Clovelly Community Financial Services Limited

ABN 69 097 378 740

ANNUAL REPORT 2013

Clovelly **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2013

Welcome to 12th Annual Report of Clovelly Community Financial Services Limited (CCFS) for the financial year ended 30 June 2013.

Current financial position:

A most challenging year in a difficult business environment would best describe the past financial year. Whilst our portfolio grew by 6% this financial year our revenue was down 14% on last year. This disparity in portfolio and revenue growth was largely due to continuing pressure on margins and reduction in trailer commission paid by Bendigo Bank. Pre-tax profit was $116,988 and after tax profit $78,864.

Dividend payment:

The Board of Directors has declared a fully franked divided of 8c per share for the year ending 30 June 2013.

Board:

Elizabeth (Libby) Lumb.

It is with great sadness that I report the passing of Ms Libby Lumb on the 8 March 2013. Libby joined the Board of Directors in 2005 but unfortunately had to retire last year due to ill health. On behalf of the Board of Directors and the staff I would like to pass on our sincere condolences to her brother Peter and sister Penny.

During the past year we have had two retirements from the Board, Ms Naomi Griffin who joined the Board in February 2009 retired in May 2013 and Mr Tom Pelle who joined the Board in 2008, retired in June 2013. I would like to express many thanks to both Tom and Naomi for their contributions to the Board, your knowledge and experience have been invaluable during your tenure. We wish you both health and happiness with your families in your future.

To our remaining Board members, I would once again like to thank you for your continuing enthusiastic services, particularly Mr Jon Hancock (Company Secretary) and Ms Janet Kidson (Treasurer) in preparing our monthly Board meetings.

My congratulations to Janet Kidson and Andrew Winters for achieving ten years services on The Board of Directors. A marvellous achievement of voluntary services to the community.

Community participation:

On the 28 May 2013 the branch, in conjunction with The Bendigo Community Enterprise Foundation™ held its third Grants presentation night. A totlal of $60,000 in grants was distributed amongst nine organisations. Grant recipients were Bondi Outreach Project, Caretakers Cottage, Kool Kids, Junction Neighbourhood Centre, Deli Women's Group, Norman Andrews House, Jewish House Crisis Centre, The Shack, and Transition Sydney. Each of these community groups also appreciated the opportunity to tell their compelling stories and meet other like-minded community champions. The company also provided a total of $77,000 in the form of sponsorship support and donations to 30 youth, sporting and other local community groups.

The total contribution in grants and sponsorships for 2012/13 was $137,000.

On 19 March 2013 the branch invited local community groups, local business and local residents to a community forum. The primary focus of the evening was to identify the community issues and needs local residents see as pressing and important. This community involvement will contribute to the Board's decision on how to allocate future grants. The Forum Report is available from the branch.

Chairman's report (continued)

Our team:

Congratulations to Belinda Dorrell on ten Years service to the branch. To our Manager Peter Swan and the staff, a big thank you for continuing to deliver the outstanding customer service to our local community.

Michael DeNavi
Chairman

Manager's report

For year ending 30 June 2013

Clovelly **Community Bank**® Branch has developed a strong connection to our customers and community and laid a solid foundation to build upon in coming years.

We met our 2012/13 growth target of $8 million and have strengthened the business to a book of $135.454 million since our humble beginning 11 years ago. For reasons beyond our control, reductions in margins and trailer commissions have led to a decrease in revenue this year. However as we move through economic cycles and margins move back towards previous levels we anticipate that revenue income will be restored. We feel our mixture of excellent service combined with competitive products puts us in good stead to meet the challenges and continue to grow our business.

Our community contributions through grants and sponsorships have now exceeded $650,000 in dollar terms as well as extensive collaboration and practical support to community organisations. An impressive outcome of which we are all extremely proud.

Having purchased the business premises in which the branch operates, we no longer have to pay in excess of $100,000 per annum in rent and are on target to pay off the debt within nine years and render the property unencumbered.

Last year we celebrated 10 years service by our Chairman Michael DeNavi, Branch Supervisor Sally Lambley and Customer Service Officer Nazife Halil.

This year we celebrate 10 years service by our Directors Janet Kidson, Andrew "Winkie" Winters and our Customer Relationship Manager Belinda Dorrell.

Their commitment, enthusiasm and contribution have been an integral part of our success.

Thank you to all our valued customers, shareholders, staff, Board of Directors and the Bendigo Bank team for the efforts and hard work.

P. Swan

Peter Swan
Manager

Directors' report

For the financial year ended 30 June 2013

Your Directors submit their report of the company and its controlled entity for the financial year ended 30 June 2013.

The consolidated entity is referred to as "the group".

Directors

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

Name and position held	Qualifications	Experience and other Directorships
Michael Denavi Chairman Board member since 03/07/2001		Michael has a wealth of experience in small business. He has worked in and owned several small business'. His present small business has been operating locally for 20 years and has won many accolades. Michael has a strong sense of community. He is a lifetime member of the Clovelly Eagles Junior Rugby Club and was on the steering cmmittee that established the **Community Bank**® branch.
Andrew Winters Director Board member since 24/02/2004		Andrew has expertise in Sales and Marketing working as National Manager in a number of Corporations. For the last 20 years he has been the Proprietor of a Chilled Dairy Foods Distribution Business. He is the President of Bondi Surf Bathers Life Saving Club.
Jonathan Hancock Director / Secretary Board member since 24/02/2004	Bachelor of Business (Marketing) Certificate in Financial Markets	Jonathan is a Stockbroker at Ord Minnett Limited providing a full range of stockbroking and direct asset management services to clients. He was a former President of Tamarama Surf Life Saving Club

Directors (continued)

Name and position held	Qualifications	Experience and other Directorships
Naomi Griffin Director Board member since 10/02/2009 Resigned 10 May 2013		Resigned 10 May 2013
Janet Kidson Director Board member since 02/06/2003	B Sc Computer Science	Janet ran her own IT consulting business for over 20 years She now works as a senior analyst specialising in financial systems and peformance monitoring. She is Company Secretary of ARTD Pty Ltd and Treasurer and Management Committee Member of The Junction Neighbourhood Centre
Tom Pelle Director Board member since 23/10/2007 Resigned 27 June 2013		Resigned 27 June 2013
Merran Lang Director Board member since 23/10/2007	Bachelor of Arts	Merran has been a Senior marketing account service professional for over 20 years with diverse industry experience. She was Clovelly Public School P&C President 2011-2013
Adam Davids Director Board member since 25/05/2011	Bachelor of Commerce	Adam is a Program Manager for CareerTrackers a non-profit organisation that provides career pathways for Indigenous university students through a structured internship program within the private sector. He is also a Board member of the Kool Purple Kookas, a non-profit organisation that provides Indigenous Australian children with the facilities and skills to cook healthy, simple meals that are inspired by bush tucker.

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

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

Directors' report (continued)

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 Limited.

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

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Review of operations

The profit of the consolidated group for the financial year after providing for income tax was $78,865 (2012: $290,285). The decrease in profit after tax was substantially due to the drop in revenue resulting from lower net interest margin and a reduction in commission paid by Bendigo Bank on term deposits and fixed loans. There was also greater emphasis on marketing and promotion through mail campaign, social media and increased sponsorship.

The net assets of the group at 30 June 2013 were $777,111 which was consistent with the previous year (2012: $780,183).

Dividends

	Year ended 30 June 2013	
	Cents per share	**$**
Dividends paid in the year (final dividend):	13	81,937

Events subsequent to reporting date

No matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company, in future financial years.

Remuneration report

Remuneration policy

There has been no remuneration policy developed as Director positions are held on a voluntary basis and Directors are not remunerated for their services.

Remuneration benefits and payments

Other than detailed below, 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.

Remuneration report (continued)

Indemnifying Officers or Auditor

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.

Directors meetings

The number of Directors meetings held during the year were 11. Attendances by each Director during the year were as follows:

Director	Board meetings*	Audit committee meetings*
Michael Denavi	11 (11)	N/A
Andrew Winters	8 (11)	N/A
Jonathan Hancock	10 (11)	N/A
Naomi Griffin	8 (10)	N/A
Janet Kidson	11 (11)	2 (2)
Tom Pelle	9 (11)	2 (2)
Merran Lang	11 (11)	N/A
Adam Davids	6 (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.

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation. However, the Board believes that the company has adequate systems in place for the management of its environment requirements and is not aware of any breach of these environmental requirements as they apply to the company.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Company secretary

Jonathan Hancock was appointed consolidated entity Secretary on 14 April 2009. Jonathan is a stockbrocker with Ord Minett Limited. He holds a Bachelor of Business (Marketing) and a certificate in Financial Markets from the Securities Institue of Australia. Jonathan has been involved with a number of community groups in the capacity of president and Director.

Non audit services

The Directors in accordance with advice from the audit committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 6 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 10 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Clovelly, NSW on 5 September 2013.

Michael Denavi
Director

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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5 September 2013

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

Dear Directors

To the Directors of Clovelly Community Financial Services Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2013 there has 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.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Financial statements

Statement of profit or loss and other comprehensive income for the year ended 30 June 2013

	Notes	Consolidated Group 2013 $	Consolidated Group 2012 $
Revenue	3	1,085,918	1,264,936
Employee benefits expense	4	(507,259)	(480,506)
Depreciation and amortisation expense	4	(56,067)	(30,845)
Finance costs	4	(64,418)	-
Bad and doubtful debts expense	4	(1,553)	(2,782)
Occupancy costs	4	(32,416)	(130,275)
IT costs	4	(17,062)	(17,143)
ATM costs	4	(11,609)	(10,885)
Administration and general costs	4	(140,736)	(110,582)
Operating profit before charitable donations & sponsorships		**254,798**	**481,918**
Charitable donations and sponsorships		(137,809)	(58,075)
Profit before income tax expense		**116,989**	**423,843**
Tax expense	5	38,124	133,558
Profit for the year		**78,865**	**290,285**
Other comprehensive income		-	-
Total comprehensive income		**78,865**	**290,285**
Profit attributable to:			
Members of the company		78,865	290,285
Total		**78,865**	**290,285**
Earnings per share (cents per share)			
- basic for profit for the year	24	12.51	46.06
- diluted for profit for the year	24	12.51	46.06

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2013

	Notes	Consolidated Group 2013 $	2012 $
Assets			
Current assets			
Cash and cash equivalents	7	185,766	168,689
Trade and other receivables	8	86,978	103,582
Total current assets		**272,744**	**272,271**
Non-current assets			
Property, plant and equipment	9	1,608,531	1,655,296
Deferred tax asset	5	20,639	16,527
Intangible assets	10	46,214	57,768
Total non-current assets		**1,675,384**	**1,729,591**
Total assets		**1,948,128**	**2,001,862**
Liabilities			
Current liabilities			
Trade and other payables	11	45,603	40,404
Current tax payable	5	1,019	70,800
Borrowings	12	149,590	133,848
Provisions	13	53,515	19,536
Total current liabilities		**249,727**	**264,588**
Non current liabilities			
Borrowings	12	900,410	916,152
Provisions	13	20,880	40,939
Total non current liabilities		**921,290**	**957,091**
Total liabilities		**1,171,017**	**1,221,679**
Net assets		**777,111**	**780,183**
Equity			
Issued capital	14	630,284	630,284
Retained earnings	15	146,827	149,899
Total equity		**777,111**	**780,183**

The accompanying notes form part of these financial statements.

Statement of changes in equity
for the year ended 30 June 2013

	Notes	Issued Capital $	Consolidated Group Retained Earnings $	Total Equity $
Balance at 1 July 2011		**630,284**	**(83,661)**	**546,623**
Total comprehensive income for the year		**-**	**290,285**	**290,285**
Transactions with owners, in their capacity as owners				
Dividends paid or provided	22	-	(56,725)	(56,725)
Balance at 30 June 2012		**630,284**	**149,899**	**780,183**
Balance at 1 July 2012		**630,284**	**149,899**	**780,183**
Total comprehensive income for the year		**-**	**78,865**	**78,865**
Transactions with owners, in their capacity as owners				
Dividends paid or provided	22	-	(81,937)	(81,937)
Balance at 30 June 2013		**630,284**	**146,827**	**777,111**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2013

	Notes	Consolidated Group 2013 $	2012 $
Cash flows from operating activities			
Receipts from clients		1,096,882	1,315,118
Payments to suppliers and employees		(827,073)	(876,230)
Interest paid		(64,418)	-
Interest received		5,640	33,150
Income tax paid		(112,017)	(108,688)
Net cash flows from/(used in) operating activities	**16b**	**99,014**	**363,350**
Cash flows from investing activities			
Payments for property, plant and equipment		-	(1,594,493)
Payments for intangibles		-	(57,768)
Net cash flows from/(used in) investing activities		**-**	**(1,652,261)**
Cash flows from financing activities			
Proceeds from borrowings		-	1,050,000
Dividends paid		(81,937)	(56,726)
Net cash flows from/(used in) financing activities		**(81,937)**	**993,274**
Net increase/(decrease) in cash held		**17,077**	**(295,637)**
Cash and cash equivalents at start of year		168,689	464,326
Cash and cash equivalents at end of year	**16a**	**185,766**	**168,689**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2013

The consolidated financial statements and notes represent those of Clovelly Community Financial Services Limited and controlled entities (the “group”).

The separate financial statements of the parent entity, Clovelly Community Financial Services Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

Clovelly Community Financial Services Limited (‘the company’) is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 5 September 2013.

Note 1. Summary of significant accounting policies

Basis of preparation

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities, and results of entities controlled by Clovelly Community Financial Services Ltd at the end of the reporting period. A controlled entity is an entity over which Clovelly Community Financial Services Ltd has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. Details of the controlled entity can be found at note12 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Note 1. Summary of significant accounting policies (continued)

(b) 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.

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.

(c) Property, plant and equipment

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

Land and buildings are measured at fair value less accumulated depreciation.

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

Class of Asset	**Depreciation Rate**
Buildings	2.5%
Building improvements	2.5%
Furniture & fittings	7.5 % - 33.33%

<u>Impairment</u>

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.

<u>Revaluations</u>

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Note 1. Summary of significant accounting policies (continued)

(d) Impairment 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.

(e) 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 Australian Taxation Office (ATO). 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 inclusive of the amount of GST receivable or payable.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position. Cash flows are presented on a gross basis.

The GST components of investing and financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(f) Employee benefits

Provision is made for the company's liability for employee benefits arising from the services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to the employee benefits.

(g) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

(h) Cash

Cash on hand and in banks are stated at nominal value. Bank overdrafts are shown as short term borrowings in current liabilities in the statement of financial position.

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.

(i) Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

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

Note 1. Summary of significant accounting policies (continued)

(j) Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables expected to be collected within 12 months at the end of the reporting period are classified as current assets. 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 and are recognised as a current liability.

(k) New accounting standards and interpretations not yet adopted

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

(i) AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is not expected to have an impact on the company's financial assets or financial liabilities.

(ii) AASB 13 Fair Value Measurement (2011)

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The company is currently reviewing its methodologies in determining fair values. AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(iii) AASB 119 Employee Benefits (2011)

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the company. However, the company may need to assess the impact of the change in measurement principles of expected return on plan assets. AASB 119 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(l) Loans and borrowings

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

Note 1. Summary of significant accounting policies (continued)

(m) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which is probable that the outflow of economic benefits will result and the outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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.

(n) 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.

(o) Comparative figures

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

(p) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset or the provision for income tax liability. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company’s assessment of future cash flows.

Impairment

The company assesses impairment at the end of each reporting period by calculating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

Fair value represents the amount for which an asset would be exchanged or a liability settled, between knowledgeable willing parties. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are applied to determine the fair value. Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in payments, indications that they will enter bankruptcy or other financial reorganisation and changes in arrears or economic conditions that correlate with defaults.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

	2013 $	2012 $

Note 2. Parent information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards:

	2013 $	2012 $
Statement of financial position		
Assets		
Current assets	**170,419**	**228,018**
Non-current assets	701,609	717,029
Total assets	**872,028**	**945,047**
Liabilities		
Current liabilities	112,071	168,576
Non-current liabilities	-	-
Total liabilities	**112,071**	**168,576**
Equity		
Issued capital	630,284	630,284
Retained earnings	129,673	146,187
Total equity	**759,957**	**776,471**
Statement of profit or loss and other comprehensivre		
Total profit	65,423	286,574
Total comprehensive income	**65,423**	**286,574**

	Consolidated Group	
	2013 $	**2012 $**

Note 3. Revenue and other income

	2013 $	2012 $
Revenue		
- services commissions	1,080,278	1,231,786
	1,080,278	**1,231,786**
Other revenue		
- interest received	5,640	33,150
	5,640	**33,150**
Total revenue	**1,085,918**	**1,264,936**

	2013 $	2012 $

Note 4. Expenses

	2013 $	2012 $
Employee benefits expense		
- wages and salaries	431,059	401,071
- superannuation costs	38,431	35,732
- workers compensation	866	941
- payroll tax	-	28
- other costs	36,903	42,734
	507,259	**480,506**
Depreciation of non-current assets:		
- Buildings	24,935	-
- plant & equipment	19,578	20,845
Amortisation of non-current assets:		
- intangible assets	11,554	10,000
	56,067	**30,845**
Occupancy costs:		
- rent	-	100,492
- rates and taxes	3,843	3,605
- strata levies	6,560	6,548
- other occupancy costs	22,013	19,630
	32,416	**130,275**
IT costs	**17,062**	**17,143**
ATM costs	**11,609**	**10,885**
Administration & general costs		
- promotions & marketing	35,183	9,456
- freight	12,500	12,778
- insurance	15,181	15,206
- legal fees	2,766	12,082
- printing & stationery	9,167	11,155
- cash delivery	9,341	11,360
- other admin and general	56,599	38,545
	140,737	**110,582**
Finance costs:		
- Interest paid	64,418	-
Bad debts	1,553	2,782

Notes to the financial statements (continued)

	Consolidated Group 2013 $	2012 $
Note 5. Tax expense		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 30% (2012: 30%)	35,097	127,153
Add tax effect of:		
- Prior year over/(under) provision for tax	2,295	5,291
- Non-deductible expenses	732	1,114
Current income tax expense	**38,124**	**133,558**
Income tax attributable to the entity	**38,124**	**133,558**
The applicable weighted average effective tax rate is	32.59%	31.51%
Deferred tax assets		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**20,639**	**16,527**
Current tax liability		
Current tax payable	**1,019**	**70,800**

The applicable income tax rate is the Australian Federal tax rate of 30% (2012: 30%) applicable to Australian resident companies.

Note 6. Auditors' remuneration

Remuneration of the Auditor for:		
- Audit or review of the financial report	4,160	4,900
- Share registry services	2,756	2,683
	6,916	**7,583**

Note 7. Cash and cash equivalents

Cash at bank and on hand	**185,766**	**168,689**

Note 8. Trade and other receivables

Current		
Trade debtors	81,216	96,945
Other assets	5,642	6,517
Other depositors	120	120
	86,978	**103,582**

Note 8. Trade and other receivables (continued)

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company. The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
2013						
Trade receivables	81,216	-	-	-	-	81,216
Other receivables	5,642	-	-	-	-	5,642
Total	**86,858**	**-**	**-**	**-**	**-**	**86,858**
2012						
Trade receivables	96,945	-	-	-	-	96,945
Other receivables	6,517	-	-	-	-	6,517
Total	**103,462**	**-**	**-**	**-**	**-**	**103,462**

Note 9. Property, plant and equipment

	Consolidated Group 2013 $	2012 $
Land at cost	**591,403**	**378,000**
Buildings		
At cost	997,389	1,213,043
Less accumulated depreciation	(24,935)	-
	972,454	**1,213,043**
Office equipment		
At cost	21,557	21,557
Less accumulated depreciation	(18,751)	(16,685)
	2,806	**4,872**

	Consolidated Group 2013 $	Consolidated Group 2012 $

Note 9. Property, plant and equipment (continued)

	2013 $	2012 $
Leasehold improvements		
At cost	233,502	233,502
Less accumulated depreciation	(191,634)	(174,121)
	41,868	59,381
Total written down amount	**1,608,531**	**1,655,296**
Movements in carrying amounts		
Land at cost		
Balance at the beginning of the reporting period	591,403	-
Additions	-	591,403
Balance at the end of the reporting period	**591,403**	**591,403**
Buildings		
Balance at the beginning of the reporting period	1,000,000	-
Additions	-	1,000,000
Refunded Stamp Duty	(2,612)	-
Depreciation expense	(24,934)	-
Balance at the end of the reporting period	**972,454**	**1,000,000**
Office equipment		
Balance at the beginning of the reporting period	4,872	4,755
Additions	-	3,449
Depreciation expense	(2,066)	(3,332)
Balance at the end of the reporting period	**2,806**	**4,872**
Leasehold improvements		
Balance at the beginning of the reporting period	59,381	76,894
Depreciation expense	(17,513)	(17,513)
Balance at the end of the reporting period	**41,868**	**59,381**

	Consolidated Group 2013 $	Consolidated Group 2012 $

Note 10. Intangible assets

	2013 $	2012 $
Franchise fee		
At cost	57,768	57,768
Less accumulated amortisation	(11,554)	-
	46,214	57,768
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	57,768	10,000
Additions	-	57,768
Amortisation expense	(11,554)	(10,000)
Balance at the end of the reporting period	**46,214**	**57,768**

Note 11. Trade and other payables

	2013 $	2012 $
Current		
Unsecured liabilities:		
GST payable	17,847	23,766
Dividends payable	171	171
Other creditors and accruals	27,585	16,467
	45,603	**40,404**

Note 12. Borrowings

	2013 $	2012 $
Current liability		
Bendigo & Adelaide bank commercial loan	149,590	133,848
	149,590	**133,848**
Non current liability		
Bendigo & Adelaide bank commercial loan	900,410	916,152
	900,410	**916,152**

The commercial loan is secured by a first registered mortgage over the freehold property owned by the Group.

The loan is a principal and interest loan for a term of 9 years and the current interest rate is 5.7%.

	Consolidated Group 2013 $	Consolidated Group 2012 $
Note 13. Provisions		
Employee benefits	74,395	60,475
	74,395	**60,475**
Movement in employee benefits		
Opening balance	60,475	45,281
Additional provisions recognised	44,568	45,761
Amounts utilised during the year	(30,648)	(30,567)
Closing balance	**74,395**	**60,475**
Current		
Annual Leave	25,616	19,536
Long-service leave	27,899	-
	53,515	**19,536**
Non current		
Long-service leave	20,880	40,939
	20,880	**40,939**
Total provisions	**74,395**	**60,475**

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

	Consolidated Group	
	2013	**2012**
	$	**$**

Note 14. Share capital

630,284 Ordinary Shares fully paid of $1 each	630,284	630,284
Less: Equity raising costs	-	-
	630,284	**630,284**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	630,284	630,284
Shares issued during the year	-	-
At the end of the reporting period	**630,284**	**630,284**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands.

The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

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 2013 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

	Consolidated Group 2013 $	Consolidated Group 2012 $

Note 15. Retained earnings

Balance at the beginning of the financial year	149,899	(83,661)
Profit after income tax	78,865	290,285
Dividends paid	(81,937)	(56,725)
Balance at the end of the financial year	**146,827**	**149,899**

Note 16. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the statement of financial position can be reconciled to that shown in the statement of cash flows as follows

As per the statement of financial position	**185,766**	**168,689**

(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities

Profit after income tax	78,865	290,285
Non cash items		
- Depreciation	44,513	20,845
- Amortisation	11,554	10,000
- Fixed Assets Written Off	2,252	-
Changes in assets and liabilities		
- (Increase) decrease in receivables	16,604	(1,790)
- (Increase) decrease in deferred tax asset	(4,112)	-
- Increase (decrease) in income tax payable	(69,781)	24,869
- Increase (decrease) in payables	5,199	3,945
- Increase (decrease) in provisions	13,920	15,194
Net cash flows from/(used in) operating activities	**99,014**	**363,348**

(c) Credit standby arrangement and loan facilities

The company does note have a bank overdraft facility nor a commercial bill facility in place.

Note 17. Related party transactions

The company's main related parties are as follows:

(a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company is considered key management personnel.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

(d) Key management personnel shareholdings

The number of ordinary shares in Clovelly Community Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	Consolidated Entity	
	2013	2012
Michael Denavi	1	1
Andrew Winters	1,000	1,000
Jonathan Hancock	1,000	1,000
Naomi Griffin	1,000	1,000
Janet Kidson	11,000	11,000
Tom Pelle	-	-
Merran Lang	1,000	1,000
Adam Davids	-	-

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

(e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

Notes to the financial statements (continued)

Note 18. Events after the reporting period

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

Note 19. Contingent liabilities and assets

There were no contingent liabilities or assets at the date of this report to affect the financial statements.

Note 20. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Clovelly, NSW. The company has a franchise agreement in place with Bendigo & Adelaide Bank Limited who account for 100% of the revenue (2012: 100%).

Note 21. Company details

The registered office and principal place of business is: 226 Clovelly Rd, Clovelly NSW 2031

	Consolidated Group	
	2013	**2012**
	$	**$**

Note 22. Dividends paid or provided for on ordinary shares

(a) Dividends paid during the year		
- Dividends of 13 cents per share {franked to 100%}	**81,937**	**56,726**
(2012: 9 cents per share {unfranked})		
(b) Franking credit balance		
The amount of franking credits available for the subsequent		
financial year are:		
- Franking account balance as at the end of the		
financial year	198,865	121,898
- Franking credits that will arise from the payment of		
income tax payable as at the end of the financial year	1,019	70,800
	199,884	**192,698**

Note 23. Controlled entities

In June 2012 the Group acquired 100% of the issued capital of Clovelly Community Property Holdings Pty Ltd for $1. Through acquiring 100% of the issued capital of Clovelly Community Property Holdings Pty Ltd, the Group has obtained control of the company.

The acquisition is part of the Group's strategy to own the building in which it operates its business from.

Note 24. 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:

	Consolidated Group	
	2013 $	2012 $
Profit after income tax expense	**78,865**	**290,286**
Weighted average number of ordinary shares for basic and diluted earnings per share	**630,284**	**630,284**

Note 25. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 as detailed in the accounting policies are as follows:

		Consolidated Group	
	Note	2013 $	2012 $
Financial assets			
Cash & cash equivalents	7	185,766	168,689
Trade and other receivables	8	86,978	103,582
Total financial assets		**272,744**	**272,271**
Financial liabilities			
Trade and other payables	11	45,603	40,404
Loans & borrowings	12	1,050,000	1,050,000
Total financial liabilities		**1,095,603**	**1,090,404**

Note 25. Financial risk management (continued)

Financial risk management policies

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.

Specific financial risk exposure and management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(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.

Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness and their financial stability is monitored and assessed on a regular basis. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the statement of financial position.

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 Limited.

None of the assets of the company are past due (2012: 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 Limited and therefore credit risk is considered minimal.

	Consolidated Group	
	2013	**2012**
	$	**$**
Cash and cash equivalents:		
A rated	**185,766**	**168,689**

(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.

Note 25. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis:

Consolidated Group	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2013					
Financial liabilities due					
Trade and other payables	11	45,603	45,603	-	-
Loans and borrowings	12	1,050,000	-	-	1,050,000
Total expected outflows		**1,095,603**	**45,603**	**-**	**1,050,000**
Financial assets - realisable					
Cash & cash equivalents	7	185,766	185,766	-	-
Trade and other receivables	8	86,978	86,978	-	-
Total anticipated inflows		**272,744**	**272,744**	**-**	**-**
Net (outflow)/inflow financial instruments		**(822,859)**	**227,141**	**-**	**1,050,000**

	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2012					
Financial liabilities due					
Trade and other payables	11	40,404	40,404	-	-
Loans and borrowings	12	1,050,000	-	-	1,050,000
Total expected outflows		**1,090,404**	**40,404**	**-**	**1,050,000**
Financial assets - realisable					
Cash & cash equivalents	7	168,689	168,689	-	-
Trade and other receivables	8	103,582	103,582	-	-
Total anticipated inflows		**272,271**	**272,271**	**-**	**-**
Net (outflow)/inflow financial instruments		**(818,133)**	**231,867**	**–**	**(1,050,000)**

Note 25. 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 is the risk 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.

The weighted average interest rates of the company's interest-bearing financial assets are as follows:

Financial assets	**2013** %	**2012** %
Cash and cash equivalents (net of bank overdrafts)	1.83%	0.61%

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit $	**Equity** $
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	(8,642)	(8,642)
	(8,642)	**(8,642)**
Year ended 30 June 2012		
+/- 1% in interest rates (interest income)	(8,813)	(8,813)
	(8,813)	**(8,813)**

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

Directors' declaration

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

1 the financial statements and notes of the company as set out on pages 11 to 35 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2013 and of the performance for the year ended on that date;

2 in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This resolution is made in accordance with a resolution of the Board of Directors.

Michael Denavi
Director

Signed at Clovelly on 5 September 2013.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

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Bendigo, Victoria
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CLOVELLY COMMUNITY FINANCIAL SERVICES LIMITED AND CONTROLLED ENTITY

Report on the Financial Report

We have audited the accompanying financial report of Clovelly Community Financial Services Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Clovelly Community Financial Services Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of Clovelly Community Services Limited is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W J Sinnott

W. J. SINNOTT
Partner

Dated at Bendigo, 5 September 2013

Clovelly **Community Bank®** Branch
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Bendigo Bank