd
16 Denning Street
COOGEE NSW 2034

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

Dear Directors

We have now completed our audit of the financial report of Clovelly Community Financial Services Limited for year ended 30 June 2009. Subject to the Board of Directors adopting the financial report, we are in a position to issue an unqualified audit opinion on the company's financial report.

1. Overview of Audit Approach

Our audit was designed in accordance with Australian Auditing Standards (AUS), which provides for reasonable, rather than absolute, assurance that the financial report is free of material misstatement. The nature and scope of the audit work performed was designed to achieve our primary goal of supporting the audit opinion on the financial report.

2. Operations

2.1 Income Statement

	30 June 2009 \$	30 June 2008 \$
Revenue from ordinary activities	814,171	782,301
Employment benefits expense	(346,270)	(288,926)
Charitable donations & sponsorship	(33,237)	(32,470)
Depreciation & amortisation expenses	(33,852)	(32,348)
Finance costs	(10)	(8,341)
Administration and other operating expenses	(307,182)	(278,431)
Profit before income tax	93,620	141,785
Income tax expense	28,146	42,765
Profit after income tax	65,474	99,020

2.2 Balance Sheet

	30 June 2009 \$	30 June 2008 \$
Liquid assets and cash	206,837	146,290
Other assets	219,730	281,728
Total assets	426,567	428,018
Total liabilities	82,482	117,893
Shareholders' equity	344,085	310,125

Woodbury Court, 172 Melvor Road Bendigo 3550. PO Box 30 Bendigo 3552. Ph: (03) 5443 1177. Fax: (03) 5444 4344. Email: rsd@rsdadv@sors.com.au
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3. Auditing/Accounting Issues

During our audit we did not note any significant issues.

4. Summary of Audit Differences

There are no material audit differences that have not been included in the financial report for Clovelly Community Financial Services Limited.

5. Other Matters

Our work is not primarily directed towards the discovery of weaknesses or the detection of fraud or other irregularities, other than those that would influence us in forming our audit opinion.

Should you have any queries in relation to the above or any other matters please do not hesitate to contact either Stephen Brown or myself.

Yours sincerely



Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Detailed profit & loss statement

Statement
As at 30 June 2009

	2009 \$	2008 \$
Income		
Income	801,966	781,746
Interest	2,032	21
Staff costs recharged	(236)	454
Other income	10,409	80
Total income	814,171	782,301
Expenses		
Accountancy	9,060	7,310
ASIC	1,400	1,000
Administration costs	275	-
Advertising	3,144	8,573
ATM cash delivery	12,129	11,475
ATM leasing	8,571	4,434
ATM consumables	-	5
ATM switch fees	2,956	3,887
ATM repairs & maintenance	3,095	1,972
ATM discrepancies	(256)	(445)
Audit fees	3,650	3,650
Bank charges	506	743
Credit checks	975	1,102
Board meeting expenses	1,869	807
Cash delivery	7,235	5,844
Cash management	601	566
Cleaning	8,160	7,577
Computer supplies	-	194
Consultancy	(255)	(1,568)

Detailed profit & loss statement continued

	2009 \$	2008 \$
Expenses (continued)		
Depreciation	33,852	32,348
Dues & subscriptions	159	18
Low value assets	1,647	335
Electricity	3,329	3,117
Freight	11,006	10,691
Insurance	11,336	8,389
Interest	-	17
Interest on BB loan	10	8,324
IT leasing/costs	18,464	19,634
Legal fees	364	218
Payroll service fee	790	-
Postage	2,124	2,145
Printing & stationery	10,749	7,279
BB procedural errors	1,305	1,026
Promotions/marketing	22,357	3,967
Rates & taxes (gen & water)	3,095	2,850
Rent	96,231	92,529
R&M equipment	751	1,455
R&M buildings	(1,616)	337
Security	5,524	16,669
Share registry service	3,715	4,251
Sponsorships & donations	33,237	32,470
Staff amenities	1,826	2,927
Staff gifts	-	357
Strata levies	2,835	4,713
Sundry	394	-
Superannuation	27,145	23,627
Telephone	9,338	8,799
Travel & entertainment	1,822	751

Detailed profit & loss statement continued

	2009 \$	2008 \$
Expenses (continued)		
Non deductible staff expenses	-	22
Wages & salaries	318,367	262,556
Workers comp insurance	758	2,743
Other employment expenses	20,480	18,749
Staff entertainment non deductible	200	742
Staff training	15,350	5,591
Write offs	492	3,744
Total expenses	720,551	640,516
Profit before income tax expense	93,620	141,785
Income tax expense	28,146	42,765
Profit after income tax expense	65,474	99,020

Clovelly **Community Bank**[®] Branch
222-226 Clovelly Road, Clovelly NSW 2031
Phone: (02) 9665 0099

Franchisee: Clovelly Community Financial Services Limited
222-226 Clovelly Road, Clovelly NSW 2031
Phone: (02) 9665 0099
ABN: 69 097 378 740

www.bendigobank.com.au/clovelly
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
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