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Chairman’s report

For year ending 30 June 2010

2010 marks the tenth anniversary of the opening of our **Community Bank®** branch at South Grafton. It has been another successful and profitable year for the branch. During the course of the year our revenue from ordinary activities was $781,521 (2009: $662,152) being an increase of 18%. Our net profit after tax was $159,900 (2009: $72,299) being an increase of 121%. Earnings per share increased from 17.27¢ to 38.19¢.

Shareholders’ equity rose to $487,232 (2009: $356,640) being an increase of 36.8%. The Board declared a fully franked annual dividend of 8% (2009: 7%). The Company has cash reserves or equivalent of $446,226.00 placing the company in a strong financial position. We need, however, to remain cautious about the year ahead in light of persistent warnings of further financial turmoil.

Shareholders, staff and other supporters of the **Community Bank®** branch are entitled to a sense of satisfaction when reflecting upon the achievements of our branch over the last 10 years. Together we have built an impressive business which has achieved a primary goal of returning banking services to the business district of South Grafton and delivered to our community over $260,000 in community grants and dividends.

We have continued with the branch’s grant program with total 2010 annual grants of $32,000.00. The not-for-profit organisations which benefited from the 2010 program were Clarence Village Ltd, Grafton Girl Guides Support Group, Grafton Breast Cancer Support Group, Eatonsville Public Hall Trust, North Coast Flute Society Inc, Discovery Ministry, Combined Churches Magpie Group and the Iluka Public School P&C Association.

In addition to our Annual Grants Program, the branch sponsors a number of local organisations and events. Included in our sponsorship program are the Clarence Valley Conservatorium of Music and the South Grafton High School Breakfast Program.

Last year, I reported an initiative undertaken with Clarence Valley Council whereby we agreed to set aside monies earned from Council’s business conducted through our branch with the Council matching the accumulated fund to undertake worthwhile community projects. We are currently exploring with Clarence Valley Council a suitable project and hope to see material benefit from that program in the current financial year.

Considerable effort was expended during the last financial year investigating the establishment of a **Community Bank**® branch at Yamba. The work was carried out in conjunction with a steering committee formed in Yamba and comprising community leaders. We were assisted in that work by representatives from Bendigo and Adelaide Bank and in April 2010 a feasibility study was undertaken to gauge the degree of community support in Yamba for a **Community Bank®** branch. Sadly, the results of the feasibility study did not support a sound business model for the establishment of a branch of the **Community Bank**® branch and as a consequence the plans to proceed with same were reluctantly abandoned. The Board was not prepared to commit to a venture which would put shareholders' funds at risk.

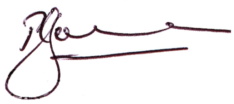
We continue to explore opportunities to develop and expand the business but will only pursue opportunities which are demonstrated to be sustainable.

Our franchise agreement comes up for renewal in November 2010. Bendigo and Adelaide Bank has confirmed that the agreement will be renewed and we are currently negotiating with the landlord for a renewal of the lease of the premises at 62 Skinner Street, South Grafton for a term commensurate with the further franchise term.

I acknowledge the critical contribution of Des and his staff Judy, Leanne, Dympna, Vicki, Lou, Melissa and Lee to the continued success of our company. Without their friendly and efficient service, the company could not hope to have achieved the success which has been enjoyed over the past 10 years and I thank them on behalf of the shareholders and the Board.

I also acknowledge the good work done by fellow Board members and in particular our secretary, Laurie Marchant. All services provided by the Board members are on a voluntary basis.

I also wish to thank the continued support received from shareholders and customers. With your support we will see the company grow in strength thereby increasing the opportunity for community benefit.



Peter Robert James
Chairman

Manager's report

For year ending 30 June 2010

As we draw toward the celebration of our 10th full year of business, it is important to reflect on yet another successful year for South Grafton **Community Bank**® branch.

With our sixth year of profit, deposits and loans totalled $86M at the 30th June 2010. While we had the continued support from our existing clients and the community, ongoing fallout of the 'global financial crisis' tempered the growth levels we experienced in previous years. We did benefit from a good amount of new business but the overall net result fell below normal expectations. Our business and market share however, remains solid and we have many exciting new opportunities that will support business and profit growth into the future.

As at June 30th 2010, account numbers had increased to 4,126 (4,039 June 2009). Staff completed 39,434 cross counter transactions. An average of in excess of 128 per trading day inclusive of Saturdays and half day public holidays.

The Automatic Teller Machine provided a reliable level of service to both Bendigo Bank and other bank customers with almost 63,000 transactions, and an average of 172 transactions per day.

We had significant staff movement mid year, welcoming Melissa Holme to our team and sadly saying goodbye to two long term employees, Leanne Bujalski and Dympna Warren. I commend Judy, Vicki, Lu, Lee and Melissa for their caring and friendly approach, and the high standard of service they continue to provide. I am also extremely pleased with the way they worked together and adapted to a number of changes throughout this period. The continued dedication and support of the directors, and the ongoing loyalty and support of shareholders and customers, is highly valued and a key to the ongoing success of this business.

The highlights of the past year include our fourth grants program which has now delivered over $100,000 to worthwhile community projects and programs; and our continued involvement with numerous sponsorships including the Jacaranda Festival, Clarence Valley Conservatorium, South Grafton High School Breakfast program, Relay for Life, and Grafton Sports Centre.

We have also continued to engage with the community through various organisations and events including our commitment to Clarence Ahead Inc and its ongoing success.

In our 10th year of business, we have clearly demonstrated that 'our way of banking' benefits the whole community. Along with all our staff, I look forward to celebrating our 10th anniversary and to the challenges that lay ahead for our next chapter in history.

Des Plunkett

Manager

Treasurer's report

For year ending 30 June 2010

In this, our tenth year of trading, it is pleasing to report the increased turnover and increased trading profit as detailed below. Ten years of trading has included some very difficult years – of losses, of escalating debt and no dividends to our shareholders. It is gratifying to say, however, that the current financial position of the company is very strong. It has been, one of my aims as Treasurer, to achieve a situation whereby shareholders' funds are at least equal to their original investments. As at the time of writing, this has been achieved:

	Gross Revenues $	Trading Profits/(Losses)*$
30 June 2001 (7 months)	19,123	(241,167)
Year ended 30 June 2002	156,670	(166,199)
Year ended 30 June 2003	267,092	(95,747)
Year ended 30 June 2004	378,748	(17,193)
Year ended 30 June 2005	455,469	58,480
Year ended 30 June 2006	487,383	90,361
Year ended 30 June 2007	573,721	147,959
Year ended 30 June 2008	687,754	214,189
Year ended 30 June 2009	662, 152	119,859
Year ended 30 June 2010	781,522	219,066

* After depreciation and amortisation expenses of some $15,000 annually and before income tax.

Features of this years financial statements include:

- An increase in gross revenue of $119,370
- An increase in trading profit (before tax) of $99,207
- An increase of $25,000 to the Dividend Equalisation Reserve – now $100,000
- Income tax expense of $61,650 (last year $47,560)

- The second 5 year Franchise Fee of $50,000 coming to an end with a new one prior to 31 December 2010.
- A liability for Employee Benefits at 30 June 2010 of $49,181.
- A proposed fully franked dividend of 8% (up from 7%).
- A diversification of our asset base to include a portfolio of listed shares (refer Note 6.)

On page 1 of the Daily Examiner (19 December 2001) it was reported that on its first anniversary the Company (bank branch) had $12million in loans and deposits, it had signed up its 1,000th customer, and it was one of the 55 community banks in partnership with Bendigo Bank. As the table above shows much has happened since! So we can look forward to the future with confidence. With a strong capital base, with continuing strict controls on costs, with an emphasis of increasing market share in the Clarence Valley there are good reasons (given reasonable economic conditions) to conclude the Company will continue to grow. The Board is committed to building the Company into a significant investment entity for shareholders and a significant contributor to community groups in the Valley.

Derek W Alden
Treasurer
30 September 2010

Director's report

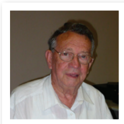
For year ending 30 June 2010

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

Directors

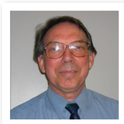
The names and details of the company's directors who held office during or since the end of the financial year are:

Peter Robert James
Chairman
Solicitor



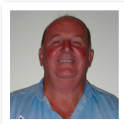
Laurence William Marchant
Director
Contracting

Stephen Lance Ward
Director
Business Proprietor



Derek William Alden
Director
Chartered Accountant

Mervyn Smidt
Director
Retired



Anthony Wade
Director
Self Employed

Ian McGaw
Director
Retired

Brian Heath
Director
School Principal/Inspector

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

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

Principal activities

The principal activities of the company during the course of the financial year were in providing community banking 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.

Operating Results

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was $159,900 (2009: $72,299).

	Year ended 30 June 2010	
Dividends	**Cents Per Share**	**$**
Dividends paid in the year:		
- Final dividend for the year ended 30 June 2009	7	29,310
Final dividends recommended:		
- Final dividend for the year ended 30 June 2010	8	33,497

Significant changes in the state of affairs

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

Significant events after the balance date

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

Likely Developments

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

Directors' Benefits

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.

AC Small Maxwell & Co Chartered Accountants of which Derek Alden is the Principal, received a fee of $8,700 (2009: $8,700) for providing accounting and share registry services to Clarence Valley Community Financial Services Ltd throughout the year.

This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and Insurance of Directors and Officers

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

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

Directors Meetings

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

Director:	**Board Meetings #**
Peter Robert James	11 (11)
Stephen Lance Ward	11 (11)
Laurence William Marchant	11 (11)
Derek William Alden	10 (11)
Mervyn Smidt	11 (11)
Ian McGaw	7 (11)
Anthony Wade	9 (11)
Brian Heath	5 (11)

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

Company Secretary

Laurence Marchant has been the Company Secretary of Clarence Valley Community Financial Services Ltd since 2000. Mr Marchant is qualified as a Chartered Engineer, he holds a Bachelor of Economics, Graduate Diploma in Econometrics and Master of Economics. He is also a member of the Institution of Mechanical Engineers.

Corporate Governance

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

(a) The establishment of an audit committee. Members of the audit committee are Derek W Alden, Laurence W Marchant and Stephen L Ward;

(b) The establishment of an investment advisory committee. Members of the committee are Derek W Alden, Mervyn Smidt and Stephen Ward;

(c) Director approval of operating budgets and monitoring of progress against these budgets;

(d) Ongoing Director training; and

(e) Monthly Director meetings to discuss performance and strategic plans.

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

172-176 McIvor Rd
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

In relation to our audit of the financial report of Clarence Valley Community Financial Services Ltd for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty
28 September 2010

Signed in accordance with a resolution of the Board of Directors at Grafton, New South Wales on 29 September 2010.

Peter Robert James
Chairman

Financial statements

Comprehensive Income statement

For year ending 30 June 2010

	Note	2010 $	2009 $
Revenues from ordinary activities	2	781,521	662,152
Employee benefits expense	3	(337,850)	(325,702)
Charitable donations & sponsorship		(47,369)	(44,593)
Depreciation and amortisation expense	3	(16,877)	(15,935)
Administration & other expenses from ordinary activities		(154,152)	(156,063)
Profit before income tax expense		**225,273**	**119,859**
Income tax expense	4	65,373	47,560
Profit after income tax expense		**159,900**	**72,299**
Other comprehensive income	15	(25,000)	(25,000)
Total comprehensive income		**134,900**	**47,299**

Earnings per share (cents per share)			
- basic for profit for the year	23	38.19	17.27
- diluted for profit for the year	23	38.19	17.27

The accompanying notes form part of these financial statements

Statement of Financial Position

As at 30 June 2010

	Note	2010 $	2009 $
Current assets			
Cash assets	6	446,226	343,312
Receivables	7	71,429	63,524
Investments	8	34,970	-
Total current assets		**552,625**	**406,836**
Non-current assets			
Property, plant and equipment	9	18,297	12,812
Intangible assets	10	7,969	21,829
Total non-current assets		**26,266**	**34,641**
Total assets		**578,891**	**441,477**
Current Liabilities			
Payables	11	20,310	26,394
Current tax payable	4	28,376	12,365
Provisions	12	42,975	46,078
Total current liabilities		**91,161**	**84,837**
Total liabilities		**91,161**	**84,837**
Net assets		**487,230**	**356,640**
Equity			
Share capital	13	418,708	418,708
Accumulated losses	14	(31,478)	(137,068)
Dividend equalisation reserve	15	100,000	75,000
Total equity		**487,230**	**356,640**

The accompanying notes form part of these financial statements

Statement of cash flows

For year ending 30 June 2009

	Notes	2010 $	2009 $
Cash Flows From Operating Activities			
Cash receipts in the course of operations		839,711	700,718
Cash payments in the course of operations		(625,600)	(558,296)
Interest received		10,947	25,850
Income tax paid		(49,362)	(52,119)
Net cash flows from/(used in) operating activities	**16b**	**175, 696**	**116,153**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(8,502)	(8,385)
Payments for investments		(34,970)	-
Net cash flows from/(used in) investing activities		**(43,472)**	**(8,385)**
Cash Flows From Financing Activities			
Payment of dividend		(29,310)	(33,497)
Net cash flows from financing activities		**(29,310)**	**(33,497)**
Net increase in cash held		**102,914**	**74,271**
Cash and cash equivalents at start of year		343,312	269,041
Closing cash carried forward	**16a**	**446,226**	**343,312**

The accompanying notes form part of these financial statements

Statement of changes in equity

For year ending 30 June 2010

	Note	2010 $	2009 $
Share Capital			
Balance at start of year		418,708	418,708
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		**418,708**	**418,708**
Accumulated losses			
Balance at start of year		(137,068)	(150,870)
Profit after income tax expense		159,900	72,299
Dividends paid or proposed	22	(29,310)	(33,497)
Transfer to reserves		(25,000)	(25,000)
Balance at end of year		**(31,478)**	**(137,068)**
Dividend equalisation reserve			
Balance at start of year		75,000	50,000
Transfer from current year profits	15	25,000	25,000
Balance at end of year		**100,000**	**75,000**

The accompanying notes form part of these financial statements

Notes to financial statements

For year ending 30 June 2010

Note 1. Basis of preparation of the financial report

(a) Basis of accounting

Clarence Valley Community Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing community banking services.

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

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

The financial statements were authorised for issue by the Directors on 28 September 2010.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2009 financial statements.

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

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.

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***
Leasehold Improvements	20%
Furniture & Fittings	7.5 - 30%

Impairment

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

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

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.

Revaluations

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.

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Goods and services tax

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

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

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

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

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

Employee Benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the reporting date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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

Intangibles

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

Cash

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

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

Comparative Figures

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

Revenue

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

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

Receivables and Payables

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

Loans and Borrowings

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

Provisions

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

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

Share Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Investments

Investments are recorded at cost.

Note 2. Revenue from ordinary activities

	2010 $	2009 $
Operating activities		
- services commissions	770,420	636,302
- other revenue	-	-
Total revenue from operating activities	**770,420**	**636,302**
Non-operating activities:		
- interest received	10,947	25,850
- other revenue	154	-
Total revenue from non-operating activities	**11,101**	**25,850**
Total revenue from ordinary activities	**781,521**	**662,152**

Note 3. Expenses

	2010 $	2009 $
Employee benefits expense		
- wages and salaries	256,122	257,637
- superannuation costs	58,388	51,151
- workers' compensation costs	977	886
- other costs	22,363	16,028
	337,850	**325,702**
Depreciation of non-current assets:		
- plant and equipment	3,017	2,075
Amortisation of non-current assets:		
- intangibles	13,860	13,860
	16,877	**15,935**

	2010 $	2009 $

Note 3. Expenses (continued)

Operating lease expense	14,350	14,109
Bad debts	456	155

Note 4. Income Tax Expense

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

Prima facie tax on profit before income tax at 30%	67,582	35,958
Add / (less) tax effect of:		
- Non-deductible / (other deductible) expenses	(2,209)	12,405
- Prior year under (over) provision	-	(803)
Current income tax expense	**65,373**	**47,560**
Income tax expense	**65,373**	**47,560**
Tax liabilities		
- Current tax payable	28,376	12,365

Note 5. Auditors' Remuneration

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

- Audit or review of the financial report of the company	**3,900**	**3,650**

Notes to financial statements (continued)

	2010	2009
	$	$

Note 6. Cash and Cash Equivalents

Cash at bank and on hand	110,038	66,485
Short term deposit	336,188	276,827
	446,226	**343,312**

Note 7. Receivables

Commission receivable	**71,429**	**63,524**

Note 8. Investments

Investments in listed shares	**34,970**	**-**

Note 9. Property, Plant and Equipment

Furniture & Fittings		
At cost	30,013	21,511
Less accumulated depreciation	(11,716)	(8,699)
Total written down amount	**18,297**	**12,812**

Note 9. Property, Plant and Equipment (continued)

Movements in carrying amounts

	2010 $	2009 $
Furnitire & Fittings		
Carrying amount at beginning of year	12,812	6,502
Additions	8,502	8,385
Disposals	-	-
Depreciation expense	(3,017)	(2,075)
Carrying amount at end of year	**18,297**	**12,812**

Note 10. Intangible Assets

	2010 $	2009 $
Franchise Fee		
At cost	50,000	50,000
Less accumulated amortisation	(43,420)	(33,400)
	6,580	**16,600**
Preliminary Expenses		
At cost	38,115	38,115
Less accumulated amortisation	(36,726)	(32,886)
	1,389	**5,229**
	7,969	**21,829**

Note 11. Payables

	2010 $	2009 $
Sundry creditors	10,620	20,103
Other creditors and accruals	9,960	6,291
	20,310	**26,394**

	2010 $	2009 $

Note 12. Provisions

	2010 $	2009 $
Employee benefits	**42,975**	**46,078**

Note 13. Share Capital

	2010 $	2009 $
418,708 Ordinary Shares fully paid of $1 each	**418,708**	**418,708**

Note 14. Accumulated Losses

	2010 $	2009 $
Balance at the beginning of the financial year	(137,068)	(150,870)
Profit after income tax	159,900	72,299
Dividends proposed or paid	(29,310)	(33,497)
Transfer to reserves	(25,000)	(25,000)
Balance at the end of the financial year	**(31,478)**	**(137,068)**

Note 15. Dividend equalisation reserve

The Directors have previously indicated to members the Board's intention to explore opportunities in the Lower Clarence Valley with a view to opening a branch of the Community Bank.

The costs of establishing a branch would, in the early years, significantly affect the profits of the Company. In order to maintain an appropriate rate of dividend payments the Company has established a Dividend Equalisation Reserve, with $25,000 set aside out of this years profits.

The ability to utilise the reserve is dependent upon there being sufficient future profits to declare dividends.

Note 15. Dividend equalisation reserve (continued)

	2010 $	2009 $
Balance at start of year	**75,000**	**50,000**
Transfer from current year profits	25,000	25,000
Balance at end of year	**100,000**	**75,000**

Note 16. Statement of Cash Flows

	2010 $	2009 $
(a) Cash and cash equivalents		
Cash assets	110,038	66,485
Short term deposit	336,188	276,827
	446,226	**343,312**
(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities		
Profit after income tax	159,900	72,299
Non cash items		
- Depreciation	3,017	2,075
- Amortisation	13,860	13,860
Changes in assets and liabilities		
- (Increase) decrease in receivables	(7,905)	1,085
- Increase (decrease) in payables	(6,084)	62
- Increase (decrease) in provisions	(3,103)	31,331
- Increase (decrease) in income tax payable	16,011	(4,559)
Net cashflows from/ (used in) operating activities	**175,696**	**116,153**

Note 16. Director and Related Party Disclosures

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

Derek William Alden
Stephen Lance Ward
Peter Robert James
Laurence William Marchant
Mervyn Smidt
Ian McGaw
Anthony Wade
Brian Heath

Apart from the following, no related party transaction occurred during the year.

AC Small Maxwell & Co Chartered Accountants of which Derek W Alden is Principal received a fee of $8,700 (2009: $8,700) for providing accounting and share registry services to Clarence Valley Community Financial Services Ltd throughout the year.

No director's fees have been paid as the positions are held on a voluntary basis.

Directors shareholdings	**2010**	**2009**
Derek William Alden	1	1
Stephen Lance Ward	5,501	5,501
Peter Robert James	501	501
Laurence William Marchant	4,001	4,001
Mervyn Smidt	11,000	6,000
Ian McGaw	5,000	5,000
Anthony Wade	1,501	1,501
Brian Heath	-	-

A C Small Maxwell & Co of which Derek W Alden is Principal owns 1,000 shares. Each share held is valued at $1 and is fully paid. Other than the purchase of 5,000 shares by Mervyn Smidt there was no movement in director shareholdings during the year.

Note 18. Subsequent events

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

Note 19. Contingent Liabilities

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

Note 20. Segment Reporting

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

Note 21. Corporate Information

Clarence Valley Community Financial Services Ltd is a company limited by shares incorporated in Australia.

The registered office of the company is:

50 Victoria St.
Grafton NSW 2460

The principal place of business is:

62 Skinner St.
South Grafton NSW 2460

Note 22. Dividends paid or provided for on ordinary shares

	2010 $	2009 $
(a) Dividends paid during the year		
Franked dividends - 7 cents per share (2009: Unfranked 8 cents per share)	**29,310**	**33,497**
(b) Dividends proposed and not recognised as a liability		
Franked dividends - 8 cents per share (2009: 7 cents per share)	**33,497**	**29,310**
(c) Franking credit balanace		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	101,058	60,316
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	28,376	12,365
	129,434	**72,681**

Note 22. Dividends paid or provided for on ordinary shares (continued)

The tax rate at which dividends have been franked is 30% (2009: 0%).

Dividends proposed will be franked at a rate of 30% (2009: 30%).

Note 23. 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:

	2010 $	2009 $
Profit after income tax expense	**159,900**	**72,299**
Weighted average number of ordinary shares for basic and diluted earnings per share	**418,708**	**418,708**

Note 24. Financial risk management

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

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

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

Note 24. Financial risk management (continued)

(a) Credit Risk

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

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

	Carrying Amount	
	2010	**2009**
	$	**$**
Cash Assets	**446,226**	**343,312**
Receivables	71,429	63,524
Investments	34,970	-
	552,625	**406,836**

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

None of the assets of the Company are past due (2009: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

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

(b) Liquidity risk

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

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

Note 24. Financial risk management (continued)

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

	Carrying amount	Contractual cash flows	1 year or less	over 1 to 5 years	more than 5 years
30 June 2010	**$**	**$**	**$**	**$**	**$**
Payables	20,310	(20,310)	(20,310)	-	-
	20,310	(20,310)	(20,310)	-	-
30 June 2009					
Payables	26,394	(26,394)	(26,394)	-	-
	26,394	(26,394)	(26,394)	-	-

(c) Market risk

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

Interest Rate Risk

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

Sensitivity analysis

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

Note 24. Financial risk management (continued)

	Carrying Amount	
	2010	2009
	$	$
Fixed rate instruments		
Financial assets	336,188	276,827
Financial liabilities	-	-
	336,188	**276,827**
Variable rate instruments		
Financial assets	110,038	66,385
Financial liabilities	-	-
	110,038	**66,385**

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2009 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

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

Note 24. Financial risk management (continued)

(e) Capital management

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

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

(i) the Distribution Limit is the greater of:

   (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and

   (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2010 can be seen in the Statement of Comprehensive Income.

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

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Director's declaration

In accordance with a resolution of the directors of Clarence Valley Community Financial Services Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Peter Robert James
Chairman

Signed at Grafton, New South Wales on 28 September 2010

Richmond Sinnott & Delahunty

Chartered Accountants

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

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF CLARENCE VALLEY
COMMUNITY FINANCIAL SERVICES LIMITED

Scope

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

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

Audit approach

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

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

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

Woodbury Court, 172 McIvor Road Bendigo 3550. PO Box 30 Bendigo 3552. Ph: 03 5443 1177. Fax: 03 5444 4344 Email: rsd@rsadvisors.com.au
ABN 60 616 244 309

Independent audit report (continued)

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

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

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

Independence

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

Audit opinion

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

(a) the Corporations Act 2001 including:

(i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

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

(b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. SINNOTT
Partner
Bendigo

Date: 28 September 2010