Clarence Valley Community Financial Services Limited
ABN 35 093 945 370

South Grafton **Community Bank®** Branch

Bendigo Bank

2014 Annual Report

Contents

Chairman’s Report

In the 2014 financial year we witnessed the further impact on our **Community Bank®** branch’s revenue of tighter margins in the banking industry. Significantly, in 2014 revenue was down 3.2% to $704,595 (2013: $727,869). However, expenses were largely in line with the previous year with net profit before tax down 17.75% to $115,612 (2013: $140,561). Earnings per share were down to 19.22c (2013: 27.34c). Shareholders equity has increased 6% to $800,958 (2013: $753,987). We maintained a steady dividend at 8c per share and at the end of the financial year the cash or cash equivalent stood at $641,656 (2013: $597,654). Although trading conditions in 2014 continued to be challenging, we have been able to maintain an acceptable level of profit.

In August 2014 we discontinued Saturday trading. The rationale for this decision was that customer attendances at the branch on Saturdays continued to decline. The cost of opening on Saturdays became a concern with sustained reduced patronage. Before implanting the change, Mark Hunting consulted with identified regular Saturday users the overwhelming majority of whom understood and supported the decision.

We did not conduct a **Community Bank®** Grants Program in 2014 but instead contributed $30,000 to the Community Enterprise FoundationTM being the charitable arm of Bendigo and Adelaide Bank. These funds will be retained pending identification of a worthy local project for our involvement. Further funds may be accumulated in this Community Enterprise FoundationTM to facilitate a larger, more significant and beneficial local project when the need arises. Nevertheless in 2014 we continued to support 37 local cultural, sporting and community organisations through sponsorships and advertising.

Mark Hunting and his team Jenny Dutton, Judy Hubbard, Lu Milligan and Vicki Hageman worked enthusiastically and tirelessly in the last financial year to provide a friendly and efficient service. Melissa Holme left during the year and we thank her for her past services and wish her well. We welcome Debby Thompson to the team who commenced with us in July. I acknowledge the commitment of all staff to continued education and training and thank them for their support of these programs.

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 satisfactory. I congratulate Mark and all staff for such an excellent performance.

Our Junior Observers in 2014 were South Grafton High Schools students Sarah Jackson and Jackson Benefield. They have been a pleasure to work with.

I thank my fellow Board Members for their contribution to the voluntary work of the Board over the past 12 months and I again 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. It is because people and businesses do their banking with us that we are able to return benefits to our community.

Peter James
Chairman

Manager's report

For year ending 30 June 2014

As our 14th full year of business draws to an end, we reflect back on our continued strength in what has been another difficult year for the Clarence Valley. Acknowledging the current operating environment this past year, our overall year has been pleasing.

Completing our 10th year of profit, we managed to maintain our loan book at just over $90 million only nominally behind budget. Considering market conditions and pressures that impacted particularly on deposits, together with a stressed global, national and local economy, it is considered a satisfactory result. Our market share remains sound, and we continue to welcome and explore new business opportunities whenever they arise.

As at 30 June 2014, customer numbers remain steady at 2518. Staff completed 39,594 cross counter transactions, an average of 761 per week.

Our ATM replaced and installed in the previous financial year continues to provide a reliable service for both Bendigo and Adelaide Bank and other bank customers. This last financial year saw just over 61,046 transactions, an average of 1174 transactions per week.

In August of this year, we made the decision to cease Saturday trading. With the advent of increased technology via EFTPOS, ATM's and on-line banking, our customers now have more choice than ever with options to access their funds. It had become apparent that a consistent reduction in transactional numbers over time no longer supported the cost of continuing to provide this service.

This year saw some movement with one staff member, Melissa Holmes deciding to move on and another new recruit, Debby Thompson coming on board. We thank Melissa for her contribution to our branch and welcome Debby to our team. Our existing team of dedicated staff, Jenny, Judy, Vicki, Lu together with our business banking team of Brett and Anna continue to provide a high standard of service in a happy, caring and friendly environment. It is this level of service that helps set us apart from our competition.

I would also like to personally thank the continued dedication and support of the Directors, and the ongoing loyalty and support of shareholders and customers. Together, their support is highly valued and is the key to the ongoing success of this business.

The highlights of the past year include our continued involvement with many different sponsorships throughout the Clarence Valley. Too many to mention individually, this year we have put back in excess of $67,000 into our local community via school groups, sporting groups/clubs, cultural and community associations.

It is because of this Community Banking® model that our customers who support and bank with us that we are able to continue to assist these organisations within the community.

More that 2,500 customers who do business with us have made this return of capital to the community possible.

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

Mark Hunting
Manager

Treasurer's report

For year ending 30 June 2014

The financial statements indicate the Company's profit after income tax significantly decreased by some 30% over last year's result to $80,000.

As the table below shows, this result is the lowest in the last five years.

	2014 $	2013 $	2012 $	2011 $	2010 $
Revenues	704,595	727,869	796,426	816,940	781,521
Employee Expenses	339,755	351,792	399,945	341,821	337,850
Depreciation/ Amortisation	33,702	32,865	34,435	19,361	16,877
Other Expenses	170,446	164,453	188,828	156,938	154,152
Charitable Donations & Sponsorships	45,080	38,198	57,661	40,857	47,369
Profit After Tax	80,468	114,459	81,225	171,564	159,900

Two indicators shareholders should be aware of:-

i. The 'Restoring the Balance' policy of the franchisor has significantly reduced the company's profit share over the last two years by some $90,000.

ii. The **Community Bank®** branch is operating in a low interest/low business activity environment and trading is very competitive. These conditions may continue for some time.

The Board has been prudent and careful in its decisions. For example, employee expenses are 48% of revenue, the same as last year (but a higher percentage than in 2011 and 2010). Care has been taken in sponsorship donations - although $45,080 in 2013/14 is a significant contribution to the local community. And importantly a fully franked 8% dividend has been maintained for the 2014 year - thus continuing to reward our loyal shareholders.

It is therefore very appropriate to say well done to all the customers and to all the staff in achieving this satisfactory result.

Comment can also be made on the Statement of Financial Position (Balance Sheet) as at 30 June 2014. The net assets of the company are $801,000 (LY $754,000) with issued capital of $418,708. Of the assets, $794,000 comprises cash, receivables and liquid investments. Total liabilities are $67,342. Shareholders will also note (see Note 7 of the financial statements) that the company has broadened its (long term) investment base by investing in a number of blue chip listed shares - with a cost base of $76,689 at 30 June 2014.

Treasurer's report (continued)

As Treasurer (fully supported by the Board), it has been a priority to protect shareholders capital. Initially, as all shareholders are aware, establishing the **Community Bank®** branch involved considerable risk capital.

There can therefore be considerable satisfaction that this policy has been successful and that the company is now very well grounded - and able to withstand volatility in business activity and lower revenue.

The Board's objectives will continue to be growth of the **Community Bank®** branch customer base, making a significant contribution to the Clarence Valley community and further enhancement of shareholders' equity in the company.

Derek W Alden B.Econ (Syd) FCA
Treasurer

Director's report

Your Directors present their report of the company for the financial year ended 30 June 2014. The information in the preceding operating and financial review forms part of this Directors' report for the financial year ended 30 June 2014 and is to be read in conjunction with the following information:

Directors

The following persons were directors of Clarence Valley Community Financial Services Limited during or since the end of the financial year up to the date of this report:

Name and position held	Qualifications	Experience and Other Directorships
Peter James Director since 11/08/2000 Chairman	B. Juris, LLB	Director- Naupe Holdings Pty Ltd, GSD Distributors Pty Ltd, Metale Holdings Pty Ltd. Solicitor in private practice since 1978. Former councillor of Grafton City Council.
Laurence Marchant Director since 11/08/2000 Director	Chartered Engineer Bachelor Economics Grad Dip. Econometrics Master Economics, OA	Chief Engineer for Power Supply Authority - 22 years.
Stephen Ward Director since 11/08/2000 Director	Accounting Certificate	30 years as Small Business proprietor.
Derek Alden Director since 11/08/2000 Director	B. Econ (Syd) F.C.A. JP	Many years Principal of Chartered Accountancy practice. Treasurer since commencement of Community Bank.
Mervyn Smidt Director since 15/09/2003 Director	Motor Engineer	Director- Smidt Holdings Pty Ltd. Treasurer - South Grafton Neighbourhood Watch. Salvation Army Church Council Member.

Director's report (continued)

Name and position held	Qualifications	Experience and Other Directorships
Anthony Wade Director since 11/08/2000 Director	Chef Arborist	Self employed for majority of working life. Former Councillor.
Ian McGaw Director since 15/09/2003 Director	No tertiary qualifiations	Wide experience. Over 40 years in planning, organising, displaying and reporting for agricultural exhibitions. Past Director - 22 years Caringa Enterprises. Life Member Royal Agricultural Society of NSW
Brian Heath Director since 05/06/2008 Director	Bachelor of Science Diploma in Education	Principal of a Secondary School (6 years). Youth Director Grafton Rotary Club (4 years)
Karen Toms Director since 08/03/2012 Director	Certificate IV Business (Administration)	Councillor Clarence Valley Council. Director - JKT & Sons Pty Ltd. Member and Chair of numerous Clarence Valley Council and external organisations advisory committees.

Directors were in office for this 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 Bank® services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Review of operations

The profit of the company for the financial year after provision for income tax was $80,468 (2013 profit: $114,459), which is a 29.7% decrease as compared with the previous year.

The net assets of the company have increased to $800,958 (2013: $753,987).

Director's report (continued)

Dividends

	Year ended 30 June 2014	
	Cents per share	$
Dividends paid in the year- final dividend:	8	33,497

Significant changes in the state of affairs

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

Events subsequent to reporting date

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

Remuneration report

Remuneration policy

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

Remuneration benefits and payments

Other than detailed below, no Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable
by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

AC Small Maxwell & Co Chartered Accountants of which Derek Alden is a principal, received fees of $13,841 (2013: $16,791) 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 nil fees(2013: nil) for providing legal services to Clarence Valley Community Financial Service Limited throughout the year.

Director's report (continued)

Indemnifying officers or Auditor

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an Auditor of the company.

Directors' meetings

The number of Directors' meetings held during the year were 12. Attendances by each Director during the year were as follows:

Director	**Board meetings#**
Peter James	12 (12)
Laurence Marchant	12 (12)
Stephen Ward	11 (12)
Derek Alden	9 (12)
Mervyn Smidt	10 (12)
Anthony Wade	10 (12)
Ian McGaw	9 (12)
Brian Heath	10 (12)
Karen Toms	6 (12)

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

Likely developments

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

Environmental regulations

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

Director's report (continued)

Proceedings on behalf of company

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

Company Secretary

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.

Non audit services

The Board of Directors 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 reason:

- all non audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 11 0 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 5 of this financial report. No officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Grafton on 17th September 2014.

Peter James
Director

Auditor's independant 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 VICTORIA 3552

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

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 2014 there has been:

(i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

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

Kathie Teasdale
Partner
Richmond Sinnott & Delahunty

Financial statements

Statement of profit or loss and Other Comprehensive Income for the year ended 30 June 2014

	Notes	2014 $	2013 $
Revenue	2	704,595	727,869
Employee benefits expense	3	(339,755)	(351,792)
Depreciation and amortisation expense	3	(33,702)	(32,865)
Bad and doubtful debts expense	3	(167)	(117)
Rental expense		(14,465)	(12,228)
Other expenses		(155,814)	(152,108)
Operating profit before charitable donations & sponsorships		160,692	178,759
Charitable donations and sponsorships		(45,080)	(38,198)
Profit before income tax expense		115,612	140,561
Tax expense	4	35,144	26,102
Profit for the year		80,468	114,459
Other comprehensive income		-	-
Total comprehensive income		80,468	114,459
Profit attributable to members of the company		80,468	114,459
Total comprehensive income attributable to members of the company		80,468	114,459
Earnings per share (cents per share)			
- basic for profit for the year	22	19.22	27.34
- diluted for profit for the year	22	19.22	27.34

Statement of financial position as at 30 June 2014

	Notes	2014 $	2013 $
Assets			
Current assets			
Cash and cash equivalents	6	641,656	597,654
Trade and other receivables	8	75,262	67,601
Investments	7	76,689	40,469
Total current assets		793,607	705,724
Non-current assets			
Property, plant and equipment	9	60,319	82,887
Intangible assets	10	14,374	25,508
Total non-current assets		74,693	108,395
Total assets		868,300	814,119
Liabilities			
Current liabilities			
Trade and other payables	11	24,968	21,562
Provisions	12	27,618	26,102
Total current liabilities		52,586	47,664
Non current liabilities			
Provisions	12	14,756	12,468
Total non current liabilities		14,756	12,468
Total liabilities		67,342	60,132
Net assets		800,958	753,987
Equity			
Issued capital	13	418,708	418,708
Retained earnings	14	282,250	235,279
Dividend equalisation reserve	15	100,000	100,000
Total equity		800,958	753,987

Statement of changes in equity for the year ended 30 June 2014

	Note	Issued capital $	Retained Earnings/ Dividend Reserve $	Total equity $
Balance at 1 July 2012		**418,708**	**254,317**	**673,025**
Total comprehensive income for the year		-	114,459	114,459
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	23	-	33,497	33,497
Balance at 30 June 2013		**418,708**	**335,279**	**753,987**
Balance at 1 July 2013		**418,708**	**335,279**	**753,987**
Total comprehensive income for the year		-	80,468	80,468
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	23	-	33,497	33,497
Balance at 30 June 2014		**418,708**	**382,250**	**800,958**

Statement of cash flows for the year ended 30 June 2014

	Notes	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		707,852	766,850
Payments to suppliers and employees		(601,651)	(643,742)
Dividend revenue received		2,875	2,193
Interest received		27,955	21,754
Income tax paid		(23,312)	(6,661)
Net cash provided by/(used in) operating activities	16b	113,719	140,394
Cash flows from investing activities			
Purchase of investments		(36,220)	-
Purchase of property, plant & equipment		-	(1,781)
Net cash flows from/(used in) investing activities		(36,220)	(1,781)
Cash flows from financing activities			
Dividends paid		(33,497)	(33,497)
Net cash provided by/(used in) financing activities		(33,497)	(33,497)
Net increase/(decrease) in cash held		44,002	105,116
Cash and cash equivalents at beginning of financial year		597,654	492,538
Cash and cash equivalents at end of financial year	16a	641,656	597,654

Notes to financial statements

For the year ended 30 June 2014

These financial statements and notes represent those of Clarence Valley Community Financial Services Limited.

Clarence Valley Community Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 17th September 2014.

1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

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

Economic Dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that govern s the management of the Community Bank®branches.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank®** branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- Advice and assistance in relation to the design, layout and fit out of the Community Bank® branch;
- Training for the branch managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

1. Summary of significant accounting policies (continued)

(b) Income tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can 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) Fair value of assets and liabilities

The company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of the liabilities and the entity's own equity instruments may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted, and where significant, are detailed in the respective note to the financial statements.

Notes to financial statements (continued)

1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment

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

The carrying amount of leasehold improvement is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation
The depreciable amount of all fixed assets is depreciated on a straight-line basis over the assets useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of asset	*Depreciation rate*
Leasehold improvements	20%
Fixtures and fittings	5-100%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An assets carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

1. Summary of significant accounting policies (continued)

(e) Impairment of assets

At each reporting period, the company assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(f) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

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

(g) Employee benefits

Short-term employee benefits
Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

Other long-term employee benefits
Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations.

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(h) Intangibles

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

1. Summary of significant accounting policies (continued)

(i) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

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

(j) Revenue

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

Interest, dividend and fee revenue is recognised when earned.

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

(k) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subseqently measured at amortised cost using the effective interest method, less any provision for impairment.

(l) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(m) New and amended accounting policies adopted by the company

Employee benefits
The company adopted AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) from the mandatory application date of 1 January 2013. The company has applied these Standards retrospectively in accordance with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors and the transitional provisions of AASB 119 (September 2011).

For the purpose of measurement, AASB 119 (September 2011) defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. In accordance with AASB 119 (September 2011), provisions for short-term employee benefits are measured at the (undiscounted) amounts expected to be paid to employees when the obligation is settled, whereas provisions that do not meet the criteria for classification as short-term (other long-term employee benefits) are measured at the present value of the expected future payments to be made to employees.

1. Summary of significant accounting policies (continued)

(m) New and amended accounting policies adopted by the company (continued)

As the company expects that all of its employees would use all of their annual leave entitlements earned during a reporting period before 12 months after the end of the reporting period, adoption of AASB 119 (September 2011) did not have a material impact on the amounts recognised in respect of the company's employee provisions. Note also that adoption of AASB 119 (September 2011) did not impact the classification of leave entitlements between current and non-current liabilities in the company's financial statements.

AASB 119 (September 2011) also introduced changes to the recognition and measurement requirements applicable to termination benefits and defined benefit plans. As the company did not have any of these types of obligations in the current or previous reporting periods, these changes did not impact the company's financial statements.

Fair value measurement
The company has applied AASB 13: Fair Value Measurement and the relevant consequential amendments arising from the related Amending Standards prospectively from the mandatory application date of 1 January 2013 and in accordance with AASB 108 and the specific transitional requirements in AASB 13.

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

No material adjustments to the carrying amounts of any of the company's assets or liabilities were required as a consequence of applying AASB 13. Nevertheless, AASB 13 requires enhanced disclosures regarding assets and liabilities that are measured at fair value and fair values disclosed in the company's financial statements.

The disclosure requirements in AASB 13 need not be applied by the company in the comparative information provided for periods before initial application of AASB 13 (that is, periods beginning before 1 January 2013). However, as some of the disclosures now required under AASB 13 were previously required under other Australian Accounting Standards, such as AASB 7: Financial Instruments: Disclosures, the company has provided this previously provided information as comparatives in the current reporting period.

(n) New accounting standards for application in future periods

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

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

1. Summary of significant accounting policies (continued)

(n) New accounting standards for application in future periods (continued)

(i) AASB 9 *Financial Instruments* and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

This Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impractical at this stage to provide a reasonable estimate of such impact.

(ii) AASB 2012-3: *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the company's financial statements.

(iii) AASB 2013-3: *Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: *Impairment of Assets* pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the company's financial statements.

(o) Provisions

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

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

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

(p) 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.

(q) Comparative figures

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

Notes to financial statements (continued)

1. Summary of significant accounting policies (continued)

(r) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges 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.

Fair value assessment of non-current physical assets

The new AASB 13 Fair Value standard requires fair value assessments that may involved both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

Employee benefits provision

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. Treatment of leave is considered under the updated AASB 119 standard.

Income tax

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

Impairment

The company assesses impairment at the end of each reporting period by evaluating 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.

1. Summary of significant accounting policies (continued)

(s) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of 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.

Amortised cost is calculated as the amount at 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.*

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability.

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

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

Impairment

A financial asset (or group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency on interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

1. Summary of significant accounting policies (continued)

(s) Financial instruments (continued)

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial asset is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition of financial instruments

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

	2014 $	2013 $
2. Revenue and other income		
Revenue		
- services commissions	673,765	703,922
	673,765	703,922
Other revenue		
- interest received	27,955	21,754
- other revenue	2,875	2,193
	30,830	23,947
Total revenue	704,595	727,869
3. Expenses		
Employee benefits expense		
- wages and salaries	288,685	304,270
- superannuation costs	29,956	30,202
- other costs	21,114	17,320
	339,755	351,792
Depreciation of non-current assets:		
- Furniture and fittings / leasehold improvements	22,568	21,731
Amortisation of non-current assets:		
- intangible assets	11,134	11,134
	33,702	32,865
Bad debts	167	117

4. Tax Expense	2014 $	2013 $
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit/(loss) before income tax at 30% (2013: 30%)	34,682	42,168
Less imputation credits	(1,170)	(885)
Add tax effect of:		
- Adjustments in respect of current income tax of previous year	-	(9,018)
- Utilisation of previously unrecognised carried forward tax losses	-	-
- Non-deductible expenses	1,632	(6,163)
Current income tax expense	35,144	26,102
Income tax attributable to the entity	35,144	26,102
The applicable weighted average effective tax rate is	30.40%	18.57%

5. Auditors' remuneration

	2014 $	2013 $
Remuneration of the Auditor for:		
- Audit or review of the financial report	4,300	4,150

6. Cash and cash equivalents

	2014 $	2013 $
Cash at bank and on hand	61,592	61,727
Short-term bank deposits	580,064	535,927
	641,656	597,654

7. Investments

	2014 $	2013 $
Listed shares at cost	76,689	40,469

Quoted market value at balance date of investments listed on a prescrived stock exchange was $84,700 (2013: $41,836). Listed shares are readily saleable with no fixed term. There would be no material capital gain tax payable if these assets were sold at reporting date.

8. Trade and other receivables

	2014 $	2013 $
Current		
Trade debtors	61,983	61,320
Accrued interest	13,279	-
Current tax asset	-	6,281
	75,262	67,601

8. Trade and other receivables (continued)

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within this note. The main sources of credit risk to the company are considered to relate to the classes of assets described as trade and other receivables.

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

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

			Past due but not impaired			
2014	**Gross amount**	**Past due and impaired**	**< 30 days**	**31-60 days**	**> 60 days**	**Not past due**
Trade receivables	61,983	-	-	-	-	61,983
Other receivables	13,279	-	-	-	-	13,279
Total	75,262	-	-	-	-	75,262
2013						
Trade receivables	61,320	-	-	-	-	61,320
Other receivables	6,281	-	-	-	-	6,281
Total	67,601	-	-	-	-	67,601

	2014 $	**2013** $
9. Property, plant and equipment		
Furniture and fittings / leasehold improvements		
At cost	143,233	143,233
Less accumulated depreciation	(82,914)	(60,346)
	60,319	82,887
Total written down amount	60,319	82,887
Movements in carrying amounts		
Furniture and fittings / leasehold improvements		
Balance at the beginning of the reporting period	82,887	102,837
Additions	-	1,781
Disposals	-	-
Depreciation expense	(22,568)	(21,731)
Balance at the end of the reporting period	60,319	82,887

10. Intangible assets	2014 $	2013 $
Franchise fee		
At cost	50,000	50,000
Less accumulated amortisation	(36,740)	(26,720)
	13,260	23,280
Preliminary expenses		
At cost	43,685	43,685
Less accumulated amortisation	(42,571)	(41,457)
	1,114	2,228
Total Intangible assets	14,374	25,508
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	23,280	33,300
Additions	-	-
Disposals	-	-
Amortisation expense	(10,020)	(10,020)
Balance at the end of the reporting period	13,260	23,280
Preliminary expenses		
Balance at the beginning of the reporting period	2,228	3,342
Additions	-	-
Disposals	-	-
Amortisation expense	(1,114)	(1,114)
Balance at the end of the reporting period	1,114	2,228

11. Trade and other payables

	2014 $	2013 $
Current		
Unsecured liabilities:		
Trade creditors	8,520	9,366
Other creditors and accruals	10,897	12,196
Current tax liability	5,551	-
	24,968	21,562

12. Provisions

	2014 $	2013 $
Employee benefits	42,375	38,570
Movement in employee benefits		
Opening balance	38,570	60,435
Additional provisions recognised	25,865	25,087
Amounts utilised during the year	(22,060)	(46,952)
Closing balance	42,375	38,570
Current		
Annual leave	19,783	19,190
Long-service leave	7,835	6,912
	27,618	26,102
Non-current		
Long-service leave	14,756	12,468
	14,756	12,468
Total provisions	42,374	38,570

Provision for employee benefits

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

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

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

13. Share capital

	2014 $	2013 $
418,708 Ordinary shares fully paid of $1 each	418,708	418,708
Less: Equity raising costs	-	-
	418,708	418,708

Movements in share capital

	2014 $	2013 $
Fully paid ordinary shares:		
At the beginning of the reporting period	418,708	418,708
Shares issued during the year	-	-
At the end of the reporting period	418,708	418,708

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

Capital management

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

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

(i) the Distribution Limit is the greater of:
- (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2014 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

Notes to financial statements (continued)

	2014 $	2013 $
14. Retained earnings		
Balance at the beginning of the reporting period	235,279	154,317
Profit after income tax	80,468	114,459
Dividends proposed or paid	(33,497)	(33,497)
Balance at the end of the reporting period	282,250	235,279

15. Dividend equalisation reserve

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

The costs of establishing a branch would, in the early years, significantly affect the profits of the company. In order to maintain an appropriate rate of dividend payments the company has established a Dividend Equalisation Reserve.

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

	2014 $	2013 $
Balance at start of year	100,000	100,000
Transfer from current year profits	-	-
Balance at end of year	100,000	100,000

16. Statement of cash flows

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

	2014 $	2013 $
As per the statement of financial position	641,656	597,654
As per the statement of cash flow	641,656	597,654

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

	2014 $	2013 $
Profit after income tax	80,468	114,459
Non cash items		
- Depreciation	22,568	21,731
- Amortisation	11,134	11,134
Changes in assets and liabilities		
- (Increase) decrease in receivables	(13,942)	(220)
- Increase (decrease) in payables	(2,145)	(10,566)
- Increase (decrease) in provisions	3,804	(21,866)
- Increase (decrease) in income tax payable	11,832	25,722
Net cash flows from/(used in) operating activities	113,719	140,394

17. Related party transactions

The company's main related parties are as follows:

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

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

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

AC Small Maxwell & Co Chartered Accountants of which Derek Alden is a principal, received fees of $13,841 (2013: $16,791) 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 nil fees (2013: nil) for providing legal service to Clarence Valley Community Financial Services Limited throughout the year.

(d) Key management personnel shareholdings
The number of ordinary shares in Clarence Valley Community Community Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	2014	2013
Peter James	1,001	1,001
Laurence Marchant	4,001	4,001
Stephen Ward	6,001	6,001
Derek Alden	1	1
Mervyn Smidt	11,000	11,000
Anthony Wade	1,501	1,501
Ian McGaw	5,000	5,000
Brian Heath	-	-
Karen Toms	-	-

A C Small Maxwell & Co of which Derek W Alden is Principal owns 1,000 shares.

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

(e) Other key management transactions
There has been no other transactions involving equity instruments other than those described above.

18. Events after the reporting period

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

19. Contingent liabilities and assets

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

Notes to financial statements (continued)

20. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Grafton, NSW. The company has a franchise agreement in place with Bendigo & Adelaide Bank Limited who account for all income other than investment income.

21. Company details

The registered office is: 50 Victoria Street Grafton NSW 2460

The principal place of business is: 62 Skinner Street South Grafton NSW 2460

22. Earnings per share	**2014** $	**2013** $
Basic earnings per share amounts are calculated by dividing profit / (loss) 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 / (loss) 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:		
Profit after income tax expense	80,468	114,459
Weighted average number of ordinary shares for basic and diluted earnings per share	418,708	418,708
23. Dividends paid or provided for on ordinary shares		
Final fully franked ordinary dividend of 8 cents per share (2013: 8 cents) franked at the tax rate of 30% (2013: 30%).	33,497	33,497
24. Leases		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the		
Payable - minimum lease payments		
- no later than 12 months	16,233	15,911
- between 12 months and 5 years	6,820	23,053
- greater than 5 years	-	-
	23,053	38,964

The property lease is a non-cancellable lease with a 5 year term, with rent payable monthly in advance and annual increases fixed at 5%. The lease has a 5 year extension option.

25. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables.The company has no borrowings or overdraft facilities. The totals for each category of financial instruments measured in accordance with AASB 139 as detailed in the accounting policies are as follows:

	Note	2014 $	2013 $
Financial assets			
Cash and cash equivalents	6	641,656	597,654
Trade and other receivables	8	75,262	67,601
Total financial assets		716,918	665,255
Financial liabilities			
Trade and other payables	11	24,968	21,562
Total financial liabilities		24,968	21,562

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(a) Credit risk

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

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

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

The company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables are due from Bendigo and Adelaide Bank Limited.

None of the assets of the company are past due (2013: 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.

25. Financial risk management (continued)

(a) Credit risk (continued)

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited and therefore credit risk is considered minimal.

	2014 $	2013 $
Cash and cash equivalents:		
A rated	641,656	597,654

(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.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

30 June 2014	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due					
Trade and other payables	11	24,968	24,968	-	-
Total expected outflows		24,968	24,968	-	-
Financial assets - realisable					
Cash & cash equivalents	6	641,656	641,656	-	-
Trade and other receivables	8	75,262	75,262	-	-
Total anticipated inflows		716,918	716,918	-	-
Net (outflow)inflow on financial instruments		691,950	691,950	-	-

25. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2013		**Total** $	**Within 1 year** $	**1 to 5 years** $	**Over 5 years** $
Financial liabilities due					
Trade and other payables	11	21,562	21,562	-	-
Total expected outflows		21,562	21,562	-	-
Financial assets - realisable					
Cash & cash equivalents	6	597,654	597,654	-	-
Trade and other receivables	8	67,601	67,601	-	-
Total anticipated inflows		665,255	665,255	-	-
Net (outflow)/inflow on financial instruments		643,693	643,693	-	-

(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.

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

Sensitivity analysis

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

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

Year ended 30 June 2014	**Profit** $	**Equity** $
+/- 1% in interest rates (interest income)	6,417	6,417
	6,417	6,417
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	5,977	5,977
	5,977	5,977

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

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

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:

1 the financial statements and notes, as set out on pages 6 to 31 are in accordance with the Corporations Act 2001 and:

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

(ii) give a true and fair view of the company's financial position as at 30 June 2014 and of the performance for the year ended on that date;

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

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

Peter James
Director

Signed at Grafton on 17th September 2014.

Richmond Sinnott & Delahunty
Chartered Accountants
Level 2, 10-16 Forest Street
Bendigo, VICTORIA
PO Box 30, Bendigo VICTORIA 3552

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INDEPENDENT AUDITOR'S 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 2014, the statement of profit or loss and other 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 at the year's end.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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.

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

Independence

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

Auditor's Opinion

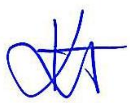
In our opinion:

(a) the financial report of 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 2014 and of its performance for the year ended on that date; and
> (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and

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

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants



Kathie Teasdale
Partner
Dated at Bendigo, 17th September 2014

Your **Community Bank®** branch staff

Mark Hunting
Branch Manager

Jenny Dutton
Customer Relationship Manager

Vicki Hageman
Customer Service Officer

Judy Hubbard
Customer Service Officer

Lu Mulligan
Customer Service Officer

Debby Thompson
Customer Service Officer

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