

# annual report 2010

Clovelly Community Financial

Services Limited

ABN 69 097 378 740

Clovelly **Community Bank**<sup>®</sup> Branch

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# Chairman's report

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For year ending 30 June 2010

Welcome to the ninth Annual Report for Clovelly Community Financial Services Ltd for the year ended 30 June 2010.

## **Current position**

Our partner Bendigo and Adelaide Bank Ltd has continued its ongoing support in all areas of our business and services. I would particularly like to thank Wayne Simpson for his assistance during the past year and wish him well in his new position within Bendigo and Adelaide Bank Ltd.

The global financial crisis had a major impact on last year's results.

We have nonetheless been able to deliver improved profit whilst increasing community sponsorships and dividends to our shareholders.

The volatility in the financial markets was reflected in the first quarter of 2009/2010 financial year and continued through to the March quarter. However by May 2010 we had achieved our best ever month (in terms of income).

The overall result for the financial year being a before tax profit of \$216,619, after tax profit of \$151,560, a 131% increase on the previous year and our best result in the branch's short history.

## **Highlights of 2009/2010-**

- Profit after tax \$151,560
- Total revenue \$1,003,053.
- Dividend 5 cents per share
- Sponsorships distributed \$90,411

## **Our team**

During 2009/2010 our branch has shown strong growth in total business (deposits and loans) increasing by 11% to \$105 million.

To Peter Swan and the staff at the branch, a big thank you for your outstanding and friendly service to our customers, shareholders and the local business community.

## **Board**

During 2009/2010 we farewelled Alex Szulikowska from the Board of Directors. Alex has served as Company Secretary for the past five years. Her enthusiasm and dedication and lively discussions will be missed. On behalf of the Board, I would like to thank Alex for her generous contribution during her tenure. To the rest of the Board I would like to thank you, once again for your continued commitment in volunteering your time to the business of running our **Community Bank**<sup>®</sup> branch.

## Chairman's report continued

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### **Community participation.**

In keeping with the basic ethos of our **Community Bank**<sup>®</sup> model, the branch contributes a percentage of its profit back to the community. In 2004/2005 the **Community Bank**<sup>®</sup> Company distributed its first sponsorships to just four groups totalling a modest \$520.

In 2009/2010 we have returned \$90,411 to 19 various organisations ranging from sporting groups, school groups, senior citizen groups, neighbourhood groups and community based programs.

The following groups received sponsorship-

- Bondi SLSC
- Clovelly SLSC
- Clovelly Nippers
- Clovelly Public School Band
- Bronte SLSC
- Tamarama SLSC
- The Junction Neighbourhood Centre
- Racing Rasberries
- Botany Randwick Seniors
- Coastal Cricket Club
- Clovelly Bowling Club
- Clovelly Eagles
- Clovelly Crocodiles
- Clovelly Public School
- BOP
- The Shack
- UNSW Water Polo
- Randwick Coogee Rugby.
- Kool Kids Club

In 2010/2011 the branch is looking towards a major sponsorship within the Randwick Local Government area.

Once again I would like to thank our shareholders for their continued support as we look forward to what looks to be a promising year ahead.



**Michael DeNavi**  
**Chairman**

# Manager's report

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For year ending 30 June 2010

The 2009/2010 financial year has been an exceptional year for Clovelly **Community Bank**<sup>®</sup> Branch. Business has grown by \$10,691,000 and our book is now in excess of the milestone mark of \$100 million.

Our revenue for the year of \$1.003 million was up 23% on last year. Profit before tax was \$216,619 a 131% increase from last year. A salubrious result.

We are experiencing increasing support from our local community and beyond as evidenced by the increase in new accounts opened and number of accounts per customer. Most of our new business comes from referrals from our existing clients. This creates a compounding effect which enables us to return more back to our community and shareholders, as can be seen from this year's report. Clients continually comment on how much they value our personalised service and the support we provide to the community.

Our staff, Sally, Belinda, Nazife, Dan, Tash, Phoebe and Tiarne continue to go the extra mile for our customers and extend courteous professional outstanding service. The staff initiatives we have implemented have been very successful. Four staff members have now completed Certificate 4 Workplace Training and our School Based Trainees, Phoebe and Tiarne are doing an exceptional job whilst acquiring valuable skills for their future. Thank you all for your support and hard work.

I would also like thank the Board of Directors who put in untold voluntary hours and work tirelessly to achieve great outcomes for our business and the community. Your commitment, enthusiasm, efforts and contributions have resulted in an outstanding year for Clovelly **Community Bank**<sup>®</sup> Branch.



**Peter Swan**  
**Branch Manager**

# Directors' report

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For the financial year ended 30 June 2010

Your Directors submit the financial report of the Company for the financial year ended 30 June 2010.

## 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

### **Andrew Winters**

Director

Marketing Manager

### **Alexandra Halina Maria Szulikowska**

Director / Secretary

Senior Analyst / Programmer

Resigned 14 April 2010

### **Libbi Lumb**

Director

Registered Nurse / Manager

### **Jonathon Henry Hancock**

Director / Secretary

Stockbroker

### **Janet Kidson**

Director

Office Manager

### **Naomi Griffin**

Director

Lawyer

### **Merran Lang**

Director

Advertising & Marketing Consultant

### **Tom Pelle**

Director

Public Servant

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**<sup>®</sup> 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.

## Operating results

Operations have performed very well, and above expectations despite difficult conditions experienced during the year. The profit of the Company for the financial year after provision for income tax is \$151,560 (2009: \$65,474).

# Directors' report continued

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<b>Dividends</b>	<b>Year ended 30 June 2010</b>	
	<b>Cents per share</b>	<b>\$</b>
Dividends paid in the year:		
- prior year final dividend	2	12,606

## **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 agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an Auditor of the Company or a related body corporate.

# Directors' report continued

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## Directors' meetings

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

Director	Board meetings #	Audit committee meetings #
Michael Denavi	11(11)	N/A
Jonathon Hancock	9 (11)	N/A
Alexandra Szulikowska (resigned 14 April 2010)	8 (8)	2 (2)
Andrew Winters	9 (11)	N/A
Janet Kidson	9 (11)	2 (2)
Libbi Lumb	9 (11)	N/A
Tom Pelle	10 (11)	0 (2)
Merran Lang	10 (11)	N/A
Naomi Griffin	10 (11)	N/A

# The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

N/A - not a member of that Committee.

## Company Secretary

Alexandra Szulikowska resigned from the position on 14 April 2010 and Jonathan Hancock was appointed in her place. Jonathan is a stockbroker with Ord Minnett Limited. He holds a Bachelor of Business (Marketing) and a certificate in Financial Markets from the Securities Institute of Australia. Jonathan has been involved with a number of community groups in the capacity of president and Director.

## 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 Tom Pelle, Janet Kidson and Alexandra Szulikowska (resigned 14 April 2010);
- (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.



# Directors' report continued

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## **Auditor Independence Declaration**

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

### **Richmond Sinnott & Delahunty** Chartered Accountants



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

## **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 2010, 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

7 September 2010

Signed in accordance with a resolution of the Board of Directors at Clovelly, NSW on 7 September 2010.



**Michael Denavi**

**Chairperson**

# Financial statements

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## Statement of comprehensive income For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenues from ordinary activities	2	1,003,053	814,171
Employee benefits expense	3	(375,659)	(346,270)
Charitable donations & sponsorship		(90,411)	(33,237)
Depreciation and amortisation expense	3	(30,922)	(33,852)
Finance costs	3	-	(10)
Administration & other expenses from ordinary activities		(289,442)	(307,182)
<b>Profit before income tax expense</b>		<b>216,619</b>	<b>93,620</b>
Income tax expense	4	65,059	28,146
<b>Profit after income tax expense</b>		<b>151,560</b>	<b>65,474</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>151,560</b>	<b>65,474</b>
<b>Earnings per share (cents per share)</b>			
- basic for profit for the year	21	24.05	10.39
- diluted for profit for the year	21	24.05	10.39

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of financial position As at 30 June 2010

	Note	2010 \$	2009 \$
<b>Current assets</b>			
Cash and cash equivalents	6	352,441	133,669
Receivables	7	86,339	73,168
<b>Total current assets</b>		<b>438,780</b>	<b>206,837</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	102,944	118,816
Deferred tax asset	4	4,801	69,860
Intangible assets	9	20,000	31,054
<b>Total non-current assets</b>		<b>127,745</b>	<b>219,730</b>
<b>Total assets</b>		<b>566,525</b>	<b>426,567</b>
<b>Current liabilities</b>			
Payables	10	51,342	43,075
Provisions	11	32,144	39,407
<b>Total current liabilities</b>		<b>83,486</b>	<b>82,482</b>
<b>Total liabilities</b>		<b>83,486</b>	<b>82,482</b>
<b>Net assets</b>		<b>483,039</b>	<b>344,085</b>
<b>Equity</b>			
Share capital	12	630,284	630,284
Accumulated losses	13	(147,245)	(286,199)
<b>Total equity</b>		<b>483,039</b>	<b>344,085</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of cash flows For the year ended 30 June 2010

	Note	2010 \$	2009 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		1,071,997	881,008
Cash payments in the course of operations		(843,556)	(758,393)
Interest paid		-	(10)
Interest received		6,933	2,032
<b>Net cash flows from operating activities</b>	<b>14b</b>	<b>235,374</b>	<b>124,637</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(3,996)	-
<b>Net cash flows used in investing activities</b>		<b>(3,996)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		-	(33,251)
Dividends paid		(12,606)	(31,514)
<b>Net cash flows used in financing activities</b>		<b>(12,606)</b>	<b>(64,765)</b>
<b>Net increase/(decrease) in cash held</b>		<b>218,772</b>	<b>59,872</b>
Cash and cash equivalents at start of year		133,669	73,797
<b>Cash and cash equivalents at end of year</b>	<b>14a</b>	<b>352,441</b>	<b>133,669</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

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

	Note	2010 \$	2009 \$
<b>Share capital</b>			
Balance at start of year		630,284	630,284
Issue of share capital		-	-
Share issue costs		-	-
<b>Balance at end of year</b>		<b>630,284</b>	<b>630,284</b>
<b>Accumulated losses</b>			
Balance at start of year		(286,199)	(320,159)
Profit after income tax expense		151,560	65,474
Dividends paid	20	(12,606)	(31,514)
<b>Balance at end of year</b>		<b>(147,245)</b>	<b>(286,199)</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2010

## Note 1. Basis of preparation of the financial report

### **(a) Basis of preparation**

Clovelly Community Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank**<sup>®</sup> services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 7 September 2010.

### **(b) Statement of compliance**

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. 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 2009 financial statements.

#### **Income tax**

Deferred income tax is provided on all temporary differences at the reporting 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 reporting 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.

# Notes to the financial statements continued

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

### **Income tax (continued)**

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.

### **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:

<b>Class of asset</b>	<b>Depreciation rate</b>
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 Statement of Financial Position. Cash flows are included in the Statement of Cash Flows 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

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## 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 reporting 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 statement of cash flows, 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.

### **Loans and borrowings**

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

### **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.



# Notes to the financial statements continued

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

### Provisions (continued)

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.

### Share 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.

	2010	2009
	\$	\$

## Note 2. Revenue from ordinary activities

### Operating activities

- services commissions	994,870	801,966
- other revenue	1,250	10,173
<b>Total revenue from operating activities</b>	<b>996,120</b>	<b>812,139</b>
<b>Non-operating activities:</b>		
- interest received	6,933	2,032
<b>Total revenue from non-operating activities</b>	<b>6,933</b>	<b>2,032</b>
<b>Total revenue from ordinary activities</b>	<b>1,003,053</b>	<b>814,171</b>

## Note 3. Expenses

### Employee benefits expense

- wages and salaries	342,109	318,367
- superannuation costs	32,550	27,145
- workers' compensation costs	1,000	758
	<b>375,659</b>	<b>346,270</b>
<b>Depreciation of non-current assets:</b>		
- plant and equipment	19,868	20,734

## Notes to the financial statements continued

	2010 \$	2009 \$
Note 3. Expenses (continued)		
<b>Amortisation of non-current assets:</b>		
- intangibles	11,054	13,118
	<b>30,922</b>	<b>33,852</b>
<b>Finance costs:</b>		
- Interest paid	-	10
Bad debts	2,089	492

### 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%	64,986	28,086
Add tax effect of:		
- Non-deductible expenses	73	60
<b>Current income tax expense</b>	<b>65,059</b>	<b>28,146</b>
<b>Income tax expense</b>	<b>65,059</b>	<b>28,146</b>
<b>Deferred tax assets</b>		
<b>Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.</b>	<b>4,801</b>	<b>69,860</b>

### 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	3,900	3,650
- Share registry services	1,612	1,800
	<b>5,512</b>	<b>5,450</b>

### Note 6. Cash and cash equivalents

<b>Cash at bank and on hand</b>	<b>352,441</b>	<b>133,669</b>
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## Notes to the financial statements continued

	2010 \$	2009 \$
<b>Note 7. Receivables</b>		
Trade debtors	85,102	72,762
Other debtors	1,117	286
Other deposits	120	120
	<b>86,339</b>	<b>73,168</b>

## Note 8. Property, plant and equipment

### Office equipment

At cost	18,108	14,112
Less accumulated depreciation	(9,570)	(7,215)
	<b>8,538</b>	<b>6,897</b>

### Leasehold improvements

At cost	233,502	233,502
Less accumulated depreciation	(139,096)	(121,583)
	<b>94,406</b>	<b>111,919</b>

**Total written down amount** **102,944** **118,816**

### Movements in carrying amounts

#### Office equipment

Carrying amount at beginning of year	6,897	10,118
Additions	3,996	-
Disposals	-	-
Depreciation expense	(2,355)	(3,221)
<b>Carrying amount at end of year</b>	<b>8,538</b>	<b>6,897</b>

#### Leasehold improvements

Carrying amount at beginning of year	111,919	129,432
Additions	-	-
Disposals	-	-
Depreciation expense	(17,513)	(17,513)
<b>Carrying amount at end of year</b>	<b>94,406</b>	<b>111,919</b>

## Notes to the financial statements continued

	2010 \$	2009 \$
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### Note 9. Intangible assets

#### Franchise fee

At cost	50,000	50,000
Less accumulated amortisation	(30,000)	(20,000)
	<b>20,000</b>	<b>30,000</b>

#### Preliminary expenses

At cost	15,589	15,589
Less accumulated amortisation	(15,589)	(14,535)
	-	<b>1,054</b>
	<b>20,000</b>	<b>31,054</b>

### Note 10. Payables

GST payable	21,398	16,798
Dividends payable	113	3,051
Other creditors and accruals	29,831	23,226
	<b>51,342</b>	<b>43,075</b>

### Note 11. Provisions

<b>Employee benefits</b>	<b>32,144</b>	<b>39,407</b>
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### Note 12. Share capital

<b>630,284 Ordinary shares fully paid of \$1 each</b>	<b>630,284</b>	<b>630,284</b>
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### Note 13. Accumulated losses

Balance at the beginning of the financial year	(286,199)	(320,159)
Dividends paid	(12,606)	(31,514)
Profit after income tax	151,560	65,474
<b>Balance at the end of the financial year</b>	<b>(147,245)</b>	<b>(286,199)</b>

## Notes to the financial statements continued

	2010 \$	2009 \$
<b>Note 14. Statement of cash flows</b>		
<b>(a) Cash and cash equivalents</b>		
<b>Cash assets</b>	<b>352,441</b>	<b>133,669</b>
<b>(b) Reconciliation of profit after tax to net cashflows from operating activities</b>		
Profit after income tax	151,560	65,474
Non cash items		
- Depreciation	19,868	20,734
- Amortisation	11,054	13,118
Changes in assets and liabilities		
- (Increase) decrease in receivables	(13,171)	(675)
- Increase (decrease) in payables	8,267	(16,996)
- Increase (decrease) in provisions	(7,263)	14,836
- (Increase) decrease in deferred income tax asset	65,059	28,146
<b>Net cash flows from operating activities</b>	<b>235,374</b>	<b>124,637</b>

## Note 15. Director and related party disclosures

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

Michael Denavi

Jonathon Hancock

Alexandra Szulikowska (resigned 14 April 2010)

Andrew Winters

Janet Kidson

Libbi Lumb

Tom Pelle

Merran Lang

Naomi Griffin

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

## Notes to the financial statements continued

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### Note 15. Director and related party disclosures (continued)

<b>Directors' shareholdings</b>	<b>2010</b>	<b>2009</b>
Michael Denavi	1	1
Jonathon Hancock	1,000	1,000
Alexandra Szulikowska (resigned 14 April 2010)	-	-
Andrew Winters	1,000	1,000
Janet Kidson	10,000	10,000
Libbi Lumb	500	500
Tom Pelle	-	-
Merran Lang	1,000	-
Naomi Griffin	1,000	-

Merran Lang and Naomi Griffin both purchased 1,000 shares during the year. There were no other movements in shareholdings during the year.

Each share held is valued at \$1 and is fully paid. The above holdings are held personally or in associated entities.

### Note 16. Subsequent events

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

### Note 17. 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 (2009: \$20,378).

### Note 18. 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 19. 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.

## Notes to the financial statements continued

	2010 \$	2009 \$
<b>Note 20. Dividends paid or provided for on ordinary shares</b>		
Dividends paid during the year		
Previous year final		
<b>Unfranked dividends - 2 cents per share (2009: 5 cents per share)</b>	<b>12,606</b>	<b>31,514</b>

## Note 21. 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:

<b>Profit after income tax expense</b>	<b>151,560</b>	<b>65,474</b>
<b>Weighted average number of ordinary shares for basic and diluted earnings per share</b>	<b>630,284</b>	<b>630,284</b>

## Note 22. 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 reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

## Notes to the financial statements continued

### Note 22. Financial risk management (continued)

#### (a) Credit risk (continued)

	Carrying amount	
	2010 \$	2009 \$
Cash assets	352,441	133,669
Receivables	86,339	73,168
	<b>438,780</b>	<b>206,837</b>

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 (2009: 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 \$
<b>30 June 2010</b>					
Payables	51,342	(51,342)	(51,342)	-	-
	<b>51,342</b>	<b>(51,342)</b>	<b>(51,342)</b>	-	-
<b>30 June 2009</b>					
Payables	43,075	(43,075)	(43,075)	-	-
	<b>43,075</b>	<b>(43,075)</b>	<b>(43,075)</b>	-	-



# Notes to the financial statements continued

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## Note 22. Financial risk management (continued)

### (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.

#### 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	
	2010	2009
	\$	\$
<b>Fixed rate instruments</b>		
Financial assets	255,631	40,852
Financial liabilities	-	-
	<b>255,631</b>	<b>40,852</b>
<b>Variable rate instruments</b>		
Financial assets	96,610	92,617
Financial liabilities	-	-
	<b>96,610</b>	<b>92,617</b>

#### 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 2009 there was also no impact. As at both dates this assumes all other variables remain constant.

## Notes to the financial statements continued

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### Note 22. Financial risk management (continued)

#### **(d) Net fair values**

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

#### **(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 Statement of Financial Position.

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 2010 can be seen in the Statement of Comprehensive Income.

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

# Directors' declaration

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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 2010 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 7 September 2010.

# Independent audit report

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## **Richmond Sinnott & Delahunty** Chartered Accountants



### ***INDEPENDENT AUDIT REPORT TO THE MEMBERS OF CLOVELLY COMMUNITY FINANCIAL SERVICES LIMITED***

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

#### ***SCOPE***

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Clovelly Community Financial Services Limited, for the year ended 30 June 2010.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### ***Audit approach***

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

## Independent audit report continued

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### ***INDEPENDENCE***

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

### ***AUDIT OPINION***

In our opinion, the financial report of Clovelly Community Financial Services Limited is in accordance with:

- (a) 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 Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

*Richmond Sinnott & Delahunty*

**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants

*W. J. Sinnott*

**W. J. SINNOTT**  
Partner  
Bendigo

Date: 7 September 2010

# Detailed income statement

Detailed income statement  
For the year ended 30 June 2010

	2010 \$	2009 \$
<b>Income</b>		
Income	992,557	801,966
Interest	6,933	2,032
Staff costs recharged	-	(236)
Other income	3,563	10,409
<b>Total income</b>	<b>1,003,053</b>	<b>814,171</b>
<b>Expenses</b>		
<b>Administration &amp; general costs</b>		
Accountancy	7,815	9,060
Audit fees	3,650	3,650
ASIC	1,056	1,400
Advertising	-	3,144
Agent commission	16	-
Promotions/marketing	25,894	22,357
Administration costs	-	275
Bank charges	573	506
Bad debts written off	2,089	492
Board meeting expenses	2,150	1,869
Cash delivery	10,095	7,235
Consultancy	-	(255)
Credit checks / search fees	1,153	975
Cash management	430	601
Payroll service fee	870	790
Sundry	618	396
Donations	49,282	-
Dues & subscriptions	-	159
Freight	11,556	11,006
Low value assets	1,034	1,647
Insurance	11,868	11,336
Legal fees	73	364
Postage	1,797	2,124

## Detailed income statement continued

	2010 \$	2009 \$
<b>Expenses (continued)</b>		
<b>Administration &amp; general costs (continued)</b>		
Printing & stationery	9,298	10,749
Procedural errors	759	1,305
Interest on BB loan	-	10
R&M office machines	630	502
Sponsorships	41,129	33,237
Share registry service	1,612	3,715
Telephone	7,785	9,338
<b>Total administration &amp; general costs</b>	<b>193,231</b>	<b>137,985</b>
<b>IT costs</b>		
IT equipment lease	9,358	8,646
IT running costs	4,110	4,252
IT support costs	6,522	5,566
<b>Total IT costs</b>	<b>19,990</b>	<b>18,464</b>
<b>Depreciation &amp; amortisation</b>		
Depreciation	2,355	3,221
Franchise fee amortisation	10,000	10,000
LHI amortisation	17,513	17,513
Prelim expense amortisation	1,054	3,118
<b>Total depreciation &amp; amortisation</b>	<b>30,922</b>	<b>33,852</b>
<b>Occupancy costs</b>		
Cleaning	8,876	8,160
Electricity / gas	4,154	3,329
R&M buildings	246	(1,616)
R&M - furniture & fittings	1,234	249
Rent	100,080	96,231
Strata levies	5,147	2,835
Rates & taxes (gen & water)	3,215	3,095
Security monitoring	1,734	5,524
<b>Total occupancy costs</b>	<b>124,685</b>	<b>117,806</b>
<b>ATM</b>		
ATM cash delivery	8,805	12,129
ATM leasing	3,500	8,571

## Detailed income statement continued

	Note	2010 \$	2009 \$
<b>Expenses (continued)</b>			
<b>ATM (continued)</b>			
ATM - consumables		44	-
ATM - maintenance		2,355	3,095
ATM switch fees		2,286	2,956
ATM discrepancies		(1,658)	(256)
<b>Total ATM</b>		<b>15,332</b>	<b>26,495</b>
<b>Employment expenses</b>			
Staff uniforms		577	-
Staff amenities		2,513	1,826
Staff training		12,700	15,350
Superannuation		32,550	27,145
Wages & salaries		342,109	318,367
Prov for annual leave		(10,396)	7,232
Prov for LSL		3,133	7,604
Workers comp insurance		1,000	758
Payroll tax		164	163
Contract staff		8,943	2,175
Other employer expenses		5,892	3,306
Travel & entertainment		2,843	1,822
Staff entertainment non deduct		244	200
<b>Total employment expenses</b>		<b>402,273</b>	<b>385,948</b>
<b>Total expenses</b>		<b>786,433</b>	<b>720,551</b>
<b>Profit before income tax expense</b>		<b>216,619</b>	<b>93,620</b>
<b>Income tax expense</b>		<b>65,059</b>	<b>28,146</b>
<b>Profit after income tax expense</b>		<b>151,560</b>	<b>65,474</b>





Clovelly **Community Bank**<sup>®</sup> 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

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