Annual Report 2015

Valley Community Financial Services Limited

ABN 86 092 399 730

Hurstbridge & Districts **Community Bank**® Branch
Diamond Creek **Community Bank**® Branch
Eltham & District **Community Bank**® Branch
Doreen & Mernda **Community Bank**® Branch
Kinglake branch

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Chairman's report

For year ending 30 June 2015

This is my eighth Annual Report to shareholders since becoming Chairman of Valley Community Financial Services Limited (VCFSL).

Over those years we have witnessed remarkable change in our company structure and the contributions that we've made to shareholders and the communities we serve.

In June 2007 we had two of our **Community Bank**® branches at Hurstbridge and Diamond Creek total banking book of approximately $165 million and 12 staff. Today we have five branches including four **Community Bank**® branches at Hurstbridge, Diamond Creek, Eltham and Doreen/Mernda as well as our Kinglake branch. We have a banking book of approximately $475 million, 32 staff and we've contributed $3.6 million in community strengthening and $1.2 million in fully franked dividends to our shareholders. Two of our youngest **Community Bank**® branches, Eltham and Doreen/Mernda are still to reach profit but do continue to grow steadily towards that goal.

VCFSL has always been a company prepared to try new things in order to help grow our business or bring about better outcomes for all stakeholders. I think it's been this ability to be flexible and challenging that enables us to continue to grow our business and assist the community in many ways.

In 2015 VCFSL embraced a new electronic pay system developed by the Bendigo Bank. The product works by downloading an app onto your phone which in turn enables your phone to read a QR code which can be attached to your bank account and pays the transaction across the counter in place of eftpos facilities. The product is known as redy. In keeping with our values and the nature of the **Community Bank**® model, this new product enables local community groups to raise funds just by using the facility. Every transaction has a .5% allowance available to the consumer to allocate to a cause of their choice. The system needs the support of both retailers and consumer groups.

We were successful at signing up approximately 40 retailers across Hurstbridge and Diamond Creek. We also managed to bring 14 local community groups on board with projects they were trying to raise funds for. The plan is to have the clubs and schools encourage their members to download the redy app and adopt the new electronic pay system. The added benefit being the loyalty program, encouraging local people to shop with local businesses so we have a win-win for everyone - growing local business and raising funds for local projects. The program started in February 2015. We've offered the facility free of charge to local merchants and this ends in December 2015. At that time merchants will have the opportunity to continue with the facility or hand it back. I would encourage all our shareholders to download the redy app and look for stores that display the large red redy sign and shop there. When you do that you'll be supporting local business, local community groups and your own **Community Bank**® company.

The 2015 financial year shows that we are still experiencing challenging business environments and margins continue to be squeezed with interest rates at historic low levels and strong competition in the marketplace.

Your Board continues to review our costs and look for ways to change our business model to improve profitability.

Throughout the 2015 financial year Bendigo and Adelaide Bank, in collaboration with the **Community Bank**® network conducted an overall review of the **Community Bank**® model known as the Project Horizon. The model is now 17 years old and we need to look at the way we do business to take us through for the next 20 years. There were 64 recommendations outlined.

Of particular interest to our company was a need to look at the size of our footprint the layout of our stores and how we can operate as a single company with five branches rather than five separate branches owned by one company. We need to look at areas of replication across the five branches and opportunities to centralise those tasks and to create a sales team which services our entire network.

It is still early days in the implementation some of the recommendations proposed. In many cases we still need to develop a plan and a program to be able to reach our goals. One area that the VCFSL identified early in the process is the need to make changes to our Hurstbridge & Districts **Community Bank**® Branch. The number of across the counter transactions has declined in recent years but the workload in writing business that is term deposits/insurances and the various other products we offer has increased considerably. We now have less need for the old teller stations and a much greater need for workstations - that is a desk, a computer and associated facilities.

We have worked with the Bendigo and Adelaide Bank Properties Department to redesign the branch and to conduct a partial refit to accommodate the changing business environment. This renovation will reduce the number of tellers to two and give us enough space to install three new workstations within the branch. The cost of this renovation is $100,000. This has taken more than 12 months to get a satisfactory design in place but when the work is complete it will be well worth it.

The new layout in Hurstbridge in the long term will enable us to provide some centralised services for our five branches. It will ensure efficient use of our staff and the completion of tasks in a timely manner.

We will stay at the forefront in the evolution of the **Community Bank**® business model and ensure continued profitability and growth in our business well into the future. This is well and truly consistent with the incredible vision of our first Board in 2001 and particularly our first two Chairs Dale Trezise and Bruce Donnelly.

I would like to congratulate our five teams on their performance in 2015. Although we experienced reductions in our margin, they continued to grow their businesses placing them in good stead when the market improves.

The Hurstbridge & Districts **Community Bank**® Branch continues to write remarkable volumes of business and is one of the busiest branches in the country. Being a mature branch of 14 years, the branch now finds loans and deposits are regularly maturing and closing. This means the branch needs to write a lot of business just to standstill. The branch grew by over 5% this year which is a very good result.

Diamond Creek **Community Bank**® Branch exceeded its growth targets for 2015 and in grew its book by about 7%.

The Eltham & District **Community Bank**® Branch achieved the largest growth in the region for 2015 financial year. The branch grew a staggering $8 million and is well placed to continue that performance in 2016.

Doreen & Mernda **Community Bank**® Branch continues to engage its community well and has experienced steady growth throughout the financial year.

The Kinglake branch is a challenge but has made a small contribution to our net profit in 2015.

Earlier this year Bendigo and Adelaide Bank announced that it intends to change our revenue model once again, to take effect 1 July 2016. This will be the third change in the last five years. Unfortunately each time Bendigo Bank has made a change it has been to the detriment of our gross income. Indicative figures on December last year shows that the new model will cost our company nearly $150,000 overall. Each time we experience this lost revenue invariably comes right down to our bottom line. While we continue to explore new ways to do things more economically the reality is we are faced with fixed rental costs, ongoing operational costs and minimum staffing requirements which make it very difficult to make savings anywhere near the total loss in revenue.

Our Hurstbridge & Districts **Community Bank**® Branch and Kinglake branch will be the most affected by the change. Hurstbridge will see a reduction and Kinglake could be looking at significant losses. Directors are very concerned at the continued viability of the Kinglake branch when these revenue changes take place and have flagged our concerns with Bendigo and Adelaide Bank. Your Board is reconciled to take whatever action is required. The franchise agreement enables the Bank to make these changes and we have very little say or choice in accepting alterations to the revenue model.

The group will continue to strive for growth in our business banking and will capitalise on new income opportunities in wealth products and insurance offerings. Bendigo and Adelaide Bank are continually offering new training for our staff to empower them to offer these products.

Chairman's report (continued)

Once again there is an opportunity for our shareholders to support your own business by asking our staff for quotes and bringing your wealth and insurance business to our business.

On a brighter note the group was able to provide $210,000 towards community strengthening in the form of sponsorships and local projects and $120,000 fully franked dividends.

The balance sheet is looking strong with over $1.1 million invested in fixed deposits ready for future developments and unforeseen circumstances. Four of our five franchise agreements will be due for renewal in the second half of the 2015 calendar year. Each franchise fee is $60,000 for five years.

The main project underway at the moment is the construction of the new Panton Hill Cricket Club training nets. As reported last year VCFSL provided $25,000 seed capital enabling a grant from Sports Recreation Victoria and Nillumbik Shire Council.

During the year we also saw the opening of the St Andrews Men's Shed. VCFSL provided $1,200 towards the defibrillator for the Shed. The new St Andrews Community Centre was completed and opened having received a grant of $140,000 from the Community Enterprise FoundationTM funds raised from the 2009 fire appeal. VCFSL were instrumental in ensuring the allocation of those funds to that project.

Finally I would like to once again thank each of our five teams and our Managers for a wonderful contribution to the operation of our company and our communities. Staff are regularly called upon to attend community functions and perform community engagement roles and they generally do this willingly and in a cheerful manner. Major events such as the Diamond Creek Fair, Hurstbridge Wattle Festival, Doreen Fair or the Eltham Fair require considerable assistance on the day. Our staff are terrific.

We now have a team of one full-time and two part-time people in our administration. We are blessed to have such enthusiastic and dedicated people to our business. Without them it would be difficult to function being a multisite business.

I would also like to thank the Board of Directors and their partners who put in considerable hours every month to ensure the well-being of our company, looking after corporate governance strategy and business planning, marketing and reviewing and implementing new opportunities. They attend community functions on our behalf – a very important role of the **Community Bank**® company Director – one of the cornerstones of our business model.

Barry Henwood

Barry Henwood
Chair

Hurstbridge Manager's report

For year ending 30 June 2015

I have great pleasure in presenting my report for the 2015 financial year. Again it was an extremely busy and challenging year for the Hurstbridge & Districts **Community Bank**® Branch.

The past year has seen banks competing strongly for deposits from customers to meet their capital needs, while the demand for loans has continued to be soft as people remain uncertain about economic conditions.

This has resulted in customers taking the opportunity to pay off their loans, sell investment properties to downsize and pay off their loans by using savings to reduce debt while interest rates are at an all-time low. Even though we have not been immune from any of these competitive pressures, the branch has continued to grow its core banking products. We have a lending growth of $7.58 million and deposit growth of $5.96 million. Overall footings now sitting at $212 million.

We have continued to focus on diversifying our income streams by providing solutions to help meet more of our customers' financial needs. We are concentrating on improving our performance in general insurance and referrals to our Financial Planners providing loan protection insurance for our customers. This is not only good for our business, but it's also good for our customers in that we have not only met their core financial needs, we have also helped protect them and their family's most valuable assets.

We are fortunate to have such dedicated staff that provide excellent service to our customers. Our staff are one of the keys to our success, thanks to their strong commitment to the branch and the communities they serve. They are to be commended on their knowledge and focus on providing a high standard of service to all our current and prospective customers.

We were very sad to have Lee Read leave us after having worked for us at Hurstbridge and Diamond Creek **Community Bank**® branches for more than 13 years. We wish her all the best for a well-deserved retirement. She will be missed by the Hurstbridge staff, VCFSL and customers.

I would also like to sincerely thank our Directors and our partners, the Bendigo and Adelaide Bank who have been a great support to our branch and staff throughout the year. I would also like to thank the staff who run the Administration Office.

In closing we look forward to the continuing support of our customers and shareholders, and a growing awareness of the significant long-term contribution the **Community Bank**® branch will make to the Hurstbridge and district community.

Dion Shirley
Senior Banking Manager

Diamond Creek Manager’s report

For year ending 30 June 2015

We are now well into our 11th year of trading and what a year it has been. It has been a very challenging year, in a very competitive environment to maintain and increase growth.

I am pleased to say that Diamond Creek **Community Bank**® Branch reported footings of $113.7 million hitting budget for the year. This is an increase from $104.2 million last year. Customer numbers sit at 3,723 compared to 3,260 last year. Number of accounts is 5,040 which is 213 above last year. Our growth was influenced heavily by our deposit book this year and I attribute this to our competitive deposit rates in the market, our point of difference and service we provide to our customers. Sadly our lending is still being affected by increased use by customers of brokers and on line lenders. This is certainly a sign of how the public choose to shop around for more options. Bendigo Bank is counteracting this with attractive packages with competitive rates.

Acquisition and retention of customers is more important than ever, and we are provided adequately with tools by Bendigo Bank which gives us the opportunity to keep in touch with our customers.

February saw us launch a new product in the Diamond Creek market place called REDY. This digital based payment system has enabled us to gain new traders as customers to the branch and also encourage community groups and clubs linked to the program to raise funds for their projects.

I would like to acknowledge and thank my team who consistently deliver superior service to our customers and are dedicated to grow our business. Thank you Melinda Tonti, Monica Rae, Heather Hayman, Jo Sandy and our new staff member who came on board November 2014, Nirmala Menezes. Without this team we would not be where we are today, thank you for your support.

I sincerely thank all the Board members for their time, support and assistance over the last 12 months and also the support given to us by our administration team, Melinda De Bolfo, Melissa Vickrage and Louise Danson. To our shareholders, community groups, local clubs thank you again for choosing us as your preferred **Community Bank**® branch. Investing in our community is what we are about and you help us do that, thank you.

My staff and I look forward to another challenging and exciting 12 months. A business without challenges will become complacent and we are far from that.

Tina Elmer
Branch Manager

Eltham Manager’s report

For year ending 30 June 2015

The Financial Year ending 30 June 2015 was a very good one for the Eltham & District **Community Bank**® Branch which saw the business grow by more than 30% in what was a very competitive, tough market. Net lending growth for the year was $10.3 million while deposits also grew $8.7 million in a highly competitive market. Account openings remain strong, wealth and insurance sales continue to build. Overall footings total stood at $78 million as at 30 June 2015.

The branch has also continued to support the community through a range of sponsorships and grants. Several football, cricket, basketball and bowling clubs have benefited from our sponsorships and have reciprocated by having their members bring business to the branch. This is the result we seek from these sponsorships and their support is greatly appreciated as it enables the business to grow, become profitable and increase the community dividend.

We also support a number of smaller community groups, which amongst other things assist with education of our children, big and small, as well as the less fortunate and needy.

Finally we also maintained a big presence at the Eltham Festival, the Eltham Jazz Festival and a number of smaller community events. These activities give and maintain a profile for the branch within the community.

Our focus remains serving our customers and the Eltham community by becoming the most customer connected bank in the local area.

Finally I would like to thank the staff of the Eltham & District **Community Bank**® Branch for all their efforts during the year and the Directors of our **Community Bank**® company for their support.

Branch Manager: Michael Maloney.

Staff: Dan Mathers, Karen McDermott, Janice Hawkins, Janine Woolnough and Annette Austin.

	2014	2015	Growth %
Deposit growth:	$28.8 million	$37.1 million	+28.82%
Lending growth	$30.4 million	$40.7 million	+33.88%
Total growth	$59.2 million	$77.7 million	+30.40%

Michael Maloney
Business Development Manager

Doreen & Mernda Manager's report

For year ending 30 June 2015

The Doreen & Mernda **Community Bank**® Branch is now into its fourth year of trading and has continued to achieve pleasing growth results and increase in customer numbers in what has been a very tough and competitive market. The footings of the branch are $45.8 million as at 30 June 2015 and we have 2,784 customers.

I would like to thank our loyal customers, shareholders, traders, schools, sporting clubs, emergency services and not for profit organisations for supporting our business and for being such great advocates in the community and assisting in this very important growth.

In order to continue to grow the business and share a larger amount of revenue with our local community, we rely on the support of customers and organisations by way of their banking and taking advantage of the full suite of financial products we have to offer.

Every product and service the branch offers not only benefits the customer but returns a benefit to the community and I urge all stakeholders to consider where they currently bank, have their home loan, business account, insurances and any other financial product and to ask themselves are you happy with the service you receive and what does your current financial institution or insurance company do for your community? Does your current financial institution support your community and contribute revenue back into your community?

We have had a couple of staff changes this past year and I would like to thank all staff past and present who deliver an exceptional, friendly and professional service to our customers and provide a banking experience that is second to none. In particular a huge thankyou to Sarah Griffiths and Lidia Lucisano for your support and dedication to the branch and welcome to Jasmyn Hickey and Stephanie Jellett who have joined our team this year.

Finally I would like to thank our wonderful administration team at Valley Community Financial Services Limited, fellow Branch Managers and our dedicated Board of Directors who have all been such a wonderful support to myself and the branch team.

We look forward to another year of growth and a bigger return of benefits to the local community.

Jennifer Pearson
Manager

Kinglake Manager's report

For year ending 30 June 2015

It is once again with pleasure that I submit the Manager's report for the Kinglake branch for 2014/15.

This is Kinglake branch's sixth year of trading and its second year as a fully operational branch providing full banking services from Monday to Saturday, with total business footings sitting at $34 million.

Due to the lack of growth in the first half of the financial year, 2014/15 proved to be a challenging year for the Kinglake branch. The footings had not grown as well as we had hoped, however gains were made in the last quarter and they will have carried over to the new financial year.

This has increased our confidence in the future and we have renewed our emphasis on staff training, stronger business engagement via our Business Development Manager as we are resolved to revitalise our approach to growing the business while continuing to minimise overall costs.

To all the staff, thank you for your efforts and support during the year. You are to be congratulated on the service that you provide to all our customers, and also the pride that you have in our branch.

I would also like to thank our Board members and our administration team as well as our regional team for their support over the past 12 months.

In closing we look forward to the continuing support of our customers and shareholders, and a growing awareness of the significant long-term contribution the Kinglake branch will make to the Kinglake community.

Dion Shirley
Senior Banking Manager

Treasurer's report

For year ending 30 June 2015

Business performance summary

The generally sluggish economic conditions which prevailed in the 12 months to 30 June 2015 were very similar to the previous 12 months.

The banking and finance sector again suffered reduced margins and was increasingly competitive with new low-overhead on-line mortgage lenders entering the fray and offering cut price loans; joining the majors and regional banks in attracting rate and price conscious customers.

The company remained focussed and concentrated its attention on building sales, cross selling of other income earning products such as insurance and combined these strategies with its excellent reputation for superior service and community support.

Business footings grew by a very impressive 10.4% or $45.3 million compared with $28.7 million in the previous 12 months and a pleasing Profit (before tax and sponsorship) of $507,600 was posted.

Key financial data

	2015	2014	variance	
Footings ($ million)	481.9	436.6	45.3	10.4%
	$000's	**$000's**	**$000's**	**%**
Income	4,016.5	3,983.8	32.7	0.8%
Employment	2,146.0	2,089.4	56.6	2.7%
Expenses	3,508.9	3,510.4	- 1.5	-
Operating profit (before sponsorship and tax)	507.6	473.5	34.1	7.2%
Sponsorship	174.4	172.4	2.0	1.2%
Profit after tax	230.7	208.4	22.3	10.7%
Cash	1205.1	885.3	319.8	36.1%
Net assets	2339.6	2,230.4	109.2	4.9%
Retained earnings	283.7	174.5	109.2	62.6%
Return on equity before sponsorship and tax	21.7%	21.2%	0.4%	1.9%
Return on equity after tax	9.9%	9.3%	0.6%	6.5%
Cost to income ratio	87.4%	88.1%	- 0.7%	- 0.8%

Treasurer's report (continued)

Key observations are as follows:

- Total expenses did not increase.
- Income was up only 0.8% after an increase in business footings of 10.4% due to reduced margins on lending and deposit products. These margins are symptomatic of the economic conditions.
- Employment costs were contained to within CPI.
- Profit before tax and sponsorship was up 7.2%.
- Sponsorship spending remained stable. This was in addition to Marketing spending and amortisation of the **Community Bank**® Stadium goodwill.
- After tax profit rose by 10.7% enabling Net assets to rise by $109,200 or 4.9%.
- Retained earnings rose by 62.6% off a low base.

Financial Year 2016

The company's objective is to continue to sharpen its focus on sales by:

- Leveraging off its existing customer base and increasing number of banking products per customer;
- Continue to up skill staff with emphasis on sales;
- Changing branch and staff structures to focus more attention on sales. The modifications of Hurstbridge & Districts **Community Bank**® Branch is a case in point.

Financial Year 2015 dividend

The Board of Directors has declared a dividend of 3 cents per share payable in October 2015. The total cost of the dividend is $121,557.00. VCFSL policy requires that the Finance Committee provide Directors with assurances that all governance requirements for a dividend to be declared have been met.

The three governance requirements which have been met are:

- The Company Constitution
- Corporate Law
- The Franchise Agreement.

The Board considers that it is prudent to hold the dividend at its present level of 3 cents per share so as to maintain a balance between its three objectives and responsibilities in 2015:

- Maintaining financial stability by increasing long term Retained Earnings within the company by $108,500;
- Maintaining a significant contribution to the community by way of sponsorship spending of $174,400 and
- Paying a shareholder return of $121,557 or 3 cents per share which has the added benefit of being fully franked.

Stephen Bennett
Treasurer

Directors' report

For the financial year ended 30 June 2015

Your Directors present their report of the company for the financial year ended 30 June 2015.

Directors

The following persons were Directors of 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
Barry Henwood Appointed 30 November 2001 Executive Chairman	Dip Hort. Sci, Grad Dip Acc Newsagent and Licensed Post Office	Member of all Committees with the exception of the Audit Committee
Malcolm Hackett OAM Appointed 6 February 2008 Deputy Chairman	BA Dip. Ed Retired	Chair of Community Strengthening Committee Chair of Policy & Procedures Committee Member of Strategy Committee Member of Audit Committee Member of Executive Committee
Stephen Bennett Appointed 6 February 2008 Treasurer	Winery Proprietor	Chair of Finance Committee Member of Audit Committee Member of Executive Committee
Ingrid Crichton Appointed 6 February 2008 Director	Retired	Chair of Human Resources Committee Member of Community Strengthening Committee Member of Audit Committee
Daryl Brooke Appointed 6 May 2010 Director	Consultant	Chair of Strategy Committtee Member of Audit Committee Member of Finance Committee Member of Policy & Procedures Committee
Philip Marendaz Appointed 4 February 2009 Director	Public Accountant	Member of Finance Committee Member of Strategy Committee
Carole Bury Appointed 18 January 2011 Director	Personal Assistant	Chair of Events Committee Member of Community Strengthening Committee Member of Policy & Procedures Committee Member of Audit Committee
Carol Jenkinson Appointed 29 June 2012 Director	Community Volunteer	Chair of Marketing Committee Member of Strategy Committee Member of Community Strengthening Committee Member of Events

Directors (continued)

Name and position held	Qualifications	Experience and other Directorships
Phillip Burtt Appointed 13 November 2013 Director		Chair of Audit Committee Member of Finance Committee

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®** branch 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 $230,692 (2014 profit: $208,434), which is a 10.8% increase as compared with the previous year.

The net assets of the company have increased to $2,339,556 (2014: $2,230,421). The increase is largely due to normal trading activities.

Dividends

Dividends paid or declared since the start of the financial year.

	Year ended 30 June 2015	
	Cents per share	$
Dividends paid in the year (final dividend):	3	121,557

Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

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 the end of the reporting period

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

The remuneration policy of Valley Community Financial Services Limited has been designed to align Key Management Personnel (KMP) objectives with shareholder and business objectives. The Board believe the remuneration policy to be appropriate and effective.

Key management personnel remuneration

The Board is responsible for the determination of remuneration packages and policies applicable to the Branch Managers and all the staff and believes the remuneration policy to be appropriate and effective to attract and retain the best local Branch management personnel. Remuneration packages, including a performance based bonus package, are reviewed annually by the Human Resources Committee in conjunction with Bendigo and Adelaide Bank Limited through consultation with the Regional Manager. An annual recommendation is subsequently put to the full Board for approval of key management remuneration. The Board accepts that Bendigo and Adelaide Bank Limited is responsible for the determination of remuneration packages and policies applicable to seconded branch Managers and all seconded staff.

In 2013, the Board began a process of reviewing our corporate structure and as part of that process, the Board appointed Barry Henwood as Executive Chairman in a part time executive role to accommodate the increased requirements of the company as it grew. The position is reviewed quarterly by the Executive Committee. The appointment of an Executive Chair signals a further step in the growth of **Community Bank**® concept in our area – as the business has grown and community contributions have increased there is a need to move to the next level of service and professionalism as an organisation. The challenge is to improve all facets of the business and ensure the future is sustainable.

As required by sections 300A(1)(ba)(i), (ii), (iii) and (iv) of the Corporations Act 2001, the Business Development Manager and the Senior Banking Manager's role is to develop new and old customer and community relationships, with a primary focus on writing business to a minimum level agreed each year. The focus is on developing relationships with high value clients, both consumer and commercial, with the aim of building a highly profitable, diverse customer portfolio. The remuneration of the Business Development Manager has been split into two parts. The first is a base salary that is not contingent upon company performance. The second is a bonus the quantum of which is determined by the Human Resources Committee after a review of the performance of the company and various Key Performance Indicators (KPI). These KPI's are aligned to business growth indicators such as increase of loans, deposits and other business, taking into account the relative returns to the company of each product line. Other KPI's include community engagement and conversion of business from that engagement. The remuneration of the Executive Chairman has been determined by the Board. The remuneration is exclusively a base contract without any bonus component.

Director remuneration

Remuneration paid to the Directors is not based on company performance but rather seen as a means to cover expenses incurred by the Directors as they carry out their duties to the company. At the 2009 Annual General Meeting, shareholders resolved that the Director remuneration allowance be increased to a collective value of $75,000 per annum.

The determination of individual Board member payments were made by the Board after considering the relative workloads involved. Directors could elect to not receive any payments.

Remuneration report (continued)

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.

Valley Community Financial Services Limited has elected not to participate in Bendigo and Adelaide Bank Limited's **Community Bank**® Directors' Privileges package. Directors have received no benefits based on their personal banking with the branches.

Directors' remuneration for the year ended 30 June 2015:

	2015 $
Barry Henwood	5,000
Malcolm Hackett OAM	7,000
Stephen Bennett	7,000
Ingrid Crichton	5,000
Daryl Brooke	5,000
Philip Marendaz	5,000
Carole Bury	5,000
Carol Jenkinson	5,000
Phillip Burtt	5,000
	49,000

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 Officer's 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 was 12. Attendances by each Director during the year were as follows:

Director	Board Meetings #	Audit Committee Meetings #
Barry Henwood	10 (11)	N/A
Malcolm Hackett OAM	11 (11)	3 (3)
Stephen Bennett	10 (11)	3 (3)
Ingrid Crichton	10 (11)	3 (3)
Daryl Brooke	11 (11)	3 (3)
Philip Marendaz	11 (11)	N/A
Carole Bury	9 (11)	3 (3)
Carol Jenkinson	11 (11)	N/A
Phillip Burtt	11 (11)	3 (3)

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.
N/A - not a member of that Committee.

Likely developments

The company will continue its policy of providing banking services to the community. Bendigo and Adelaide Bank Limited have announced a new revenue model known as Funds Transfer Pricing which will commence on 1 July 2017. Initial indications are the impact on our revenue based on our banking book as at 31 December 2014 will be a loss of as much as $90,000 per year. Two branches to suffer the most will be Hurstbridge and Kinglake. The change will put Kinglake branch into a loss and will impact on its long term viability. Bendigo and Adelaide Bank Limited has also announced changes to the way we use the Marketing Development Fund allocation. This change will remove approximately $60,000 from our Community Grants and Sponsorship programs. Total impact is approximately $160,000.

Environmental regulations

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.

Company Secretary

The Company Secretary is Melissa Vickrage who was appointed to the position on 24 May 2013. Melissa has a strong legal background and has worked for many years as a Legal Assistant/Paralegal with a major Melbourne law firm. In this varied role, Melissa's duties were company incorporations, running the firm's Company Registers, and being part of a team of lawyers incuding 3 Tax Partners. Melissa brings to the Company Secretary role her strong organisational skills and a wealth of knowledge relating to relevant legislation and corporate governance. Melissa Vickrage does not hold a Director position in the company and has been employed by the company since April 2010.

Directors' report (continued)

Non audit services

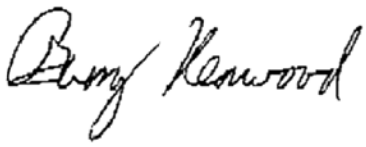
The Board of Directors, in accordance with advice from the Audit committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed 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 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 110 "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 18 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 Diamond Creek on 11 September 2015.



Barry Henwood
Director

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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

Ph: (03) 5445 4200
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rsd@rsdadvisors.com.au
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Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the Directors of Valley Community Financial Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015 there has been no contraventions of:

(i) the Auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated at Bendigo, 14th September 2015

Richmond Sinnott Delahunty Pty Ltd
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners:
Kathie Teasdale
David Richmond
Philip Delahunty
Cara Hall
Brett Andrews

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2015

	Notes	2015 $	2014 $
Revenue	2	4,016,535	3,983,794
Employee benefits expense	3	(2,145,984)	(2,089,442)
Depreciation and amortisation expense	3	(190,287)	(199,069)
Finance costs	3	(8,965)	(10,448)
Bad and doubtful debts expense	3	(4,303)	(6,507)
Rental expense		(346,849)	(338,504)
Other expenses	3	(812,525)	(866,353)
Operating profit before charitable donations and sponsorships		**507,622**	**473,471**
Charitable donations and sponsorships		(174,365)	(172,364)
Profit/(loss) before income tax		**333,257**	**301,107**
Tax expense / (benefit)	4	102,565	92,673
Profit/(loss) for the year		**230,692**	**208,434**
Other comprehensive income		-	-
Total comprehensive income for the year		**230,692**	**208,434**
Total comprehensive income attributable to:			
Members of the company		-	-
Total		**230,692**	**208,434**
Earnings per share (cents per share)			
- basic earnings per share	23	5.69	5.14

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2015

	Notes	2015 $	2014 $
Assets			
Current assets			
Cash and cash equivalents	6	1,205,060	885,325
Trade and other receivables	7	338,216	324,679
Total current assets		**1,543,276**	**1,210,004**
Non-current assets			
Property, plant and equipment	8	814,458	825,037
Deferred tax assets	13	48,402	43,080
Intangible assets	9	516,302	647,056
Total non-current assets		**1,379,162**	**1,515,173**
Total assets		**2,922,438**	**2,725,177**
Liabilities			
Current liabilities			
Trade and other payables	10	163,448	109,929
Loans and borrowings	11	37,963	33,432
Provisions	12	108,990	91,894
Income tax payable	13	31,672	19,390
Total current liabilities		**342,073**	**254,645**
Non current liabilities			
Loans and borrowings	11	189,884	189,190
Provisions	12	50,925	50,921
Total non current liabilities		**240,809**	**240,111**
Total liabilities		**582,882**	**494,756**
Net assets		**2,339,556**	**2,230,421**
Equity			
Issued capital	14	2,055,876	2,055,876
Retained earnings	15	283,680	174,545
Total equity		**2,339,556**	**2,230,421**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the year ended 30 June 2015

	Notes	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2013		**2,055,876**	**87,668**	**2,143,544**
Profit for the year		-	208,434	208,434
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**208,434**	**208,434**
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	24	-	(121,557)	(121,557)
Balance at 30 June 2014		**2,055,876**	**174,545**	**2,230,421**
Balance at 1 July 2014		**2,055,876**	**174,545**	**2,230,421**
Profit for the year		-	230,692	230,692
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**230,692**	**230,692**
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	24	-	(121,557)	(121,557)
Balance at 30 June 2015		**2,055,876**	**283,680**	**2,339,556**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2015

	Notes	2015 $	2014 $
Cash flows from operating activities			
Receipts from customers		4,391,687	3,962,291
Payments to suppliers and employees		(3,825,053)	(3,484,416)
Interest paid		(10,302)	(10,448)
Interest received		24,295	19,844
Income tax paid		(95,606)	(129,540)
Net cash provided by operating activities	**16**	**485,021**	**357,731**
Cash flows from investing activities			
Purchase of property, plant & equipment		(48,954)	(6,256)
Net cash flows from used in investing activities		**(48,954)**	**(6,256)**
Cash flows from financing activities			
Proceeds from borrowings		31,942	-
Repayment of borrowings		(26,717)	(22,940)
Dividends paid		(121,557)	(121,557)
Net cash used in financing activities		**(116,332)**	**(144,497)**
Net increase in cash held		**319,735**	**206,978**
Cash and cash equivalents at beginning of financial year		885,325	678,347
Cash and cash equivalents at end of financial year	**6**	**1,205,060**	**885,325**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2015

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

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 11 September 2015.

Note 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, were 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 governs the management of **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;

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency (continued)

- 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.

(b) Income tax

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities are measured at the amounts expected to be paid to 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.

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 calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

(c) Fair value of assets and liabilities

The company may measure 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 assets or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable 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.

Note 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.

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 in profit or loss. 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.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's 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	4-5%
Plant and equipment	10-20%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's 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.

(e) Leases

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

Note 1. Summary of significant accounting policies (continued)

(e) Leases (continued)

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

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

(f) Impairment of assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. 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.

(g) 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.

(h) Employee benefits

<u>Short-term employee benefits</u>

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.

The company's obligations for short-term employee benefits such as wages and salaries are recognised as part of current trade and other payables in the statement of financial position. The company's obligation for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Note 1. Summary of significant accounting policies (continued)

(h) Employee benefits (continued)

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. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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.

(i) Intangible assets and franchise fees

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 in the Statement of Profit or Loss and Other Comprehensive Income.

(j) 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.

(k) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any 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).

(l) 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 subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Note 1. Summary of significant accounting policies (continued)

(m) 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.

(n) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

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

There are no new and amended accounting policies that have been adopted by the company this financial year.

(p) 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:

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018).

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.

The key changes that may affect the company on initial application include certain simplifications to the classification of financial assets.

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 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2017).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

Note 1. Summary of significant accounting policies (continued)

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

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2017) (continued)

This Standard will require retrospective restatement, as well as enhanced disclosure regarding revenue.

Although the Directors anticipate that the adoption of AASB 15 may have an impact on the company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

(q) Loans and borrowings

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

(r) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which 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.

(s) 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.

(t) Comparative figures

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

(u) 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.

Employee benefits provision

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

Note 1. Summary of significant accounting policies (continued)

(u) Critical accounting estimates and judgements (continued)

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. 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.

(v) 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.

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. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in the profit or loss.

(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).

Note 1. Summary of significant accounting policies (continued)

(v) Financial instruments (continued)

Impairment (continued)

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.

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

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.

	2015 $	**2014 $**
Note 2. Revenue and other income		
Revenue		
- services commissions	3,992,240	3,963,950
	3,992,240	**3,963,950**
Other revenue		
- interest received	24,295	19,844
- other revenue	-	-
	24,295	**19,844**
Total revenue	**4,016,535**	**3,983,794**

Note 3. Expenses

	2015 $	2014 $
Employee benefits expense		
- wages and salaries	1,775,951	1,738,084
- superannuation costs	164,969	155,452
- other costs	205,064	195,906
	2,145,984	**2,089,442**
Depreciation of non-current assets:		
- plant and equipment	36,468	44,496
- leasehold improvements	23,065	23,819
Amortisation of non-current assets:		
- intangible assets	130,754	130,754
	190,287	**199,069**
Finance costs:		
- Interest paid	8,965	10,448
Bad debts	4,303	6,507
Other expenses		
- accounting fees	62,100	60,500
- insurance	51,116	59,178
- printing and stationery	53,187	63,150
- IT equipment Lease	79,744	81,592
- IT running costs	44,877	46,206
- IT support costs	60,744	62,130
- cleaning	48,441	53,613
- electricity and gas	36,000	31,721
- repairs and maintenance	20,599	12,348
- rates	30,172	27,898
- telephone	37,563	38,830
- marketing	81,504	66,575
- other	206,478	262,612
	812,525	**866,353**

	2015 $	2014 $

Note 4. Tax expense

a. The components of tax expense comprise

	2015 $	2014 $
- current tax expense	107,887	92,895
- deferred tax income relating to the origination and reversal of temporary differences	(5,322)	(222)
- recoupment of prior year tax losses	-	-
- adjustments for under/(over)-provision of current income tax of previous years	-	-
	102,565	**92,673**

b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

	2015 $	2014 $
Prima facie tax on profit before income tax at 30% (2014: 30%)	99,977	90,332
Add tax effect of:		
- Adjustments in respect of current income tax of previous year	-	-
- Utilisation of previously unrecognised carried forward tax losses	-	-
- Non-deductible expenses	7,910	2,563
Current income tax expense	**107,887**	**92,895**
Income tax attributable to the entity	**102,565**	**92,673**
The applicable weighted average effective tax rate is	30.78%	31.94%

The applicable income tax rate is the Australian Federal tax rate of 30% (2014: 30%) applicable to Australian resident companies.

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

	2015 $	2014 $
- Audit or review of the financial report	4,430	6,448
- Share registry services	5,519	5,294
	9,949	**11,742**

Note 6. Cash and cash equivalents

	2015 $	2014 $
Cash at bank and on hand	321,594	283,771
Short-term bank deposits	883,466	601,554
	1,205,060	**885,325**

The effective interest rate on short-term bank deposits was 2.75% (2014: 3.30%); these deposits have an average maturity of 180 days.

	2015 $	2014 $

Note 7. Trade and other receivables

Current		
Trade receivables	295,019	298,947
Other assets	43,197	25,732
	338,216	**324,679**

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

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.

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
2015						
Trade receivables	295,019	-	-	-	-	295,019
Other receivables	-	-	-	-	-	-
Total	**295,019**	**-**	**-**	**-**	**-**	**295,019**
2014						
Trade receivables	298,947	-	-	-	-	298,947
Other receivables	-	-	-	-	-	-
Total	**298,947**	**-**	**-**	**-**	**-**	**298,947**

	2015 $	2014 $

Note 8. Property, plant and equipment

	2015 $	2014 $
Leasehold improvements		
At cost	789,610	789,610
Less accumulated depreciation	(129,352)	(106,287)
	660,258	**683,323**
Plant and equipment		
At cost	583,032	534,078
Less accumulated depreciation	(428,832)	(392,364)
	154,200	**141,714**
Total written down amount	**814,458**	**825,037**
Movements in carrying amounts		
Leasehold improvements		
Balance at the beginning of the reporting period	683,323	707,142
Additions	-	-
Disposals	-	-
Depreciation expense	(23,065)	(23,819)
Balance at the end of the reporting period	**660,258**	**683,323**
Plant and equipment		
Balance at the beginning of the reporting period	141,714	181,572
Additions	48,954	6,256
Disposals	-	(1,618)
Depreciation expense	(36,468)	(44,496)
Balance at the end of the reporting period	**154,200**	**141,714**

Note 9. Intangible assets

	2015 $	2014 $
Franchise fee / Start up costs		
At cost	383,647	383,647
Less accumulated amortisation	(367,277)	(311,523)
	16,370	**72,124**
Community Bank® Stadium naming rights		
At cost	750,000	750,000
Less accumulated amortisation	(250,068)	(175,068)
	499,932	**574,932**
Total Intangible assets	**516,302**	**647,056**

	2015 $	2014 $

Note 9. Intangible assets (continued)

Movements in carrying amounts

	2015 $	2014 $
Franchise fee / Start up costs		
Balance at the beginning of the reporting period	72,124	127,878
Additions	-	-
Disposals	-	-
Amortisation expense	(55,754)	(55,754)
Balance at the end of the reporting period	**16,370**	**72,124**
Community Bank® Stadium naming rights		
Balance at the beginning of the reporting period	574,932	649,932
Additions	-	-
Disposals	-	-
Amortisation expense	(75,000)	(75,000)
Balance at the end of the reporting period	**499,932**	**574,932**

Note 10. Trade and other payables

Current

	2015 $	2014 $
Unsecured liabilities:		
Trade payables	156,313	101,652
Other creditors and accruals	7,135	8,277
	163,448	**109,929**

The average credit period on trade and other payables is one month.

Note 11. Borrowings

Current

	2015 $	2014 $
Unsecured liabilities		
Bank loans	33,432	33,432
Secured liabilities		
Chattel mortgage	4,531	-
	37,963	**33,432**

	2015 $	2014 $

Note 11. Borrowings (continued)

	2015 $	2014 $
Non-current		
Unsecured liabilities		
Bank loans	164,928	189,190
Secured liabilities		
Chattel mortgage	24,956	-
	189,884	**189,190**

The company has a chattel mortgage loan which is subject to normal terms and conditions. This loan is secured on the motor vehicle it was created to purchase.

Note 12. Provisions

	2015 $	2014 $
Employee benefits	**159,915**	**142,815**
Movement in employee benefits		
Opening balance	142,815	142,859
Additional provisions recognised	140,610	131,715
Amounts utilised during the year	(123,510)	(131,759)
Closing balance	**159,915**	**142,815**
Current		
Annual leave	108,990	91,894
	108,990	**91,894**
Non-current		
Long-service leave	50,925	50,921
	50,925	**50,921**
Total provisions	**159,915**	**142,815**

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.

	2015 $	2014 $

Note 13. Tax balances

	2015 $	2014 $
(a) Tax assets		
Non-current		
Deferred tax asset comprises:		
- Provisions	48,402	43,080
	48,402	**43,080**
(b) Tax Liabilities		
Current		
Income tax payable	31,672	19,390
	31,672	**19,390**

Note 14. Share capital

	2015 $	2014 $
2,055,876 Ordinary shares fully paid	2,055,876	2,055,876
3:1 Bonus shares (1,996,014) issued for no consideration		
Less: Equity raising costs	-	-
	2,055,876	**2,055,876**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	4,051,890	4,051,890
Shares issued during the year	-	-
At the end of the reporting period	**4,051,890**	**4,051,890**

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 company 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

Note 14. Share capital (continued)

Capital management (continued)

(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 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.

Note 15. Retained earnings

	2015 $	2014 $
Balance at the beginning of the reporting period	174,545	87,668
Profit after income tax	230,692	208,434
Dividends paid	(121,557)	(121,557)
Balance at the end of the reporting period	**283,680**	**174,545**

Note 16. Statement of cash flows

Reconciliation of cash flow from operations with profit after income tax

	2015 $	2014 $
Profit after income tax	230,692	208,434
Non cash flows in profit		
- Depreciation	59,533	68,315
- Amortisation	130,754	130,754
- Asset write offs	-	1,618
Changes in assets and liabilities		
- (Increase) decrease in receivables	(13,537)	(10,947)
- (Increase) decrease in deferred tax asset	(5,322)	(222)
- Increase (decrease) in payables	65,801	(40,177)
- Increase (decrease) in provisions	17,100	(44)
Net cash flows from operating activities	**485,021**	**357,731**

Note 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. "

Office supplies and equipment expenses were paid to Blackburn South Newsagency - an associated entity of Director Barry Henwood. During the year an amount of $4,671 (2014: $4,774) was paid to Blackburn South Newsagency.

Consultancy fees were paid to Director Barry Henword in his role as Executive Chairman. During the year an amount of $46,000 (2014: $25,863) was paid to Barry Henwood.

Accounting services expenses were paid to Marendaz Pty Ltd - an associated entity of Director Philip Marendaz. During the year an amount of $64,100 (2014: $60,504) was paid to Marendaz Pty Ltd.

Staff amenities expenses were paid to Lovegrove Vineyard & Winery - an associated entity of Director Stephen Bennett. During the year an amount of $544 (2014: 364) was paid to Lovegrove Vineyard & Winery.

Directors' remuneration for the year ended 30 June 2015:

	2015 $
Barry Henwood	5,000
Malcolm Hackett OAM	7,000
Stephen Bennett	7,000
Ingrid Crichton	5,000
Daryl Brooke	5,000
Philip Marendaz	5,000
Carole Bury	5,000
Carol Jenkinson	5,000
Phillip Burtt	5,000
	49,000

Note 17. Related party transactions (continued)

(c) Transactions with key management personnel and related parties (continued)

Directors' remuneration for the year ended 30 June 2015: (continued)

The Valley Community Financial Services Limited has elected not to participate in Bendigo and Adelaide Bank Limited's **Community Bank**® Directors' Privileges package. Directors have received no benefits based on their personal banking with the branches.

(d) Key management personnel shareholdings

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

	2015	2014
Barry Henwood	11,000	11,000
Malcolm Hackett OAM	20,000	20,000
Stephen Bennett	5,750	5,750
Ingrid Crichton	-	-
Daryl Brooke	7,000	7,000
Philip Marendaz	5,000	5,000
Carole Bury	5,000	5,000
Carol Jenkinson	-	-
Phillip Burtt	-	-
	53,750	**53,750**

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.

Note 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.

Note 19. Contingent liabilities and contingent assets

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

Note 20. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates within the Shires of Nillumbik, Whittlesea, and Murrundindi Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2014: 100%).

Note 21. Leases

	2015 $	2014 $
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.		
Payable - minimum lease payments		
- no later than 12 months	142,808	274,568
- between 12 months and 5 years	523,901	380,349
- greater than 5 years	-	-
	666,709	**654,917**

The property leases are non-cancellable leases with terms ranging between 4 and 10 years, with rent payable monthly in advance and with CPI increases each year.

Note 22. Company details

The registered office of the company is:	8B, 75/77 Main Hurstbridge Road, Diamond Creek VIC 3089
The principle places of the business are:	808 Main Road, Hurstbridge VIC 3099
	Shop 8, 75/77 Main Hurstbridge Road, Diamond Creek VIC 3089
	Shop 4, 1 Victoria Road, Kinglake VIC 3763
	1036 Main Road, Eltham VIC 3095
	Shop 3, 101 Hazel Glen Drive, Doreen VIC 3754

	2015 $	2014 $

Note 23. Earnings per share

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). There were no options or preference shares on issue during the year.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2015 $	2014 $
Profit after income tax expense	**230,692**	**208,434**
Weighted average number of ordinary shares for basic and diluted earnings per share	**4,051,890**	**4,051,890**

Note 24. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year

	2015 $	2014 $
Final fully franked ordinary dividend of 3 cents per share (2014: 3 cents)		
franked at the tax rate of 30% (2014: 30%)	**121,557**	**121,557**

Note 25. Financial risk management

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 Financial Instruments: Recognition and Measurement as detailed in the accounting policies are as follows:

	Note	2015 $	2014 $
Financial assets			
Cash and cash equivalents	6	1,205,060	885,325
Trade and other receivables	7	338,216	324,679
Total financial assets		**1,543,276**	**1,210,004**
Financial liabilities			
Trade and other payables	10	163,448	109,929
Borrowings	11	227,847	222,622
Total financial liabilities		**391,295**	**332,551**

Note 25. Financial risk management (continued)

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 main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate 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

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

Credit risk is managed through maintaining procedures ensuring, 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.

Credit risk exposures

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 has no significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

None of the assets of the company are past due (2014: 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 Limited and therefore credit risk is considered minimal.

	2015 $	2014 $
Cash and cash equivalents:		
A rated	1,205,060	885,325

(b) Liquidity risk

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

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

Note 25. Financial risk management (continued)

(b) Liquidity risk (continued)

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 2015	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due for payment					
Trade and other payables	10	163,448	163,448	-	-
Loans and borrowings	11	227,847	37,963	189,884	-
Total expected outflows		**391,295**	**201,411**	**189,884**	**-**
Financial assets - cash flows realisable					
Cash and cash equivalents	6	1,205,060	1,205,060	-	-
Trade and other receivables	7	338,216	338,216	-	-
Total anticipated inflows		**1,543,276**	**1,543,276**	**-**	**-**
Net (outflow)/inflow on financial instruments		**1,151,981**	**1,341,865**	**(189,884)**	**-**

30 June 2014	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due for payment					
Trade and other payables	10	109,929	109,929	-	-
Loans and borrowings	11	222,622	33,432	189,190	-
Total expected outflows		**332,551**	**143,361**	**189,190**	**-**
Financial assets - cash flows realisable					
Cash and cash equivalents	6	885,325	885,325	-	-
Trade and other receivables	7	324,679	324,679	-	-
Total anticipated inflows		**1,210,004**	**1,210,004**	**-**	**-**
Net (outflow)/inflow on financial instruments		**877,453**	**1,066,643**	**(189,190)**	**-**

Note 25. Financial risk management (continued)

(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.

The financial instruments that primarily expose the company to interest rate risk are borrowings and cash and cash equivalents.

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.

	Profit $	**Equity $**
Year ended 30 June 2015		
+/- 1% in interest rates (interest income)	12,051	12,051
+/- 1% in interest rates (interest expense)	-	-
	12,051	**12,051**
Year ended 30 June 2014		
+/- 1% in interest rates (interest income)	8,853	8,853
+/- 1% in interest rates (interest expense)	-	-
	8,853	**8,853**

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

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

- Fair value estimation

  The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Note 25. Financial risk management (continued)

(d) Price risk (continued)

Fair values (continued)

- Fair value estimation (continued)

  Differences between fair values and the carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied to the market since their initial recognition by the company.

	Note	2015		2014	
		Carrying amount $	Fair value $	Carrying amount $	Fair value $
Financial assets					
Cash and cash equivalents (i)		1,205,060	1,205,060	885,325	885,325
Trade and other receivables (i)		338,216	338,216	324,679	324,679
Total financial assets		**1,543,276**	**1,543,276**	**1,210,004**	**1,210,004**
Financial liabilities					
Trade and other payables (i)		163,448	163,448	109,929	109,929
Loans and borrowings		227,847	227,847	222,622	222,622
Total financial liabilities		**391,295**	**391,295**	**332,551**	**332,551**

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

Directors' declaration

In accordance with a resolution of the Directors of Valley Community Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 12 to 47 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 2015 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.

Barry Henwood

Barry Henwood
Director

Signed at Diamond Creek on 11 September 2015.

Richmond Sinnott & Delahunty
Chartered Accountants
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Bendigo, VICTORIA
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF VALLEY COMMUNITY
FINANCIAL SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Valley Community Financial Services Limited, which comprises the statement of financial position as at 30 June 2015, 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 entity comprising the company and the entities it controlled 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 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 whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation 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 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 on the Financial Report

In our opinion:

(a) the financial report of 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 2015 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 Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express and opinion on the remuneration report, based on out audit conducted in accordance with Australian Accounting Standards.

Auditor's Opinion

In our opinion, the remuneration report of Valley Community Financial Services Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001.*

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Kathie Teasdale
Partner
Dated at Bendigo, 14 September 2015

NSX report

Valley Community Financial Services Limited is a public company incorporated in Australia and listed on the National Stock Exchange of Australia (NSX).

Shareholding

The following table shows the number of shareholders, segregated into various categories based on the total number of shares held.

Number of shares held	Number of shareholders	Number of shares held
1 to 1,000	123	92,100
1,001 to 5,000	345	1,066,800
5,001 to 10,000	86	716,550
10,001 to 100,000	73	2,071,907
100,001 and over	1	104,533
Total shareholders	**628**	**4,051,890**

Equity securities

Each of the above shareholders are entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the company.

There are NIL shareholders holding less than a marketable parcel of shares ($500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to $1 per share. There are no unquoted equity securities.

Ten largest shareholders

The following table shows the 10 largest shareholders.

Shareholder	Number of fully paid shares held	Percentage of issued capital
Walter H Mott	104,533	2.58%
CE & DG Lance ATF Lance Super Fund	90,000	2.22%
Graham and Clare Dryden	90,000	2.22%
Brian & Elizabeth Stevens	70,000	1.73%
Kygem Super Fund Pty Ltd ATF Kygem Super Fund	68,000	1.68%
Dale Trezise	65,000	1.60%
Neil Trezise	65,000	1.60%

Ten largest shareholders (continued)

Shareholder	Number of fully paid shares held	Percentage of issued capital
Ann Jupp ATF Trash N Stash Super Fund	60,000	1.48%
Beverley Joan Mitchell	60,000	1.48%
Bruce Donelly	60,000	1.48%
	732,533	

Registered office and principal administrative office

The registered office of the company is located at:

Shop 8B, 75-77 Main Hurstbridge Road,
Diamond Creek VIC 3089

The principal administrative office of the company is located at:

Shop 8B, 75-77 Main Hurstbridge Road,
Diamond Creek VIC 3089

Security register

The security register (share register) is kept at:
Richmond Sinnott & Delahunty
Level 2, 10-16 Forest Street,
Bendigo VIC 3550

Company Secretary

Melissa Vickrage has been the Company Secretary of Valley Community Financial Services Limited since May 2013.

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 Phillip Burtt, Malcolm Hackett, Ingrid Crichton, Daryl Brooke, Carole Bury and Stephen Bennett

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

(c) Ongoing Director training; and

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

Annexure 3

There are no material differences between the information in the company's Annexure 3 and the information in the financial documents in its Annual Report.

5 Year summary of performance

		2010/11	2011/12	2012/13	2013/14	2014/15
Gross revenue	$	3,078,134	3,626,530	4,062,274	3,983,794	4,016,535
Net profit before tax	$	-75,786	260,528	302,626	301,107	333,257
Total assets	$	2,217,124	2,725,411	2,701,461	2,725,177	2,922,438
Total liabilities	$	211,212	706,786	557,917	494,756	582,882
Total equity	$	2,005,912	2,018,625	2,143,544	2,230,421	2,339,556

Hurstbridge & Districts **Community Bank®** Branch
808 Main Road, Hurstbridge VIC 3099
Phone: (03) 9718 0431 Fax: (03) 9718 0166

Diamond Creek **Community Bank®** Branch
Shop 8, 75-77 Main Hurstbridge Road,
Diamond Creek VIC 3089
Phone: (03) 9438 4133 Fax: (03) 9438 6930

Eltham & District **Community Bank®** Branch
1036 Main Road, Eltham VIC 3095
Phone: (03) 9439 0188 Fax: (03) 9431 4667

Doreen & Mernda **Community Bank®** Branch
Shop 3, 101 Hazel Glen Drive, Doreen VIC 3754
Phone: (03) 9717 1433 Fax: (03) 9717 1468

Kinglake branch
Shop 4, 1 Victoria Road, Kinglake VIC 3763
Phone: (03) 5786 1656 Fax: (03) 5786 1859

Franchisee: Valley Community Financial Services Limited
PO Box 469 (Shop 8b, 75-77 Main Hurstbridge Road),
Diamond Creek VIC 3089
Phone: (03) 9438 3194 Fax: (03) 9438 4960
ABN: 86 092 399 730

www.valleyfinancial.com.au
www.bendigobank.com.au
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