Contents

Chairman's report

For year ending 30 June 2011

2011 has been another successful and profitable year for our **Community Bank**® branch. During the course of the year revenue from ordinary activities was $816,940 (2010:$718,521) up 4.5%. Our net profit after tax was a record $171,564 (2010: $159,900) up 7.3%. Earnings per share increased from 38.19 cents to 40.97 cents and shareholders' equity rose to $625,297 (2010: $487,232) up 28.3%.

The Board declared a fully franked annual dividend of 8% (2010: 8%). The Company has cash reserves or equivalent of $559,968 placing the Company in a strong financial position. Past figures need to be viewed as such and the year ahead will present its own challenges.

During 2011, Bendigo and Adelaide Bank embarked upon a program "Restoring the Balance". The original partnership arrangement between Bendigo and Adelaide Bank and the **Community Bank**® branches involved a 50/50 sharing of revenue. On some products including term deposits and fixed interest home loans the Bank paid the **Community Bank**® branches a commission rather than a share of revenue because of the difficulty in calculating the revenue on these products. With the passage of time and changes in product margin following the global financial troubles commencing in 2008, the commission paid by the Bank to the **Community Bank**® branches resulted in the branches receiving more than 50% of the margin on those products. From 1 April 2011, Bendigo and Adelaide Bank has changed the rate of commission paid which has impacted the **Community Bank**® branches income. In our case, the reduction in revenue is approximately $5,000 per month.

The arrangement is to be reviewed again in 2013 and depending on product margins prevailing at that time a further reduction in the rate of commission may occur.

Our franchise agreement with Bendigo and Adelaide Bank was renewed in November 2010 for a period of five years with two options to renew of five years each. The agreement plus options has a 15 year horizon with 14 years to run. We have renewed our lease of the premises at 62 Skinner Street consistent with the franchise term. Visitors to the branch will notice the refurbishment of the branch. This was in great part driven by the need to improve security. The previous configuration did not meet current security standards. That has now been addressed with the anti-jump screens and other modifications all of which are signs of the times.

We continue to explore opportunities to develop and expand the business and are presently well advanced with negotiations to establish an agency at Yamba. More will appear on that topic in the near future.

Chairman's report (continued)

We continued with our grants program with grants totaling $30,000 distributed in 2011. The not-for-profit organisations which benefited from the 2011 program were Grafton Artfest; Yamba Preschool; Eatonsville Public Hall; Maclean Historical Society; Lawrence Public Hall; Big River Festival of Arts; Coutts Crossing Hall; Red Rock Corindi SLS Club; Life Education Support Group; Clarence Valley Freemasons and Iluka Community Pre-School.

In addition to our Annual Grants Program, our **Community Bank**® branch sponsored a number of local organisations and events. Included in our sponsorship program were the Clarence Valley Conservatorium, the South Grafton High School Breakfast Program, Jacaranda Festival and Grafton Art Club.

Previously 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 expenditure to undertake worthwhile community projects. We recently undertook resurfacing of the Waterview Tennis Courts in conjunction with the Council as part of this program.

I applaud the critical contribution of Des and his staff Lee, Judy, Lu, Vicki, Melissa and most recently Jenny to the continued success of our Company. Recently Lee Devine resigned and we have employed her sister Jenny Dutton in her stead. I welcome Jenny to the team. Without the friendly and efficient service of our staff the Company could not hope for the success reflected in our achievements to date. I thank Des and the staff 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 finally wish to thank the continued support received from shareholders and customers. It is the people and businesses who bank with us who provide the above opportunities for community advancement.

Peter Robert James
Chairman

Manager's report

For year ending 30 June 2011

As our 11th full year of business draws to an end, we reflect on the past year and the continued strength and success of South Grafton **Community Bank**® Branch.

Completing our seventh year of profit, we saw a small increase in our overall business levels with total deposits and loans falling just short of $88million. Deposit growth was negative and lending growth near to projections. A satisfying result considering market conditions and pressures that impacted particularly on deposits. The 'net' effect however was a better business mix producing better returns to give us our best profit result to date. We continued to enjoy a steady level of new business, our market share remains sound, and we continue to welcome and explore new business opportunities.

As at June 30 2011, account numbers remained steady at 4051. Staff completed 38,441 cross counter transactions, which is an average of 740 per week.

The Automatic Teller Machine (ATM) provided a reliable level of service to both customers and non-customers with almost 63,000 transactions, which is an average of 172 transactions per day.

Following some movement in recent years, we had no staff changes during this period, and Lee, Judy, Vicki, Lu and Melissa continued to provide a high standard of service and a happy, caring and friendly environment, the key hallmarks of Bendigo and Adelaide Bank's success. 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 the celebration of our 10th birthday; our fifth grants program which has now delivered more than $130,000 to worthwhile community projects and programs; and our continued involvement in numerous sponsorships including the Jacaranda Festival, the Clarence Valley Conservatorium, the South Grafton High School Breakfast program and Grafton Sports Centre. New sponsorship agreements established during last year are the Bendigo Open Art Prize, and a 12 month sponsorship with radio FM103.1. Otherwise the success of the business has enabled continued support of many community groups and organisations.

More than 2600 customers who do business with us have made this return of capital to the community possible.

We have clearly demonstrated that 'our way of banking' benefits the whole community.

Des Plunkett
Manager

Treasurer's report

For year ending 30 June 2011

It is gratifying to report increased revenue of $35,419 (to $816,940) and an increased profit before tax of $32,690 (to $257,963). This is, in fact, our highest ever profit before tax and the bank's ever-increasing customer base can take full credit.

In these very difficult and challenging financial times the result achieved is excellent and it is solidly based on customer support. The message has been delivered many times but it can be given again – acting together, communities can achieve wonderful outcomes – and the **Community Bank**R model can facilitate such outcomes.

Highlights of 2010/11 include : -

- Record revenue $816,940
- Controlled employee costs of $341,821 (2010 $337,850)
- Charitable donations and sponsorships $40,857
- Net after tax profit of $171,564
- Proposed 8% fully franked dividend ($33,497)
- Interest income of $23,602 (2010 $10,947)
- An increase of cash on hand and deposits to $559,968.
- Redevelopment of branch layout at a cost in excess of $100,000 (early 2011/12)

As stated in my 2010 report, it has been one of my aims (as Treasurer) to ensure shareholders' funds are at least equal to initial capital contributed. The balance sheet indicates that this has been achieved. The **Community Bank**R branch is now a very significant success story in the Clarence Valley. It is, however, an ongoing challenge, and the company will only continue to prosper with customer / community support. Further gains and contributions will occur only if we can collectively meet the challenges from other financial institutions by persuading our neighbours, friends and colleagues to 'bank Bendigo'. A million-dollar revenue target is within reach!

Derek W Alden
Treasurer

Director’s report

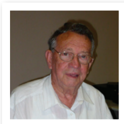
For year ending 30 June 2011

Your Directors submit the financial report of the Company for the financial year ended 30 June 2011.

Directors

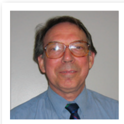
The names and details of the company’s directors who held office during or since the end of the financial year are:

Peter Robert James
Chairman
Solicitor



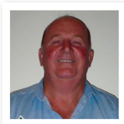
Laurence William Marchant
Director
Contracting

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.

Director’s report (continued)

Review of Operations

Operations have continued to perform in line with expectations. The profit of the Company for the financial year after provision for income tax was $171,564 (2010: $159,900).

	Year ended 30 June 2011	
Dividends	**Cents Per Share**	**$**
Dividends paid in the year:		
- Final dividend for the year ended 30 June 2010	8	33,497
Final dividends recommended:		
- Final dividend for the year ended 30 June 2011	8	33,497

Significant changes in the state of affairs

Clarence Valley Community Financial Services Limited is undertaking due diligence research into opening a banking facility in Yamba.

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

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There are no other 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.

Remuneration Report

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 $9,451 (2010: $8,700) for providing accounting and share registry services to Clarence Valley Community Financial Services Limited 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 during the year were:

Director:	Board Meetings #
Peter Robert James	10 (11)
Stephen Lance Ward	10 (11)
Laurence William Marchant	11 (11)
Derek William Alden	7 (11)
Mervyn Smidt	9 (11)
Ian McGaw	8 (11)
Anthony Wade	8 (11)
Brian Heath	4 (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 Limited 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

The directors received the following declaration from the auditor of the Company:

Richmond Sinnott & Delahunty

Chartered Accountants

Level 2, 10-16 Forest Street
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

Auditor’s Independence Declaration

In relation to our audit of the financial report of Clarence Valley Community Financial Services Limited for the financial year ended 30 June 2011, 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
27 September 2011

Signed in accordance with a resolution of the Board of Directors at Grafton, New South Wales on 27 September 2011.

Peter Robert James
Chairman

Financial statements

Comprehensive Income statement

For year ending 30 June 2011

	Note	2011 $	2010 $
Revenues from continuing activities	2	816,940	781,521
Employee benefits expense	3	(341,821)	(337,850)
Charitable donations & sponsorship		(40,857)	(47,369)
Depreciation and amortisation expense	3	(19,361)	(16,877)
Other expenses		(156,938)	(154,152)
Profit before income tax expense		**257,963**	**225,273**
Income tax expense	4	86,399	65,373
Profit after income tax expense		**171,564**	**159,900**
Other comprehensive income	15	-	(25,000)
Total comprehensive income		**171,564**	**134,900**

Earnings per share (cents per share)			
- basic for profit for the year	23	40.97	38.19
- diluted for profit for the year	23	40.97	38.19

The accompanying notes form part of these financial statements

Statement of Financial Position

As at 30 June 2011

	Note	2011 $	2010 $
Current assets			
Cash and cash equivalents	6	559,968	446,226
Receivables	7	69,518	71,429
Investments	8	34,970	34,970
Total current assets		**664, 456**	**552,625**
Non-current assets			
Property, plant and equipment	9	16,797	18,297
Intangible assets	10	53,333	7,969
Total non-current assets		**70,130**	**26,266**
Total assets		**734,586**	**578,891**
Current Liabilities			
Payables	11	17,556	20,310
Current tax payable	4	45,096	28,376
Provisions	12	46,637	42,975
Total current liabilities		**109,289**	**91,661**
Total liabilities		**109,289**	**91,661**
Net assets		**625,297**	**487,230**
Equity			
Share capital	13	418,708	418,708
Retained earnings / (accumulated losses)	14	106,589	(31,478)
Dividend equalisation reserve	15	100,000	100,000
Total equity		**625,297**	**487,230**

The accompanying notes form part of these financial statements

Statement of cash flows

For year ending 30 June 2011

	Notes	2011 $	2010 $
Cash Flows From Operating Activities			
Cash receipts in the course of operations		874,755	839,711
Cash payments in the course of operations		(618,214)	(625,600)
Interest received		23,602	10,947
Income tax paid		(69,679)	(49,362)
Net cash flows from/(used in) operating activities	**16b**	**210,464**	**175, 696**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(2,098)	(8,502)
Payments for investments		-	(34,970)
Intangible assets		(61,127)	-
Net cash flows from/(used in) investing activities		**(63,225)**	**(43,472)**
Cash Flows From Financing Activities			
Payment of dividend		(33,497)	(29,310)
Net cash flows from/(used in) financing activities		**(33,497)**	**(29,310)**
Net increase in cash held		**113,742**	**102,914**
Cash and cash equivalents at start of year		446,226	343,312
Cash and cash equivalents at end of year	**16a**	**559,968**	**446,226**

The accompanying notes form part of these financial statements

Statement of changes in equity

For year ending 30 June 2011

	Note	2011 $	2010 $
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**
Retained Earnings / (Accumulated losses)			
Balance at start of year		(31,478)	(137,068)
Profit after income tax expense		171,564	159,900
Dividends paid or proposed	22	(33,497)	(29,310)
Transfer to reserves		-	(25,000)
Balance at end of year		**106,589**	**(31,478)**
Dividend equalisation reserve			
Balance at start of year		100,000	75,000
Transfer from current year profits	15	-	25,000
Balance at end of year		**100,000**	**100,000**

The accompanying notes form part of these financial statements

Notes to financial statements

For year ending 30 June 2011

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

Clarence Valley Community Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2011 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 27 September 2011.

(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. These changes are not expected to have a material impact on the Company's financial statements.

(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 2010 financial statements.

Notes to financial statements (continued)

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.

Notes to financial statements (continued)

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.

Revenue

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

Receivables and Payables

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

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

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.

Comparative Figures

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

Note 2. Revenue from continuing operations

	2011 $	2010 $
Operating activities		
- services commissions	791,713	770,420
- other revenue	-	-
	791,713	**770,420**
Non-operating activities:		
- interest received	23,602	10,947
- other revenue	1,625	154
Total revenue from non-operating activities	**25,227**	**11,101**
Total revenue from ordinary activities	**816,940**	**781,521**

Note 3. Expenses

	2011 $	2010 $
Employee benefits expense		
- wages and salaries	268,281	256,122
- superannuation costs	53,070	58,388
- workers' compensation costs	1,567	977
- other costs	18,903	22,363
	341,821	**337,850**
Depreciation of non-current assets:		
- plant and equipment	3,598	3,017
Amortisation of non-current assets:		
- intangibles	15,763	13,860
	19,361	**16,877**

	2011 $	2010 $

Note 3. Expenses (continued)

Operating lease expense	13,270	14,350
Bad debts	156	456

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%	77,389	67,582
Add / (less) tax effect of:		
- Non-deductible / (other deductible) expenses	4,704	(2,209)
- Prior year under / (over) provision	4,306	-
Current income tax expense	**86,399**	**65,373**
Income tax expense	**86,399**	**65,373**
Tax liabilities		
- Current tax payable	45,096	28,376

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**	**3,900**

	2011	2010
	$	$

Note 6. Cash and Cash Equivalents

Cash at bank and on hand	103,224	110,038
Short term deposits	456,744	336,188
	559,968	**446,226**

Note 7. Receivables

Commission receivable	**69,518**	**71,429**

Note 8. Investments

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

Note 9. Property, Plant and Equipment

Furniture & Fittings		
At cost	32,111	30,013
Less accumulated depreciation	(15,314)	(11,716)
Total written down amount	**16,797**	**18,297**

Note 9. Property, Plant and Equipment (continued)

Movements in carrying amounts

Furniture & Fittings

	2011 $	2010 $
Carrying amount at beginning of year	18,297	12,812
Additions	2,098	8,502
Disposals	-	-
Depreciation expense	(3,598)	(3,017)
Carrying amount at end of year	**16,797**	**18,297**

Note 10. Intangible Assets

	2011 $	2010 $
Franchise Fee		
At cost	55,000	50,000
Less accumulated amortisation	(6,680)	(43,420)
	48,320	**6,580**
Preliminary and Franchise Expenses		
At cost	44,242	38,115
Less accumulated amortisation	(39,229)	(36,726)
	5,013	**1,389**
	53,333	**7,969**

Note 11. Payables

	2011 $	2010 $
Sundry creditors	7,317	10,620
Other creditors and accruals	10,239	9,690
	17,556	**20,310**

	2011 $	2010 $

Note 12. Provisions

	2011 $	2010 $
Employee benefits	**46,637**	**42,975**
Movement in employee benefits		
Opening balance	42,975	46,078
Additional provisions recognised	20,637	19,702
Amounts utilised during the year	(16,975)	(22,805)
Closing balance	**46,637**	**42,975**

Note 13. Share Capital

	2011 $	2010 $
418,708 Ordinary Shares fully paid of $1 each	**418,708**	**418,708**

Note 14. Retained Earnings / (Accumulated Losses)

	2011 $	2010 $
Balance at the beginning of the financial year	(31,478)	(137,068)
Profit after income tax	171,564	159,900
Dividends proposed or paid	(33,497)	(29,310)
Transfer to reserves	-	(25,000)
Balance at the end of the financial year	**(106,589)**	**(31,478)**

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**[R].

Note 15. Dividend equalisation reserve (continued)

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.

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

	2011 $	2010 $
Note 15. Dividend equalisation reserve (continued)		
Balance at start of year	**100,000**	**75,000**
Transfer from current year profits	-	25,000
Balance at end of year	**100,000**	**100,000**

Note 16. Statement of Cash Flows

	2011 $	2010 $
(a) Cash and cash equivalents		
Cash assets	103,224	110,038
Short term deposit	456,744	336,188
	559,968	**446,226**
(b) Reconciliation of profit after tax to net cash *provided from/(used in) operating activities*		
Profit after income tax	171,564	159,900
Non cash items		
- Depreciation	3,598	3,017
- Amortisation	15,763	13,860
Changes in assets and liabilities		
- (Increase) decrease in receivables	1,911	(7,905)
- Increase (decrease) in payables	(2,754)	(6,084)
- Increase (decrease) in provisions	3,662	(3,103)
- Increase (decrease) in income tax payable	16,720	16,011
Net cashflows from/ (used in) operating activities	**210,464**	**175,696**

Note 17. 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 $9,451 (2010: $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	**2011**	**2010**
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	11,000
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.

Note 18. Subsequent events

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Note 19. Contingent Liabilities and Assets

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

Note 20. 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

	2011 $	2010 $
(a) Dividends paid during the year		
Franked dividends - 8 cents per share (2010: Unfranked 7 cents per share)	**33,497**	**29,310**
(b) Dividends proposed and not recognised as a liability		
Franked dividends - 8 cents per share (2010: 8 cents per share)	**33,497**	**33,497**
(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	156,715	101,058

- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	45,096	28,376
	201,811	**129,434**

The tax rate at which dividends have been franked is 30% (2010: 30%).

Dividends proposed will be franked at a rate of 30% (2010: 30%).

Note 23. Earnings per share

	2011 $	2010 $

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:

	2011 $	2010 $
Profit after income tax expense	**171,564**	**159,900**
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	
	2011	**2010**
	$	**$**
Cash Assets	**559,968**	**446,226**
Receivables	69,518	71,429
Investments	34,970	34,970
	664,456	**552,625**

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 (2010: 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 2011	**$**	**$**	**$**	**$**	**$**
Payables	17,556	(17,556)	(17,556)	-	-
	17,556	(17,556)	(17,556)	-	-
30 June 2010					
Payables	20,310	(20,310)	(20,310)	-	-
	20,310	(20,310)	(20,310)	-	-

(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	
	2011	**2010**
	$	**$**
Fixed rate instruments		
Financial assets	456,744	336,188
Financial liabilities	-	-
	456,744	**336,188**
Variable rate instruments		
Financial assets	103,224	110,038
Financial liabilities	-	-
	103,224	**110,038**

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 2010 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 2011 can be seen in the Statement of Comprehensive Income.

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

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 2011 and of their performance for the year ended on that date; and

 (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards 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 27 September 2011

Richmond Sinnott & Delahunty

Chartered Accountants

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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 fmancial statements, and the directors' declaration for Clarence Valley Community Financial Services Limited, for the year ended 30 June 2011.

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

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ABN 60 616 244 309

with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

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

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

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

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

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 2011 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   Sinnott

RICHMOND SINNOTT & DELAHUNTY   W. J. SINNOTT
Chartered Accountants   Partner
          Bendigo

Date: 27 September 2011