South Grafton **Community Bank**® Branch
62 Skinner Street, South Grafton, NSW 2460
Phone: (02) 6643 3044 Fax: (02) 6643 5554

Franchisee: Clarence Valley Community Financial Services Limited
50 Victoria Street, Grafton, NSW 2460
ABN 35 093 945 370

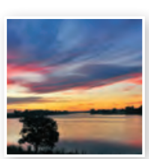
www.bendigobank.com.au
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo, Vic 3550
ABN 11 068 049 178, AFSL 237879

Clarence Valley Community
Financial Services Limited
ABN 35 093 945 370

Bendigo Bank

South Grafton
Community Bank®
Branch

2012 Annual Report



Cover Image:

From South Grafton Marina looking across the Clarence River.

Photo courtesy of ***Clarence River Tourism***

Your Community Bank® branch staff:

Mark Hunting
Branch Manager

Jenny Dutton
Customer Relationship Manager

Vicki Hageman
Customer Service Officer

Melissa Holmes
Customer Service Officer

Judy Hubbard
Customer Service Officer

Lu Mulligan
Customer Service Officer

Contents

Chairman’s report

For year ending 30 June 2012

In the 2012 financial year we witnessed the impact on our **Community Bank®** branch’s profit of tighter margins in the banking industry and a general deterioration in our trading circumstances.

Significantly, in 2012 revenue was down 2.5% to $796,426.00. Net profit after tax was down to $81,225.00. Earnings per share were down to 19.4¢. Shareholder equity has increased to $673,025.00. We maintained a steady dividend at 8¢ per share and at the end of the financial year the cash or cash equivalent stood at $492,538.00.

The Community Bank® branch derives its revenue from a sharing arrangement with Bendigo and Adelaide Bank. Business conducted through the **Community Bank®** branch generates revenue for Bendigo and Adelaide Bank and it is that revenue which they share with the **Community Bank®** branch on a model the core principal of which is equal sharing of the revenue.

Since 2008, bank margins have deteriorated. As a consequence, the same revenue is not derived from the same level of business. Further, there are some products (such as fixed interest home loans and some term deposits) on which Bendigo and Adelaide Bank has traditionally paid a commission because of the difficulty in calculating the revenue. The deterioration in bank margins has resulted in Bendigo and Adelaide Bank reducing the commission rate paid in respect of those products to the **Community Bank®** branch I referred to this as “restoring the balance” in last year’s report.

In 2011/12, we have seen the full impact of this reduction in commission as well as other impacts. There is likely to be a further reduction in commission applied from April 2013 as market conditions have not improved. This further reduction in commission will be reflected in the 2013 financial results and beyond.

One must be guarded as regards the financial performance of the branch in the near future. The level of business is affected not only by national and global considerations but also local concerns. Nevertheless, the company remains in a strong financial position and is well capable of weathering difficult but temporary headwinds.

During the last year, our long serving Branch Manager, Des Plunkett, retired with his last day of service on 27 July 2012. On behalf of the Board, and shareholders, I place on record our deep appreciation for the work undertaken by Des in fostering the **Community Bank®** branch over the 11 years of his employment. During that time Des was held in very high regard by all within the Community Bank® network and at Bendigo and Adelaide Bank. We wish Des and his wife, Molly, every success, good health and happiness in the future.

Chairman's report (continued)

Des has been ably replaced by Mark Hunting to whom we extend a very warm welcome. Mark is well known and has had a long, successful and well respected record in the financial industry. Mark has come to the position in difficult times but has enthusiastically embraced the challenges and we look forward to a successful future with Mark at the helm.

We continued with the **Community Bank®** branch Grants Program in 2012 with $20,000 shared between the Cowper Music Group, Coutts Crossing Coronation Hall, Cowper Public School, Copmanhurst Campdraft Club, Ulmarra Rural Fire Brigade, Glenreagh School of Arts Hall and the Clarence Valley Dragons Abreast. I congratulate those organisations on the good work they are undertaking in the community.

Shareholders will recall my previous reports on the Community Partnership Program with Clarence Valley Council. That program resulted in the **Community Bank®** branch and Clarence Valley Council sharing equally the costs of the resurfacing of the Waterview Tennis Courts and the purchase of the concrete for the construction of the slab for the Lawrence Rural Fire Service. Unfortunately, Clarence Valley Council has decided to withdraw from that program and accordingly that program has now been discontinued. The Board made strong submissions to the Council for the continuation of the program but to no avail.

During the course of the year the **Community Bank®** branch was routinely and regularly audited by representatives of Bendigo and Adelaide Bank. I am pleased to report that on all occasions the performance of the branch has been found to be without blemish. I congratulate the Managers (formerly Des and now Mark) and all staff for such an excellent performance. I also record the Board's appreciation for the contribution made to the success of the branch by Mark, Jenny, Judy, Lu, Melissa and Vicki who can be relied upon for friendly, knowledgeable and efficient service.

I welcome Karen Toms to the Board. Karen joined in March 2012 and brings to the Board many advanced business skills and an enthusiasm for community. I thank my fellow Board members for their contribution to the voluntary work of the board over the past 12 months and I particularly wish to acknowledge the work of Laurie Marchant in his role as Company Secretary.

In conclusion I thank customers and shareholders for their continued support of the branch. As stated before, it is the people and businesses who bank with us that gives rise to the opportunities for our **Community Bank®** branch to benefit the local community.

Peter Robert James
Chairman

Manager's report

For year ending 30 June 2012

As our 12th full year of business draws to an end, we reflect on the continued strength and success of the South Grafton **Community Bank®** Branch in what has been a very difficult year.

Completing our eighth year of profit, we saw a reduction in our overall business levels with total deposits and loans falling just short of $80 million. Deposit growth was negative and lending growth was slightly in excess of projections. Considering market conditions and pressures that impacted particularly on deposits, together with a stresses global, national and local economy, it is considered a satisfactory result. Although our market share remains sound, we continue to welcome and explore new business opportunities as they arise.

As at 30 June, 2012, staff completed 35,215 transactions, averaging out at 677 per week. The Automatic Teller Machine (ATM) provided a reliable level of service to both Bendigo and Adelaide Bank and other bank customers with 63,017 transactions, an average of 172 transactions per day.

This year saw some movement with staff following retirement of our long standing branch Manager, Des Plunkett, who finished up at the end of July. Des had been at the helm for 11 years and his contribution to this branch has been widely acknowledged by all within the Community Bank and Bendigo worlds. This year also saw another staff member Lee Devine move on from the area. Jenny Dutton has now joined our team as our Customer Relationship Officer and Mark Hunting has come on board as the new branch Manager. Together with our existing staff of Judy, Vicki, Lu, and Melissa who continue to provide a high standard of service and a happy, caring and friendly environment, the key hallmarks of Bendigo and Adelaide Banks 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.

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.

The highlights of the past year include our sixth Grants Program which has now delivered more than $150,000 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 the Grafton Sports Centre, the Relay for Life and the Bendigo Open Art Prize and now, the Clarence Valley Regional Film Festival not to mention the continuing ongoing support for many other community groups and organisations.

More than 2,500 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.

Mark Hunting
Manager

Treasurer's report

For year ending 30 June 2012

As the financial statements indicate the company's profit before income tax is substantially lower than last year, which was the best ever financial performance in the company's history. These are difficult and challenging times, with much competition from other financial institutions.

Significant financial information over the last four years show:

	2012 $	2011 $	2010 $	2009 $
Revenues	796,426	816,940	781,521	662,152
Employee Expenses	399,945	341,821	337,850	325,702
Depreciation/Amortisation	34,435	19,361	16,877	15,935
Other Expenses	188,828	156,938	154,152	156,063
Charitable Donations & Sponsorships	57,661	40,857	47,369	44,593
Profit After Tax	81,225	171,564	159,900	72,299

As the table above shows, the company's after tax profit is approximately half of 2011 and 2010 and similar to 2009. It is therefore both appropriate to say well done to customers and staff as well as expressing caution for the forthcoming year and beyond. The company maintained its 8% fully franked dividend to shareholders.

Importantly, the financial year 2011/12 reflected the costs of both Manager and Manager Designate as well as the cost of a major refurbishment of **Community Bank®** branch premises (costing in excess of $120,000). In 2012/13 financial resources will be affected by revenue adjustments caused by "restoring the balance policy" of the franchisor, whereby the company's profit share proportion will decrease.

These known factors will be added to the more unknown challenges of operating in an environment of decreased economic activity and lower interest rates. The Board's objectives will continue to be growth of the **Community Bank®** branches customer base, prudently managing company assets for the benefit of shareholders and continuing to make a significant contribution to the Clarence Valley Community. It is up to all of us to tell the success story of the Community Bank.

Derek W Alden B. Econ (Syd) FCA
Treasurer

Director's report

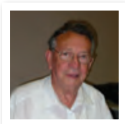
For year ending 30 June 2012

Your Directors submit the financial report of the Company for the financial year ended 30 June 2012.

Directors

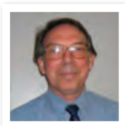
The names and details of the company's directors who held office during or since the end of the financial year are:

Peter Robert James
Chairman
Solicitor
Board member since 11/08/2000

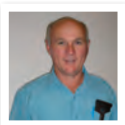


Laurence William Marchant
Director
Contracting
Board member since 11/08/2000

Stephen Lance Ward
Director
Business Proprietor
Board member since 11/08/2000



Derek William Alden
Director
Chartered Accountant
Board member since 11/08/2000

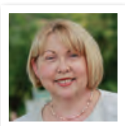


Mervyn Smidt
Director
Retired
Board member since 15/09/2003

Anthony Wade
Director
Self Employed
Board member since 11/08/2000

Ian McGaw
Director
Retired
Board member since 15/09/2003

Brian Heath
Director
School Principal/Inspector
Board member since 05/06/2008



Karen Toms
Director
Business Proprietor / Local Councillor
Board member since 08/03/2012

Director's report (continued)

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 $81,225 (2011: $171,564).

Financial Position

The net assets of the company have increased by $47,728 from June 30, 2011 to $673, 025 in 2012. The increase is largely due to the operating result reported by the company.

	Year ended 30 June 2012	
Dividends	**Cents Per Share**	**$**
Dividends paid in the year:		
- Final dividend for the year ended 30 June 2011	8	33,497
Final dividends recommended:		
- Final dividend for the year ended 30 June 2012	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.

Events after the reporting period

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 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.

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

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

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 $11,751 (2011: $9,451) for providing accounting and share registry services to Clarence Valley Community Financial Services Limited throughout the year.

MJO Legal of which Peter James is a Partner, received a fee of $1,630 for providing legal 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.

Indemnifying officers or auditor

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

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

Directors Meetings

The number of Directors meetings attended during the year were:

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

 # 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.

Non audit services

The Directors in accordance with advice from the audit committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed in Note 5 did not compromise the external auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect integrity and objectivity of the auditor; and

- the nature of the services provided does not compromise the general principles relating to audit independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor Indepence Declaration

The auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 12 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Grafton, New South Wales on 27 September 2012.

Peter Robert James
Chairman

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
Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

Telephone: (03) 5445 4200
Fax: (03) 5444 4344
Email: rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

27 September 2012

The Directors
Clarence Valley Community Financial Services Limited
PO Box 328
SOUTH GRAFTON NSW 2460

To the Directors of Clarence Valley Community Financial Services Limited

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

I declare that to the best of my knowledge and belief, during the year ended 30 June 2012 there has been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2011 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W Sinnott

Warren Sinnott
Partner
Dated at Bendigo, 27 September 2012

Financial statements

Comprehensive Income statement

For year ending 30 June 2012

	Note	2012	2011
		$	$
Revenues from continuing operations	2	796,426	816,940
Employee benefits expense	3	(399,945)	(341,821)
Depreciation and amortisation expense	3	(34.435)	(19,361)
Other expenses		(188,828)	(156,938)
Operating profit/(loss) before charitable donations & sponsorships		**173,218**	**298,820**
Charitable donations & sponsorship		(57,661)	(40,857)
Profit/(loss) before income tax expense		**115,557**	**257,963**
Income tax expense	4	34,332	86,399
Net Profit/(loss) for the year		**81,225**	**171,564**
Other comprehensive income		-	-
Total comprehensive income		**81,225**	**171,564**
Earnings per share (cents per share)			
- basic for profit for the year	23	19.40	40.97
- diluted for profit for the year	23	19.40	40.97

The accompanying notes form part of these financial statements

Statement of Financial Position

As at 30 June 2012

	Note	2012 $	2011 $
Current assets			
Cash and cash equivalents	6	492,538	559,968
Receivables	7	67,380	69,518
Current Tax Receivable	4	25,722	-
Investments	8	40,470	34,970
Total current assets		**626,110**	**664,456**
Non-current assets			
Property, plant and equipment	9	102,837	16,797
Intangible assets	10	36,642	53,333
Total non-current assets		**139,479**	**70,130**
Total assets		**765,589**	**734,586**
Current Liabilities			
Payables	11	32,129	17,556
Current tax payable	4	-	45,096
Provisions	12	60,435	46,637
Total current liabilities		**92,564**	**109,289**
Total liabilities		**92,564**	**109,289**
Net assets		**673,025**	**625,297**
Equity			
Issued capital	13	418,708	418,708
Retained earnings	14	154,317	106,589
Dividend equalisation reserve	15	100,000	100,000
Total equity		**673,025**	**625,297**

The accompanying notes form part of these financial statements

Statement of cash flows

For year ending 30 June 2012

	Notes	2012 $	2011 $
Cash Flows From Operating Activities			
Cash receipts in the course of operations		854,409	874,755
Cash payments in the course of operations		(695,767)	(618,214)
Interest received		27,415	23,602
Income tax paid		(105,150)	(69,679)
Net cash flows from/(used in) operating activities	**16b**	**80,907**	**210,464**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(109,340)	(2,098)
Payments for investments		(5,500)	-
Intangible assets		-	(61,127)
Net cash flows from/(used in) investing activities		**(114,840)**	**(63,225)**
Cash Flows From Financing Activities			
Payment of dividend		(33,497)	(33,497)
Net cash flows from/(used in) financing activities		**(33,497)**	**(33,497)**
Net increase in cash held		**(67,430)**	**113,742**
Cash and cash equivalents at start of year		559,968	446,226
Cash and cash equivalents at end of year	**16a**	**492,538**	**559,968**

The accompanying notes form part of these financial statements

Statement of changes in equity

For year ending 30 June 2012

	Note	2012 $	2011 $
Issue 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			
Balance at start of year		106,589	(31,478)
Profit after income tax expense		81,225	171,564
Dividends paid or proposed	22	(33,497)	(33,497)
Transfer to reserves		-	-
Balance at end of year		**154,317**	**106,589**
Dividend equalisation reserve			
Balance at start of year		100,000	100,000
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 2012

Note 1. Summary of significant accounting policies

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

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

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

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 2012.

(b) Income Tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Note 1. Summary of significant accounting policies (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

(c) Property, plant and equipment

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

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

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

Class of Asset	*Depreciation Rate*
Plant & Equipment	10 - 20%

Impairment

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

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Note 1. Summary of significant accounting policies (continued)

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.

(d) Impairment of assets

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

(e) Goods and services tax

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

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

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

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

(f) 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.

Note 1. Summary of significant accounting policies (continued)

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

(g) Intangibles

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

(h) Cash

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

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

(i) Revenue

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

(j) 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.

(k) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

Note 1. Summary of significant accounting policies (continued)

(l) Borrowings

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

(m) Provisions

Provisions are recognised when the company 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.

(n) Share capital

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

(o) Comparative figures

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

(p) Critical accounting estimates and judgements

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

(p) Critical accounting estimates and judgements (continued)

Estimation of useful lives of assets

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

Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

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

(q) Financial instruments

Initial recognition and measurement

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

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

(q) Financial instruments continued

Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtors are experiencing significant financial difficulty or changes in economic conditions.

	2012 $	2011 $

Note 2. Revenue from continuing operations

	2012 $	2011 $
Operating activities		
- services commissions	767,281	791,713
- other revenue		-
	767,281	**791,713**
Other revenue:		
- interest received	27,415	23,602
- other revenue	1,730	1,625
	29,145	**25,227**
	796,426	**816,940**

Note 3. Expenses

	2012 $	2011 $
Employee benefits expense		
- wages and salaries	314,170	268,281
- superannuation costs	56,281	53,070
- workers' compensation costs	925	1,567
- other costs	28,569	18,903
	399,945	**341,821**
Depreciation of non-current assets:		
- plant and equipment	23,301	3,598
Amortisation of non-current assets:		
- intangibles	11,134	15,763
	34,435	**19,361**

	2012 $	2011 $

Note 3. Expenses (continued)

Operating lease expense	11,939	13,270
Bad debts	218	156

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%	34,655	77,389
Add / (less) tax effect of:		
- Non-deductible / (other deductible) expenses	3,655	4,704
- Prior year under / (over) provision	(3,978)	4,306
Current income tax expense	**34,332**	**86,399**
Income tax expense	**34,332**	**86,399**
Tax liabilities		
- Current tax payable	(25,722)	45,096

Note 5. Auditors' Remuneration

Remuneration of the auditor for:

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

	2012 $	2011 $

Note 6. Cash and Cash Equivalents

	2012 $	2011 $
Cash at bank and on hand	116,060	103,224
Short term deposits	376,478	456,744
	492,538	**559,968**

The effective interest rate on short term bank deposits was 4.95%.

Note 7. Receivables

	2012 $	2011 $
Commission receivable	**67,380**	**69,518**

Note 8. Investments

	2012 $	2011 $
Listed shares at cost	**40,470**	**34,970**

Quoted market value at balance date of investments listed on a prescribed stock exchange was $35,481 (2011: $37,111). Listed shares are readily salable with no fixed term. There would be no material capital gain tax payable of these assets were sold at reporting date.

Note 9. Property, Plant and Equipment

	2012 $	2011 $
Furniture & Fittings / Leasehold Improvements		
At cost	141,452	32,111
Less accumulated depreciation	(38,615)	(15,314)
Total written down amount	**102,837**	**16,797**

	2012 $	2011 $

Note 9. Property, Plant and Equipment (continued)

Movements in carrying amounts

Furniture & Fittings		
Carrying amount at beginning of year	16,797	18,297
Additions	109,341	2,098
Disposals	-	-
Depreciation expense	(23,301)	(3,598)
Carrying amount at end of year	**102,837**	**16,797**

Note 10. Intangible Assets

Franchise Fee		
At cost	50,000	55,000
Less accumulated amortisation	(16,700)	(6,680)
	33,300	**48,320**
Preliminary and Franchise Expenses		
At cost	43,685	44,242
Less accumulated amortisation	(40,343)	(39,229)
	3,342	**5,013**
	36,642	**53,333**

Note 11. Payables

Sundry creditors	10,960	7,317
Other creditors and accruals	21,169	10,239
	32,129	**17,556**

	2012 $	2011 $

Note 12. Provisions

	2012 $	2011 $
Employee benefits	**60,435**	**46,637**
Movement in employee benefits		
Opening balance	46,637	42,975
Additional provisions recognised	23,106	20,637
Amounts utilised during the year	(9,308)	(16,975)
Closing balance	**60,435**	**46,637**

Note 13. Share capital

	2012 $	2011 $
418,708 Ordinary Shares fully paid of $1 each	**418,708**	**418,708**

The company has authorised issued share captial amounting to 418,708 ordinary shares.

Note 14. Retained earnings

	2012 $	2011 $
Balance at the beginning of the financial year	106,589	(31,478)
Profit after income tax	81,225	171,564
Dividends proposed or paid	(33,497)	(33,497)
Transfer to reserves	-	-
Balance at the end of the financial year	**154,317**	**106,589**

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®**.

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.

	2012 $	2011 $
Note 15. Dividend equalisation reserve (continued)		
Balance at start of year	**100,000**	**100,000**
Transfer from current year profits	-	-
Balance at end of year	**100,000**	**100,000**

Note 16. Statement of Cash Flows

	2012 $	2011 $
(a) Cash and cash equivalents		
Cash assets	116,060	103,224
Short term deposit	376,478	456,744
	492,538	**559,968**
(b) Reconciliation of profit after tax to net cash *provided from/(used in) operating activities*		
Profit after income tax	81,225	171,564
Non cash items		
- Depreciation	23,301	3,598
- Amortisation	11,134	15,763
- Correction of incorrect treatment of GST on Intangible Assets	5,557	-
Changes in assets and liabilities		
- (Increase) decrease in receivables	2,137	1,911
- Increase (decrease) in payables	14,573	(2,754)
- Increase (decrease) in provisions	13,798	3,662
- Increase (decrease) in income tax payable	(70,818)	16,720
Net cashflows from/ (used in) operating activities	**80,907**	**210,464**

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
Karen Toms

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 $11,751 (2010: $9,451) for providing accounting and share registry services to Clarence Valley Community Financial Services Ltd throughout the year.

MJO Legal of which Peter James is a Partner, received a fee of $1 ,630 for providing legal services to Clarence Valley Community Financial Services Limited 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	-	-
Karen Toms	-	-

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. Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 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 company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being the Clarence Valley, Northern NSW. The company has a franchise agreement in place with Bendigo & Adelaide Bank Limited who account for 100% of the revenue (2011: 100%).

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

	2012 $	2011 $
(a) Dividends paid during the year		
Franked dividends - 8 cents per share (2011: Unfranked 8 cents per share)	**33,497**	**33,497**
(b) Dividends proposed and not recognised as a liability		
Franked dividends - 8 cents per share (2011: 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	248,205	156,715
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	(25,387)	45,096
	222,818	**201,811**

The tax rate at which dividends have been franked is 30% (2011: 30%).

Dividends proposed will be franked at a rate of 30% (2011: 30%).

Note 23. Earnings per share

	2012 $	2011 $

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:

	2012 $	2011 $
Profit after income tax expense	**81,225**	**171,564**
Weighted average number of ordinary shares for basic and diluted earnings per share	**418,708**	**418,708**

Note 24. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.

The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

Note 24. Financial risk management (continued)

	Note	2012 $	2011 $
Financial Assets			
Cash & cash equivalents	6	492,538	559,968
Receivables	7	67,380	69,518
Total Financial Assets		**559,918**	**629,486**
Financial Liabilities			
Payables	11	32,129	17,556
Total Financial Liabilities		**32,129**	**17,556**

Financial Risk Management Policies

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

Specific Financial Risk Exposure and Management

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

(a) Credit Risk

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

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:

Note 24. Financial risk management (continued)

	Carrying Amount	
	2012	**2011**
	$	**$**
Cash Assets	**492,538**	**559,968**
Receivables	67,380	69,518
Investments	40,470	34,970
	600,388	**664,456**

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 (2011: 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.

Financial liability and financial asset maturity analysis

Note 24. Financial risk management (continued)

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

	Total	Within 1 year	1 to 5 years	Over 5 years
30 June 2012	**$**	**$**	**$**	**$**
Finanicial Liabilities due for payment				
Payables	32,128	32,128	-	-
Loans and borrowings	-	-	-	-
Total expected outflows	**32,128**	**32,128**	**-**	**-**
Financial Assets - cashflow realisable				
Cash & cash equivalents	492,538	492,538		
Receivables	67,381	67,381		
Total anticipated inflows	**559,919**	**559,919**	**-**	**-**
Net (Outflow)/Inflow on financial instruments	**527,791**	**527,791**	**-**	**-**

	Total	Within 1 year	1 to 5 years	Over 5 years
30 June 2011	**$**	**$**	**$**	**$**
Finanicial Liabilities due for payment				
Payables	(17,556)	(17,556)	-	-
Loans and borrowings	- *	-	-	-
Total expected outflows	**(17,556)**	**(17,556)**	**-**	**-**

Note 24. Financial risk management (continued)

Financial Assets - cashflow realisable				
Cash & cash equivalents	559,968	559,968		
Receivables	69,518	69,518		
Total anticipated inflows	**629,486**	**629,486**	**-**	**-**
Net (Outflow)/Inflow on financial instruments	**611,930**	**611,930**	**-**	**-**

* The Bank overdraft has no set repayment period and as such all has been included as current.

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at June 30 2012 and June 30 2011.

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.

(c) Market risk

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

Interest rate risk is 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	
	2012	**2011**
	$	**$**
Fixed rate instruments		
Financial assets	376,478	456,744
Financial liabilities	-	-
	376,478	**456,744**
Variable rate instruments		
Financial assets	116,060	103,224
Financial liabilities	-	-
	116,060	**103,224**

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 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

(d) Price Risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities are presented in the table below and can be compared to their carrying amounts as disclosed in the Statement of Financial Position. Fair value is the

Note 24. Financial risk management (continued)

amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. Where possible, valuation information used to calculate fair value is extracted from the market with more reliable information available from markets that are actively traded. In this regard, fair value for listed securities are obtained from quoted market bid prices. The company does not have any unrecognised financial instruments at year end.

		2012		**2011**	
		Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	Note	**$**	**$**	**$**	**$**
Financial Assets					
Cash & cash equivalents	(1)	492,538	492,538	559,968	559,968
Receivables	(1)	67,380	67,380	69,518	69,518
Investments	(2)	40,470	35,481	34,970	37,111
Total Financial Assets		600,388	595,399	664,456	666,597
Financial Liabilities					
Payables	(1)	32,129	32,129	17,556	17,556
Total Financial Liabilities		**32,129**	**32,129**	**17,556**	**17,556**

The fair values disclosed above have been determined based on the following methodologies:

(1) Cash and cash equivalents, receivables and payables are short term instruments in nature whose carrying amount is equivalent to fair value. Payables exclude amounts provided for employee entitlements which is outside the scope of AASB 139.

(2) Fair values of investments are based on closing quoted bid prices at the end of the reporting period. The directors have no intention of selling this investment in the future. Consequently such investments are recognised at cost in the Statement of Financial Position.

Note 24. Financial risk management (continued)

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. 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;

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 2012 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, the directors of the company declare that:

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

- (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1 (a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and
- (ii) give a true and fair view of the company's financial position as at 30 June 2012 and of the performance for the year ended on that date;

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

Peter Robert James
Chairman

Signed at Grafton, New South Wales on 27 September 2012

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

Telephone: (03) 5445 4200
Fax: (03) 5444 4344
Email: rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

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

Report on the Financial Report

We have audited the accompanying financial report of Clarence Valley Community Financial Services Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors declaration of the company for the year ended 30 June 2012.

Director's Responsibility for the Financial Report

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

Audit Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

Level2, 10-16 Forest Street, 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)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Independence

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

Auditor's Opinion

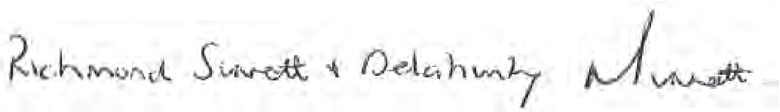
In our opinion:

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

(i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

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



RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. SINNOTT
Partner

Date at Bendigo, 27 September 2012