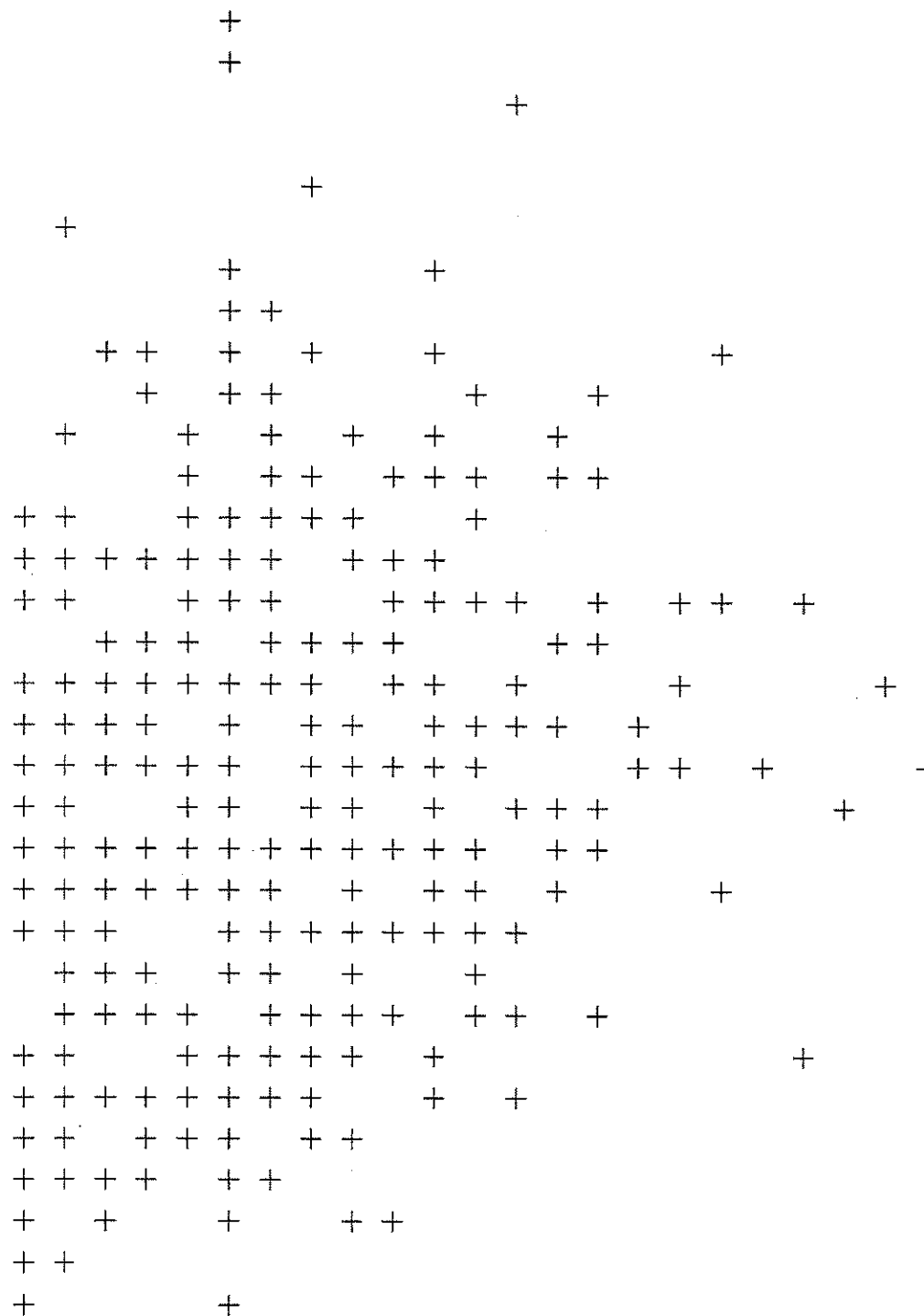


**CAVAL LIMITED**  
**ABN 47 005 498 251**

**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**



**Accru<sup>+</sup>**<sup>®</sup>

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**Directors' Report**  
**31 December 2010**

Your directors present their report on the company for the financial year ended 31 December 2010.

**Directors**

The names of the directors in office at any time during or since the end of the financial year are:

Craig Anderson  
Angela Bridgland  
Marianne Broadbent  
Janette Burke  
John Cameron  
Darren Holland  
Philip Kent (Appointed 18.03.10)  
Paul Reekie

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

**Company Secretary**

The name of the Company Secretary at the end of the financial year is:  
Janette Wright B.Psych (UWA); DipLib (WAIT); MKM (Melbourne)

**Operating Results**

The company made a loss of \$16,151 for the financial year (2009: \$175,444 loss).

## **Directors' Report (continued)** **31 December 2010**

### **Review of Operations**

2010 was the first year in the 3-year financial plan approved by the CAVAL Board of Directors on March 18th in 2010. Following a deficit in 2009, in the main attributable to reduced income and the Global Financial Crisis, the Board charged the CEO with the development of a viable business plan of increased revenues to bring CAVAL into surplus by the end of 2012.

#### *New initiatives:*

2010 was the first year of operation of the Copyright & Permissions Service. This service offers the identification, negotiation and clearance of copyright permissions on behalf of subscribers needing to copy publications for publication or dissemination via institutional repositories.

CAVAL became the exclusive agent for the distribution of Mk Sorting Systems RFID (Radio Frequency Identification) in Australia and New Zealand.

#### *Existing business activities:*

The stage 2 CARM Centre repository (CARM2) was completed and commenced operation on November 1<sup>st</sup>. The Commencement Date for the Licencees, the University of Melbourne, Monash University and RMIT University, was deferred from October 4<sup>th</sup> and licensees have now all deposited library materials and negotiations are under way for other clients to take up leased space in the extended facility.

The Digitisation Service continued to offer a bureau service for the capture and digitisation of printed materials from bound volumes using the Kirtas 2400 RA equipment. The service now offers alternate formatting and editing services aimed at disability services for universities.

CAVAL provided hosting, installation and support and help desk services for an increasing number of client libraries of the Relais ISO-compliant ILL software system. In 2010, the contracts for the support of the VDX software for members of the CLIC Consortium (CAVAL inter-library Consortium) were terminated.

The Cataloguing & Processing Service increased the number of projects completed and the number of customers including members and non-member libraries. The Cataloguing and Processing Service won two additional contracts with Procurement Australia (Maps Group) which recognize CAVAL as one of the preferred suppliers for providing cataloguing and processing services for public libraries Australia-wide.

After negotiating an agreement with ALIA (Australian Library and Information Association) to transition the CAVAL Training Program to ALIA from 2010 and the departure of the senior manager of the CAVAL Training and Consultancy program, CAVAL ceased to offer these services in 2010. The Budget forecast was adjusted to reduce the income and related expenses associated with the Training and Consultancy activity. The only significant Training activity continued in 2010 was the CAVAL Executive Leadership Program which attracted revenue of approximately \$80,000 and expenses which resulted in a net loss of approximately \$10,000.

The CAVAL Visiting Scholar program contributed to the expenses associated with a seminar conducted by Constance Malpas of OCLC Research Division in the U.S.

The annual collation and publication online of the Australian and New Zealand academic library statistics was completed on behalf of CAUL (Council of Australian University Librarians).

## **Directors' Report (continued)** **31 December 2010**

### **Objectives**

The Company's long-term objectives are described in the company's Constitution and include all forms of collaboration in the establishment, use and development of Libraries, and to thereby provide educational and other benefits to users of Libraries and the community generally; to initiate, promote, develop, and administer methods, equipment, systems, programmes and other means for the management of information material and resources in Libraries; the use and exploitation of Libraries; and access to Libraries.

In 2010, the Board of Directors confirmed the following Value Proposition:

*"CAVAL enables its members to access cost effective and collaborative library support services through economies of scale, scope and expertise. It does this in a trusted, secure and risk-managed environment, providing transparency and continuity".*

CAVAL membership fees enable the necessary foundation for a sustainable organisation providing support and expertise, investment to support innovation and continuity to support ongoing collaboration.

Membership fees enable members to participate in the following core services:

- Shared facilities, (e.g. CARM2 off-site storage facility);
- Off-site storage of print materials in shared collection (CARM)
- Reciprocal Borrowing Program
- Document Delivery and Inter-Library Loans from CARM
- Expert Collaborative Committees supported by CAVAL
- Action Research (e.g. research into collection discard and retention policies);
- Visiting Scholar Program

In addition, the CAVAL corporate structure enables the testing, development and application of new technologies specifically relevant to the Higher Education sector, (e.g. Kirtas Book Digitising) and new services specifically for the member constituency (e.g. Copyright Permissions Service). CAVAL provides a forum for the initiation of partnerships within the sector to develop collaborative projects.

Additional specialised services are developed with approval and support of the member-elected board. These are offered on a cost-recovery fee-for-service basis, with members being offered services as a significant discount compared to non-members. The surplus generated by these fee-based activities is re-invested in the core services for members.

These customer fee-based services include:

- Off-site storage services
- Cataloguing services, especially cataloguing of LOTE (Languages other than English) materials
- Processing of shelf-ready library materials
- Digitising and format conversion of bound library materials
- Support and hosting for industry specific software (e.g. VDX; Relais);
- Copyright Permissions Service
- Consultancy in library related areas. (e.g. Space planning)
- Specialist in-house training (.e.g. cataloguing; document delivery)
- Statistical collation and reporting (e.g. CAUL stats)

## **Directors' Report (continued)** **31 December 2010**

### **Strategic Priorities**

Strategic priorities to 2013 are:

- Membership; engagement with existing members; demonstrated value to members; attract more members.
- Innovation and experimenting with new requirements for the digital environment
- Developing and offering fee-based services to the library community
- Market analysis and promotions
- Efficiencies and Productivity improvements.

### **Short-term Objectives and Performance Measures**

Key Performance Indicators for 2010 were:

1. Objective: the effective management and operation of CAVAL within parameters established and periodically reviewed by the CAVAL Board of Directors

Indicators

1.1 Achieve a net result no worse than the agreed annual Budget for CAVAL for 2010.

2. Objective: Achieve the commencement of the CARM2 facility by year end

Indicators

2.1 Practical Completion of the CARM2 project by Q4, 2010.

2.2 Project finalised within budget.

2.3 Achieve target storage income for Q4

2.4 Implement procedures and processes for the full operation of CARM2.

2.5 Develop policies for the commercial and collaborative use of the CAVAL share of CARM2.

3. Objective: Engagement with CAVAL membership

Indicators

3.1 Retain CAVAL members with acceptance of fee increases.

3.2 Increase the proportion of cataloguing and processing revenue attributed to CAVAL members compared to 2009.

3.3. Increase the proportion of in-house training and consulting revenue attributed to CAVAL members compared to 2009.

4. Objective: Develop a strategy to ensure the long-term viability of CAVAL

Indicators

4.1 Prepare and implement a 3-year Budget Plan (2010-2012) for the March 2010 Board meeting which includes a strategy to bring CAVAL into surplus by 2012.

4.2 Achieve CAVAL Board endorsement of the 3-year Budget Plan.

### **Significant Changes in the State of Affairs**

The stage 2 CARM Centre repository (CARM2) was completed and commenced operation on November 1<sup>st</sup>. No other significant changes in the state of affairs of the company occurred during the financial year

**Directors' Report (continued)**  
**31 December 2010**

**Principal activities**

The principal activities of the company during the financial year were the provision of library-related services to member institutions and the wider library and information sector.

**After Balance Date Events**

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

**Likely Developments**

CAVAL has commenced to import and re-sell RFID equipment designed for libraries from the German manufacturing company, mk Sorting Systems. The first contract for the supply of mk Sorting Systems was awarded to CAVAL in 2010 by the University of Queensland. These systems will be delivered and installed in 2011. Additional insurance for product liability and freight has been negotiated and CAVAL has arranged for foreign currency protection where the amounts required for overseas suppliers are over \$100,000.

**Environmental Issues**

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

**Dividends Paid or Recommended**

The company is limited by guarantee and under its constitution is prohibited from the issue of dividends.

**Directors' Report (continued)**  
**31 December 2010**

**Information on Directors**

The information on directors is as follows:

<b>Craig Anderson</b>	University Librarian, RMIT University
Qualifications	B Sc.-Ed., Grad. Dip. Lib., Grad. Dip. Man., M.B. (I.T.)
Experience	Board member since 2003
<b>Angela Bridgland</b>	Former University Librarian, University of Melbourne
Qualifications	PhD, MEd, Grad Dip. Lib., BA, F.A.L.I.A
Experience	Board Member since 2006
<b>Janette Burke</b>	Director, Central Services, Monash University
Qualifications	BA(Librarianship) MCommerce (Bus.Sys.)
Experience	Board Member since 2007
<b>Marianne Broadbent</b>	Senior Partner/Consultant
Qualifications	BA, DipEd, MA PhD, FALIA, FAICD AMus, DipTLib
Experience	Board Member Appointed 2009
Other Directorships	EWKI Pty Ltd, Arbiter Leadership Technologies Pty Ltd, MARB Research Pty Ltd
<b>John Cameron</b>	Deputy Vice-Chancellor (Administration & Resources), Australian Catholic University
Qualifications	MCom(Hons), CPA, AAIM
Experience	Board Member 2007-2009, Board Member Appointed 2010
Other Directorships	UNILINC Ltd
<b>Darren Holland</b>	Vice President, Student Support and Services, Ballarat University
Qualifications	BAppSc, GradDipCompSc, GradDipEd(sec), MBA
Experience	Board Member 2004-2005, 2007-2009, Board Member 2010
<b>Philip Kent</b>	University Librarian, The University of Melbourne
Qualifications	BA Grad Dip Lib Sc MBA
Experience	Board Member Appointed 2010
<b>Paul Reekie</b>	General Manager, CSIRO Publishing
Qualifications	BA
Experience	Board Member 2007-2009, Board Member Appointed 2010
Other Directorships	Book & Pattern Services P/L

**Directors' Report (continued)**  
**31 December 2010**

**Meetings of Directors**

DIRECTORS	DIRECTORS' MEETINGS 2010	
	Number eligible to attend	Number attended
Craig Anderson	4	4
Angela Bridgland	4	2
Janette Burke	4	3
Marianne Broadbent	4	2
John Cameron	4	4
Darren Holland	4	3
Philip Kent	4	4
Paul Reekie	4	4

**Options**

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the end of the financial year.

**Indemnification of Officer or Auditor**

During or since the end of the financial year, the company has not given indemnity to any member of the Board or entered an agreement to indemnify.

During the year, the company has paid premiums in respect of an insurance contract to indemnify officers against liabilities that may arise from their position as officers of the company. Officers indemnified include the company secretary, all directors and all executive officers participating in the management of the company. Further disclosure required under section 300(9) of the Corporations Act 2001 is prohibited under the terms of the contract.

The company has not provided indemnification to the Auditors of the company.

**Members Guarantee**

The company is incorporated under the Corporations Act 2001 and is an entity limited by guarantee. If the company is wound up, the Constitution states that each member is required to contribute a maximum of \$10 each towards meeting any outstanding obligations of the company. At 31 December 2010 the number of members was 11 (2009: 11).

**Proceedings on Behalf of the 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.

**Directors' Report (continued)**  
**31 December 2010**

**Auditor's Independence Declaration**

The auditor's independence declaration for the year ended 31 December 2010 has been received and can be found on page 9.

Signed in accordance with a resolution of the Board of Directors:

Director

  
Craig Anderson

Director

  
John Cameron

(Dated this 24<sup>th</sup> day of March 2011)

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C  
OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF CAVAL  
LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



DANBY BLAND PROVAN & CO  
Chartered Accountants

123 Camberwell Road  
Hawthorn East Vic 3123



R A LANE  
Partner

Dated this 24th day of March 2011

**Statement of Comprehensive Income**  
**For the year ended 31 December 2010**

	Note	2010 \$	2009 \$
Revenue	2	3,156,695	2,890,441
Changes in inventories		2,554	544
Employee benefits expense		(1,875,333)	(2,064,268)
Depreciation and amortisation expenses		(340,967)	(239,860)
Finance costs		(43,827)	(15,966)
Lease expense		(15,125)	(32,023)
Office services & supplies		(174,902)	(165,716)
Computer processing		(121,168)	(53,589)
Consultancy		(144,262)	(92,872)
Publicity & Promotions		(57,610)	(42,122)
Travel		(47,571)	(66,398)
Insurance		(76,287)	(65,179)
Venue Hire		(49,991)	(50,715)
Other expenses	3	<u>(228,357)</u>	<u>(177,721)</u>
<b>Profit/(Loss)</b>		<u><b>(16,151)</b></u>	<u><b>(175,444)</b></u>
<b>Total comprehensive profit/(loss) attributable to members of the entity</b>		<u><b>(16,151)</b></u>	<u><b>(175,444)</b></u>

The accompanying notes form part of these financial statements.

**Statement of Financial Position**  
As at 31 December 2010

	Note	2010 \$	2009 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	84,850	1,277,788
Trade and other receivables	5	1,453,171	5,935,097
Inventories	6	5,909	8,463
Other current assets	7	<u>465,750</u>	<u>238,957</u>
<b>TOTAL CURRENT ASSETS</b>		<b><u>2,009,680</u></b>	<b><u>7,460,305</u></b>
<b>NON-CURRENT ASSETS</b>			
Financial assets	8	106	106
Property, plant and equipment	9	<u>17,743,912</u>	<u>9,526,614</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<b><u>17,744,018</u></b>	<b><u>9,526,720</u></b>
<b>TOTAL ASSETS</b>		<b><u>19,753,698</u></b>	<b><u>16,987,025</u></b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	844,057	818,732
Borrowings	11	243,717	43,717
Short-term provisions	12	192,924	273,803
Income in advance	13	<u>2,158,348</u>	<u>1,303,614</u>
<b>TOTAL CURRENT LIABILITIES</b>		<b><u>3,439,046</u></b>	<b><u>2,439,866</u></b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	11	2,141,301	105,650
Long-term provisions	12	165,744	150,191
Income in advance	13	<u>9,807,440</u>	<u>10,075,000</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b><u>12,114,485</u></b>	<b><u>10,330,841</u></b>
<b>TOTAL LIABILITIES</b>		<b><u>15,553,531</u></b>	<b><u>12,770,707</u></b>
<b>NET ASSETS</b>		<b><u>4,200,167</u></b>	<b><u>4,216,318</u></b>
<b>EQUITY</b>			
Retained earnings		<u>4,200,167</u>	<u>4,216,318</u>
<b>TOTAL EQUITY</b>		<b><u>4,200,167</u></b>	<b><u>4,216,318</u></b>

The accompanying notes form part of these financial statements.

**Statement of Changes in Equity**  
For year ended 31 December 2010

	Retained Earnings \$	Total \$
Balance at 1 January 2009	4,391,762	4,391,762
Total comprehensive loss attributable to member of the entity	(175,444)	(175,444)
<b>Balance at 31 December 2009</b>	<u><b>4,216,318</b></u>	<u><b>4,216,318</b></u>
Total comprehensive loss attributable to member of the entity	(16,151)	(16,151)
<b>Balance at 31 December 2010</b>	<u><u><b>4,200,167</b></u></u>	<u><u><b>4,200,167</b></u></u>

The accompanying notes form part of these financial statements.

**Statement of Cash Flows**  
 For the year ended 31 December 2010

	Note	2010 \$	2009 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from customers		4,945,283	2,123,678
Payments to suppliers and employees		(4,176,152)	(2,757,852)
Finance costs		(43,827)	(15,966)
Interest received		<u>202,246</u>	<u>222,485</u>
Net cash generated from operating activities	16 (b)	<u>927,550</u>	<u>(427,655)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payment for property, plant and equipment		(8,585,828)	(4,753,477)
Proceeds from sale of plant and equipment		<u>21,356</u>	<u>-</u>
Net cash used in investing activities		<u>(8,564,472)</u>	<u>(4,753,477)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Contribution from member universities		4,208,333	5,958,332
Proceeds from borrowings		2,279,368	-
Repayment of borrowings		<u>(43,717)</u>	<u>(42,758)</u>
Net cash used in financing activities		<u>6,443,984</u>	<u>5,915,574</u>
Net increase/(decrease) in cash held		(1,192,938)	734,442
Cash at beginning of financial year		<u>1,277,788</u>	<u>543,346</u>
Cash at end of financial year	16 (a)	<u>84,850</u>	<u>1,277,788</u>

The accompanying notes form part of these financial statements.

## **Notes to the Financial Statements**

### **For the year ended 31 December 2010**

The financial report is for CAVAL LIMITED as an individual entity, incorporated and domiciled in Australia. CAVAL LIMITED is a company limited by guarantee.

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of Preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (Australian Accounting Interpretations) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

##### **Accounting Policies**

###### **(a) Income Tax**

No provision for income tax has been raised as the company is exempt from income tax under Division 50 of the Income Tax Assessment Act 1997.

###### **(b) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and at call deposits with banks and other short term highly liquid investments.

###### **(c) Revenue**

Revenue from sale of goods is recognised upon the delivery of goods to customers.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Revenue received for services yet to be delivered to customers is recognised as a liability and carried forward in the Statement of Financial Position.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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

###### **(d) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

## Notes to the Financial Statements For the year ended 31 December 2010

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) Property, Plant and Equipment

Each class of property plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

##### *Property*

Buildings are measured on the cost basis less accumulated depreciation and impairment losses.

##### *Plant and equipment*

Plant and equipment is measured on the cost basis less accumulated depreciation and impairment losses.

##### *Depreciation*

The depreciable amount of all fixed assets including buildings and capitalised leased assets are depreciated over their estimated useful lives to the company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<b>Class of asset</b>	<b>Depreciation rates</b>	<b>Depreciation basis</b>
CARM Buildings & Fittings	2.5 %	Straight Line
Motor Vehicles	15 %	Straight Line
Office Equipment	7.5 - 20 %	Straight Line
Computer Equipment & Software	12.5-33%	Straight Line

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

#### (f) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the company are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the company will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

## **Notes to the Financial Statements**

### **For the year ended 31 December 2010**

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(g) Impairment of Assets**

At each reporting date, the company reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income. To 31 December 2010, no impairment losses have been recorded.

##### **(h) Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. 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.

Contributions are made by the company to an employee superannuation fund and are charged as expenses when incurred.

##### **(i) CARM 2 Licence Fees in Advance**

Melbourne, Monash and RMIT Universities have paid licence fees in advance for the use of the CARM 2 centre for a 30 year period commencing 1 November 2010. This is the result of projects that are yet to be completed as at year end and the income received to date is greater than the income incurred to date. The income is deferred to be matched against costs to be incurred at a future date. Where a project is completed, it is recognised in the Statement of Comprehensive Income.

##### **(j) Comparative Figures**

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

##### **(k) Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information.

**Notes to the Financial Statements**  
For the year ended 31 December 2010

	Note	2010 \$	2009 \$
<b>NOTE 2: REVENUE</b>			
- sale of goods (net)		(6,027)	3,459
- membership, levies and services		2,960,476	2,664,497
- interest	2(a)	<u>202,246</u>	<u>222,485</u>
Total Revenue		<u>3,156,695</u>	<u>2,890,441</u>

(a) Interest from:

- Bank		85,993	90,541
- From members of CAVAL		<u>116,253</u>	<u>131,944</u>
		<u>202,246</u>	<u>222,485</u>

**NOTE 3: LOSS FOR THE YEAR**

(a) The loss for the year has been determined after taking into account the following specific items:

Loss on disposal of property, plant and equipment		<u>6,207</u>	-
Remuneration of the auditors for:			
- auditing the financial report		<u>14,000</u>	<u>14,000</u>

**NOTE 4: CASH ASSETS**

Cash on hand		200	200
Cash at bank		80,151	166,425
Deposits		<u>4,499</u>	<u>1,111,163</u>
		<u>84,850</u>	<u>1,277,788</u>

The effective interest rate on short-term deposits was 4.5% (2009 3.65%).

**NOTE 5: RECEIVABLES**

CURRENT

Trade receivables		1,453,171	1,284,199
Licence fees outstanding		-	4,656,666
Less provision for impairment of receivables		-	(5,768)
		<u>1,453,171</u>	<u>5,935,097</u>

**Notes to the Financial Statements**  
For the year ended 31 December 2010

	2010 \$	2009 \$
<b>NOTE 6: INVENTORIES</b>		
CURRENT		
At cost	<u>5,909</u>	<u>8,463</u>

**NOTE 7: OTHER ASSETS**

CURRENT		
Accrued Income	69,064	145,621
Prepayments	<u>396,686</u>	<u>93,336</u>
	<u>465,750</u>	<u>238,957</u>

**NOTE 8: FINANCIAL ASSETS**

Available for Sale financial assets.

NON-CURRENT

Unlisted investment at cost

Shares and Units in other related Company & Trust	<u>106</u>	<u>106</u>
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Six ordinary shares of Information Central (Australia) Pty Ltd (Corporate Trustee of Information Central (Australia) Unit Trust) at cost of \$1.00 each.

One hundred units of Information Central (Australia) Unit Trust at a cost of \$1.00 each. There is no fixed return or maturity date attached to this investment.

The fair value of unlisted available for sale financial assets cannot be reliably measured, as variability in the range of reasonable fair value estimates is significant.

**Notes to the Financial Statements**  
For the year ended 31 December 2010

**NOTE 9: PROPERTY, PLANT AND EQUIPMENT**

	2010	2009
	\$	\$
<b>BUILDINGS</b>		
At cost	19,516,302	5,647,504
Less accumulated depreciation	<u>(2,340,114)</u>	<u>(2,166,351)</u>
	<u>17,176,188</u>	<u>3,481,153</u>
<b>PLANT AND EQUIPMENT</b>		
Motor vehicles		
At cost	45,732	40,899
Less accumulated depreciation	<u>(5,731)</u>	<u>(15,484)</u>
	<u>40,001</u>	<u>25,415</u>
Office equipment		
At cost	432,293	177,558
Less accumulated depreciation	<u>(93,213)</u>	<u>(138,569)</u>
	<u>339,080</u>	<u>38,989</u>
Computer equipment & Software		
At cost	654,513	716,006
Less accumulated depreciation	<u>(465,870)</u>	<u>(518,072)</u>
	<u>188,643</u>	<u>197,934</u>
Capital Work in Progress	<u>-</u>	<u>5,783,123</u>
<b>Total property, plant and equipment</b>	<u>17,743,912</u>	<u>9,526,614</u>

**(a) Movements in Carrying Amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Work in Progress	Buildings	Motor vehicles	Office equipment	Computer equipment & Software	Total
	\$	\$	\$	\$	\$	\$
<b>2010</b>						
Balance at the beginning of the year	5,783,123	3,481,153	25,415	38,989	197,934	9,526,614
Additions	8,471,053	10,159	42,893	-	61,723	8,585,828
Transfers	(14,254,176)	13,894,826	-	339,603	19,747	-
Disposals	-	(398)	(21,489)	(5,676)	-	(27,563)
Depreciation expense	<u>-</u>	<u>(209,552)</u>	<u>(6,818)</u>	<u>(33,836)</u>	<u>(90,761)</u>	<u>(340,967)</u>
Carrying amount at end of year	<u>-</u>	<u>17,176,188</u>	<u>40,001</u>	<u>339,080</u>	<u>188,643</u>	<u>17,743,912</u>

**Notes to the Financial Statements**  
For the year ended 31 December 2010

**NOTE 9: PROPERTY, PLANT AND EQUIPMENT CONTINUED**

**(a) Movements in Carrying Amounts**

	Work in Progress	Buildings	Motor vehicles	Office equipment	Computer equipment & Software	Total
	\$	\$	\$	\$	\$	\$
<b>2009</b>						
Balance at the beginning of the year	1,052,809	3,602,029	31,211	49,997	276,951	5,012,997
Additions	4,730,314	9,397	-	-	13,766	4,753,477
Depreciation expense	-	(130,273)	(5,796)	(11,008)	(92,783)	(239,860)
Carrying amount at end of year	<u>5,783,123</u>	<u>3,481,153</u>	<u>25,415</u>	<u>38,989</u>	<u>197,934</u>	<u>9,526,614</u>

**NOTE 10: PAYABLES**

CURRENT

Unsecured liabilities

Trade payables	<b>455,197</b>	349,566
Sundry creditors and accruals	<b>388,860</b>	469,166
	<b>844,057</b>	818,732

**NOTE 11: BORROWINGS**

CURRENT

Finance lease liability - Secured	14	<b>43,717</b>	43,717
NAB Bank Loan - Secured		<b>200,000</b>	-
		<b>243,717</b>	43,717

NON-CURRENT

Finance lease liability - Secured	14	<b>61,933</b>	105,650
NAB Bank Loan - Secured		<b>2,079,368</b>	-
		<b>2,141,301</b>	105,650

CAVAL initially entered into a flexible rate loan agreement to borrow a sum of \$2,500,000 to pay for the CARM 2 building project. The loan agreement is due to expire on the 30 June 2011 and the Company has now re-negotiated the loan agreement with the National Australia Bank for repayment over a 5 year period. The loan has been secured by the Bank with a fixed and floating charge over all assets of CAVAL.

**Notes to the Financial Statements**  
For the year ended 31 December 2010

	2010 \$	2009 \$
<b>NOTE 12: PROVISIONS</b>		
CURRENT		
Employee benefits	<u>192,924</u>	<u>273,803</u>
NON-CURRENT		
Employee benefits	<u>165,744</u>	<u>150,191</u>
<b>NOTE 13: INCOME IN ADVANCE</b>		
CURRENT		
Income in advance	1,365,613	1,189,566
Service fees received in advance	392,735	22,382
CARM 2 licence fees paid in advance	<u>400,000</u>	<u>91,666</u>
	<u>2,158,348</u>	<u>1,303,614</u>
NON CURRENT		
CARM 2 licence fees paid in advance*	<u>9,807,440</u>	<u>10,075,000</u>
	<u>9,807,440</u>	<u>10,075,000</u>

\*CARM 2 licence fees were paid in advance by Melbourne, Monash and RMIT universities for a 30 year period. Monash University undertook to pay its share in 3 instalments and the first two instalments were received by year end 2010. The final instalment of \$1,833,333 is due for payment at the end of March 2011.

**NOTE 14: CAPITAL ,LEASING AND OTHER  
COMMITMENTS**

(a) Finance leasing commitments

Payable

- not later than one year	55,247	55,247
- later than one year and not later than five years	<u>78,265</u>	<u>133,512</u>
Minimum lease payments	133,512	188,759
Less future finance charges	<u>(27,862)</u>	<u>(39,392)</u>
Present value of minimum lease payments	<u>105,650</u>	<u>149,367</u>

Represented by:

Current liability	11	43,717	43,717
Non-current liability	11	<u>61,933</u>	<u>105,650</u>
		<u>105,650</u>	<u>149,367</u>

**Notes to the Financial Statements**  
**For the year ended 31 December 2010**

	2010	2009
	\$	\$

**NOTE 14: CAPITAL ,LEASING AND OTHER COMMITMENTS (CONTINUED)**

(b) Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

Payable

- not later than one year	26,863	23,015
- later than one year and not later than five years	97,776	92,308
- later than five years	-	-
	<b>124,639</b>	<b>115,323</b>

The property lease of CARM centre from La Trobe University is a non-cancellable lease with an initial term of 20 years ending 30 June 2015 with current rent of \$11,848 payable annually in advance. Rent is subject to annual increase in accordance with the increase in annual rental specified in the rental schedule. An option exists to renew the lease at the end of the 20 year term for further 3 terms of 20 years each. The lease allows for the subletting of the lease area.

(c) Capital expenditure commitments contracted for:

CARM 2 Construction

Payable

- not later than one year	-	6,681,494
- later than one year and not later than five years	-	-
	-	6,681,494

(d) Other commitments

CAVAL contracted with MK Sorting systems in Germany to purchase Library Dispenser Equipment for on sale to the University of Queensland. 40% of the cost of the equipment was paid for in November 2010 and the balance 60% is due in 2011.

Payable

- not later than one year	384,850	-
- later than one year and not later than five years	-	-
	<b>384,850</b>	-

**Notes to the Financial Statements**  
**For the year ended 31 December 2010**

**NOTE 15: RELATED PARTY TRANSACTIONS**

(a) CAVAL Limited's services are the provision of library consulting and related services to the members of CAVAL Limited.

(b) The names of persons who were directors of the company at any time during the financial year were as follows: - C Anderson, A Bridgland, M Broadbent, J Burke, J Cameron, D Holland, P Kent & P Reekie.

(c) Information Central (Australia) Pty Ltd is the corporate trustee for Information Central Australia Unit Trust, which has been established to provide library and information systems, services and products. CAVAL owns 100% financial interest in both entities. There were no transactions during the year.

(d) There were no other transactions with related parties during the year.

	2010	2009
<b>NOTE 16: CASH FLOW INFORMATION</b>		
(a) Reconciliation of cash	\$	\$
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash on hand	200	200
Cash at bank	80,151	166,425
At call deposits with financial institutions	<u>4,499</u>	<u>1,111,163</u>
	<u>84,850</u>	<u>1,277,788</u>
(b) Reconciliation of cash flow from operations with profit/(loss)		
Profit/(Loss)	(16,151)	(175,444)
Non-cash flows in Profit/(loss)		
Depreciation	340,967	239,860
Net Loss on disposal of Property, Plant & Equipment	6,207	
Changes in assets and liabilities		
(Increase)/decrease in receivables	273,593	(5,036,484)
(Increase)/decrease in other assets	(226,793)	(180,828)
(Increase)/decrease in inventories	2,554	(544)
Increase/(decrease) in income received in advance	587,174	4,492,566
Increase/(decrease) in payables	25,325	124,325
Increase/(decrease) in employee benefits	<u>(65,326)</u>	<u>108,894</u>
Cash flows from operations	<u>927,550</u>	<u>(427,655)</u>

## Notes to the Financial Statements For the year ended 31 December 2010

	2010	2009
	\$	\$
<b>NOTE 17: KEY MANAGEMENT COMPENSATIONS</b>		
Short term benefits	269,500	355,316
Post employment and other benefits	<u>31,922</u>	<u>39,436</u>
Total	<u>301,422</u>	<u>394,752</u>

### NOTE 18: FINANCIAL RISK MANAGEMENT

#### Financial Risk Management Policies

The Company's financial instruments consist of deposits with banks, accounts receivable and payable, leases, Bank Loan and Foreign exchange forward contracts.

#### Financial Risk Management Policies

A finance committee consisting of senior executives of the Company and some members of the Board meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. The committee's overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance. The finance committee operates under policies approved by the board of directors. Risk management policies are approved and reviewed by the Board on a regular basis. These include credit risk policies, foreign currency exposure policies and future cash flow requirements.

#### Specific Financial Risk Exposures and Management

The main risks the company is exposed to through its financial instruments are interest rate risk, credit risk, foreign currency exposure and liquidity risk.

##### a. Interest Rate Risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

As 31 December 2010 approximately \$105,650 company debt is fixed rate. \$2,500,000 of the company debt is variable rate. The Company entered into a variable rate debt to finance the construction of its new CARM building. The variable rate debt is being re-negotiated with the bank to be repaid over the next 5 years. The risk in relation to this loan is mitigated by the sale of space in the new CARM building over the next few years. In the short term the Company monitors its Cash Flow requirements on a regular basis.

## Notes to the Financial Statements

### For the year ended 31 December 2010

#### NOTE 18: FINANCIAL RISK MANAGEMENT CONTINUED

##### **b. Credit Risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed on a group basis and reviewed regularly by the finance committee. It arises from exposures to customers as well as through certain deposits with financial institutions.

The finance committee monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- Only banks and financial institutions with an 'A' rating are utilised;
- All potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- Potential customers that do not meet the company's strict credit policies are not dealt with.

##### *Credit Risk Exposures*

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the balance sheet.

The Company does not have any material credit risk exposure to any single receivable or group of counterparties. Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. The trade receivables balances at year end do not include any counter parties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

##### **c. Liquidity risk**

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company manages risk by monitoring forecast cash flows and ensuring that adequate cash is available to pay its debts when due.

##### **d. Foreign Currency risk**

During the year, CAVAL contracted with MK Sorting systems in Germany to sell library equipment on contract to the University of Queensland. CAVAL entered into foreign currency hedging activities to protect it from the risk that the eventual functional currency net cash flows resulting from trade or financing transactions are adversely affected by changes in exchange rates. It is CAVAL's policy to fully hedge its transactional foreign exchange rate exposures.

## Notes to the Financial Statements

For the year ended 31 December 2010

### NOTE 18: FINANCIAL RISK MANAGEMENT CONTINUED

The tables below reflect an undiscounted contractual maturity analysis for financial instruments.

#### Financial Instrument Composition and Maturity Analysis

	Weighted Average Effective Interest Rate		Fixed Interest Rate Maturing					
			Floating Interest Rate		Within 1 Year		1 to 5 Years	
	2010	2009	2010	2009	2010	2009	2010	2009
Financial Assets:	%	%	\$	\$	\$	\$	\$	\$
Cash	4.5	3.65	80,151	166,425	4,499	1,111,163	-	-
Receivable			-	-	-	-	-	-
<b>Total Financial Assets</b>			<b>80,151</b>	<b>166,425</b>	<b>4,499</b>	<b>1,111,163</b>	<b>-</b>	<b>-</b>
<b>Financial Liabilities:</b>								
Trade & other payables			-	-	-	-	-	-
Lease liabilities	9.98	9.98	-	-	43,717	43,717	61,933	105,650
Bank Loan	7.89	-	-	-	200,000	-	2,079,368	-
<b>Total Financial Liabilities</b>			<b>-</b>	<b>-</b>	<b>243,717</b>	<b>43,717</b>	<b>2,141,301</b>	<b>105,650</b>

	Floating Interest Rate Maturing Over 5 Years		Non-Interest Bearing		Total	
	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$
<b>Financial Assets:</b>						
Cash	-	-	200	200	84,850	1,277,788
Receivables	-	-	1,453,171	5,940,865	1,453,171	5,940,865
<b>Total Financial Assets</b>	<b>-</b>	<b>-</b>	<b>1,453,371</b>	<b>5,941,065</b>	<b>1,538,021</b>	<b>7,218,653</b>
<b>Financial Liabilities:</b>						
Trade and other payables	-	-	844,057	818,732	844,057	818,732
Lease liabilities	-	-	-	-	105,650	149,367
Bank Loan	-	-	-	-	2,279,368	-
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>844,057</b>	<b>818,732</b>	<b>3,229,075</b>	<b>968,099</b>

## **Notes to the Financial Statements**

**For the year ended 31 December 2010**

### **NOTE 18: FINANCIAL RISK MANAGEMENT CONTINUED**

#### **Net Fair Values**

For assets and liabilities the net fair value approximates their carrying values. No financial assets or financial liabilities are readily traded on organised markets in standardised form.

The aggregate net fair values and carrying amount of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

#### **Sensitivity Analysis**

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date which demonstrates that there is an immaterial impact on the current year results and equity which could result from a change in this risk.

### **NOTE 19: COMPANY DETAILS**

The registered office of the company is:

CAVAL Limited

4 Park Drive

BUNDOORA

VIC 3083

## Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 10 to 27 are in accordance with the Corporations Act 2001:
  - (a) comply with Accounting Standards; and
  - (b) give a true and fair view of the financial position as at 31 December 2010 and of the performance for the financial year ended on that date of the company.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Director

Craig Anderson



Director

John Cameron

Dated this 24th day of March 2011

## Independent Audit Report to the members of CAVAL LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of CAVAL LIMITED (the company), which comprises the statement of financial position as at 31 December 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the 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 and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

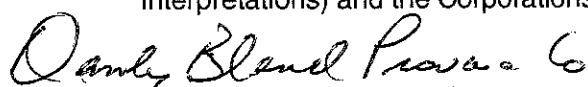
#### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

#### *Auditor's Opinion*

In our opinion, the financial report of CAVAL LIMITED is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's financial position as at 31 December 2010 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

  
DANBY BLAND PROVAN & CO  
Chartered Accountants

123 Camberwell Road  
Hawthorn East Vic 3123

R A LANE

Partner

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24<sup>th</sup> March 2011

Chartered Accountants + Business Advisors  
Sydney + Melbourne + Brisbane  
Perth + Adelaide + Hobart + Auckland