




Annual Report 2016

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

Contents

Chairman's report

For year ending 30 June 2016

This is the end of my ninth year as Chairman of Valley Community Financial Services Limited. As I sit here, I reflect on the massive changes that we've seen with this company in that time.

Reflection

Nine years ago when I was first elected Chair, we had two branches, a banking book of $160 million and 11 staff. Our **Community Bank**® branches were just local businesses.

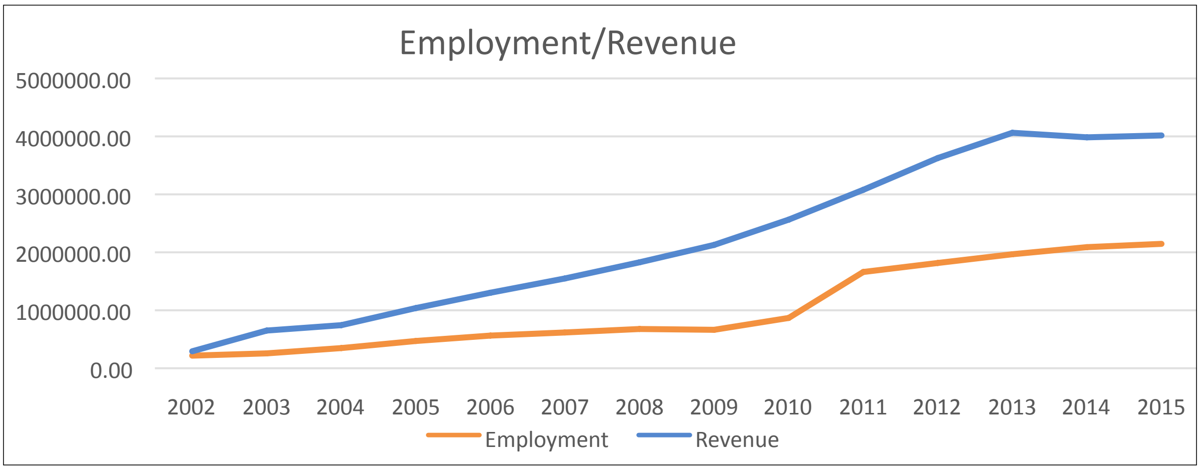
Today we have five branches, 32 staff, a banking book of $530 million and a turnover of more than $4 million. We have lived through bushfires, global financial crisis and an ever-changing business world. We have built a very strong balance sheet well-positioned to be able to activate any necessary changes to the way we do our business. We now have more than just a small business. We have retained the same values that brought about the formation of this company. By feeding into our communities, that is employing local people, supporting local businesses and local community organisations, we've been able to experience significant growth in our business with massive support from the local people.

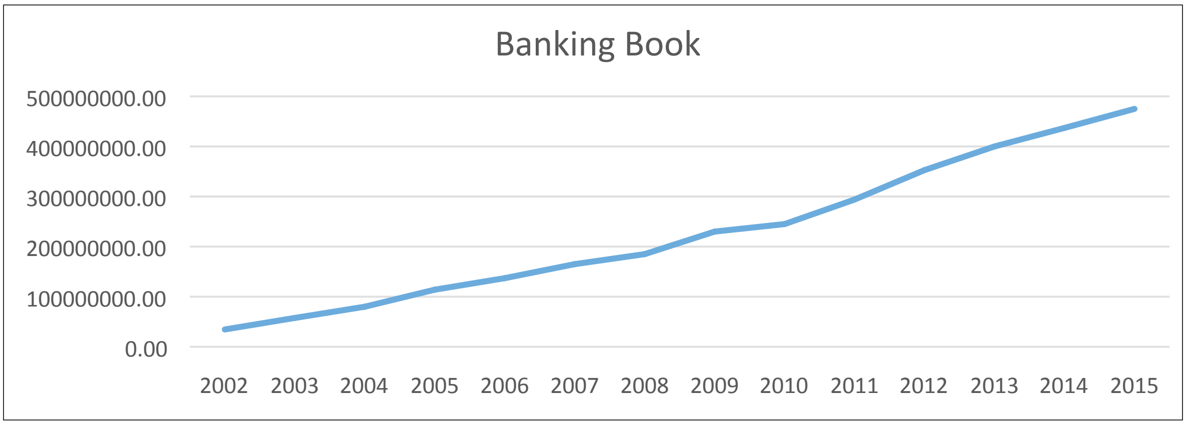
Today

With the very low interest rates we still work in a challenging environment. That said, we experienced consistent improvement in the second half of the 2015/16 financial year. We are able to report four of our five branches in operating profit for the year. Our youngest branch, Doreen/Mernda, is growing well in an area that has an exploding population and massive development. I for one see huge potential for that business into the future.

Our Hurstbridge & Districts **Community Bank**® Branch delivered its consistent profit. Diamond Creek **Community Bank**® Branch struggles to grow but delivers good profits to our business. Eltham & District **Community Bank**® Branch returned a profit of $26,000 a massive improvement on the $133,000 in losses in 2015. Kinglake branch was a star performer running on very low overheads and shoestring staff, delivering $163,000 in operating profit.

You can see from the graphs below the relationship between the massive growth in our banking book and the flat line curve in the revenue we earn from that book. Since 2010, we've experienced substantial reductions in our margins and it is only due to our growth that we've been able to maintain our strong profitability.





To counter limited revenue growth, we've worked hard to contain costs. All of these measures have enabled us to report:

- growth in our total business versus 2015 of more than 10%;
- growth in our operating profit before income tax and community contribution by 30% to $667,000; and
- net profit after tax and community contributions increase of just under 24% to $285,000.

The company's contributions to the community this past financial year were $262,000. This figure includes deposits to the Community Enterprise Foundation™ of $80,000. Community Enterprise Foundation™ deposits are tax-deductible and allow us to save funds for future projects. Deposits to the Community Enterprise Foundation™ also have the added benefit of having no impact on the dividend formula outlined in the franchise agreement.

These results are a tribute to the great team of people that we have working in each of our branches running across our own **Community Bank**® network.

The Future

Business transformation

Last year, I reported Bendigo and Adelaide Bank's collaborative review of our business model known as Project Horizon. There were significant recommendations with regards to the structure of our business, the future look of our bricks and mortar footprint and a change to our revenue model.

One very important aspect of that project was a recognition of the need for multisite companies such as ours to investigate ways to operate as a single organisation and review the way we deliver service to our customers.

This change in structure has become known as business transformation. We have been working hard to develop a single company with five sites rather than five silo branches owned by one organisation. This is designed to ensure the company works as a team, sharing resources and taking advantages of opportunities as quickly as possible.

We now have three mobile bankers who are able to go to customers where and when it suits them. These people are extremely experienced bankers and have a branded car promoting our business and are equipped with laptop and mobile phones with remote connectivity to enable them to do business with customers anywhere at any time.

We have Darren Gray who joined our business in April this year and he services the north end of our patch including Diamond Creek, Hurstbridge and districts and Kinglake area.

Michael Maloney has been with the company for a long time as Business Development Manager servicing the southern side of our business from Diamond Creek to Lower Plenty, Montmorency and Eltham and District.

Michael Maloney has been largely responsible for the rapid growth at the Eltham & District **Community Bank**® Branch over the last two years. He has demonstrated that, given the right resources and the ability to leave a branch to visit the customer when and where it suits them, we can create better outcomes. Of course Michael is also the right person for the role.

Jennifer Pearson our first Manager at the Doreen & Mernda **Community Bank**® Branch has taken on the role of Mobile Relationship Manager and services the west side of our area including Yarrambat, Doreen/Mernda through to Whittlesea.

The transformation is not complete but is well underway as we endeavour to deliver better service redefine old-fashioned friendly service and take advantage of some economies of scale by sharing the workload across our network of five branches, something we haven't been able to do before.

We have created branch leaders concentrating on developing teams that are more sales focused, offering a wider range of products to our customers. Bendigo and Adelaide Bank have provided a very solid training regime explaining the benefits for customers if they can take advantage of our other range of products in insurances and wealth products. These products can also deliver a good income stream to the company.

The downside to Project Horizon is the introduction of a new revenue model known as Funds Transfer Pricing. Bendigo and Adelaide Bank claims this model delivers a genuine 50-50 revenue split. Based on the size of our banking book as at 30 June, with the new revenue model we can expect a reduction in our income of approximately $21,000 per month or $250,000 per year. Bendigo and Adelaide Bank has agreed to underwrite our income based on the 2016 gross revenue for the next two years. That means that at best we will earn the same revenue $4.16 million in 2017 and 2018 as we earned in 2016. We need to grow our banking book by 20% in the next two years to be able to maintain our current revenue level when the banks support finishes.

On top of that Bendigo and Adelaide Bank has removed control of some $60,000 that we have always received in what is known as a marketing development fund. These funds will now be used by a new committee known as the collaborative marketing group. The plan being to promote Bendigo Bank's **Community Bank**® brand across the entire community and work as a single entity when promoting our brand right across Australia.

We have been very successful in containing our costs over the last two years. Our 2016 expenses came in $200,000 below budget and almost 30,000 below our expenses in 2015 financial year. With a flat line revenue and expenses rising at the rate of inflation by the end of the 2018 financial year our profit will be significantly eroded.

Your Board will continue to monitor expenses closely, look for better ways to do business and make changes to our business to ensure continued profitability.

In the 2015/16 financial year we managed to grow our banking book by more than 10% or $52 million. With our new leadership group mobile bankers and more sales focused branch teams we anticipate continued solid growth in our business over the next two years.

Director retirements

We've had two Directors retire in November 2015, Ingrid Crichton and Stephen Bennett. Both served the company from February 2008 and gave the company great service and Board huge benefit with their skills and commitment. We wish them well in the future and thank them greatly for their contribution to this company.

In September 2015, we appointed a new Director Peter Steven who has always been a great champion of our **Community Bank**® company. Unfortunately, Peter was not able to make the time commitment needed and decided to retire in May 2016. Peter remains a great advocate and customer of our business and we appreciate the effort that he makes.

Rob Charlesworth joined the Board in January 2016. Rob brings a wealth of experience in management and youth engagement. Rob works for Scouts Victoria establishing greenfield sites for new Scout groups. He has already become very active in the youth engagement side of our business and has other management skills for the Board.

We have recently had three more people agreeing to join the Board. Michael McBrien joined the Board in July 2016 and is an active member of the Doreen and Mernda community with a business degree and experience in human resources. Michael will be a valuable asset to the company.

Gill Di Pasquale joined the Board in August. Gill also has some corporate management background in a former life before opening her own well-known fashion business in Diamond Creek, Gigliola.

Greg Paul a local builder, Transform Homes, and an immediate past president of the Diamond Creek Rotary Club also accepted an invitation to join the company. Greg has a wealth of corporate management experience as well as operating his own business.

Staff retirements

Long-time Hurstbridge & District **Community Bank**® Branch Manager, Dion Shirley, retired in December 2015. Dion grew the branch from a $125 million banking book to a $205 million business. He guided the business through the transformation from a new business to a mature branch. As the branch matures you get to an age where customers are finalising their accounts and paying out their mortgages. There becomes a need to not just find new business but replacement business for those accounts. Dion was the right person for the time we were very fortunate to have had his services and his commitment to the company and the community. Dion built a terrific team and leaves a legacy that he can well be proud of. We wish him well on retirement.

On 30 June 2016 our longest serving employee, Cathrine Homewood, retired. Cathrine started at Hurstbridge 15 years ago and quickly became well known for telling people how our business model works, turning people into customers. Cathrine worked through the ranks from a Customer Service Officer finishing as a Customer Relationship Manager. For a couple of years Cathrine ran the day-to-day operations of our Kinglake branch and manned the sub-branch on her own when it first opened just after the 2009 bushfires. In more recent times she has worked as our relief person filling the gaps wherever she was most needed. We all wish Cathrine well in her retirement and thank her for her effort, her commitment and a genuine belief in the **Community Bank**® model and the benefit it brings to all of our community.

Dividends

In October last year we paid out $121,557 in dividends which represented three cents per share. For our early shareholders, this represented a 12% return fully franked on their original investment and for our more recent investors 3% return fully franked.

Low Volume Market

As was decided at the 2015 Annual General Meeting, our shares ceased trading on the National Stock Exchange (NSX) on 30 June 2016. From 1 July 2016 the company moved to the Low Volume Market. This offers a more cost-effective method of dealing with our shares. Shareholders that wish to sell can go online and notify the Company Secretary they wish to sell and list the market price. The Company Secretary in turn will put sellers in touch with registered buyers. At that point buyers and sellers negotiate the sale between themselves. There has been correspondence to all shareholders explaining the new process.

The company will seek to promote the sale and purchase of shares via social media and local advertising. As at 30 June 2016 the most recent sale on the NSX was on 30 March 2015.

Engaging with our community – Major projects

During the 2015/16 financial year the company made a contribution to your community in keeping with our franchise agreement of $225,000.

We saw the opening of the new St Andrews Community Centre partly funded through the Community Enterprise Foundation™ donation in the aftermath of the bushfires in 2009. The CEF contribution was $130,000. Your **Community Bank**® company was instrumental in the decision of where those funds went. The St Andrews Community Centre is a fabulous facility for that community.

In April this year we finally officially opened the Panton Hill Cricket Club training nets. This was a $130,000 project that was initially underwritten with a $25,000 commitment from your **Community Bank**® company. It was only with this commitment, that the Nillumbik Shire Council were able to apply to Sports Recreation Victoria (SRV) for funds to complete the project. The SRV will not look at a project unless total funding is guaranteed outside of that applied for.

Chairman's report (continued)

Insight to our customers

For the first time, we engaged an organisation to help us conduct some online surveys. We also provided an opportunity for community groups to complete the survey and place a project up to the value of $3,000 online. The general community was invited to then go online and vote for their favourite project. The four projects with the most votes were successful. We were trying to engage with more of the community. As it turned out we had a wide range of applicants from sporting clubs through to Araluen and a community garden. Araluen and Thrive Community Garden received the most votes. This was very encouraging as it was two groups we have had very little or nothing to do with before. The program introduced us to a new range of people and also introduced our bank to them.

The purpose of our survey was to establish what it takes to encourage people to bank with their local **Community Bank**® branch. We trialled the program in Diamond Creek. The results were varied and interesting. We received more than 2,000 people who completed the survey and 10,000 votes for the various projects. We also obtained 18 requests for a banker to call people. The organisation that facilitated the program reported this to be amongst the most successful online survey projects they've ever conducted.

We are still reviewing some of the answers and need to take another look at the questions but intend to run this program again in the Doreen and Mernda area. New developments generally attract younger families who are much more computer literate. They spend more time on social media than watching television and we expect an online survey program will engage a lot more people across that community.

Our company values shared value, that is putting revenue back into the community that we serve, has clearly worked for this company. We need to find more ways to engage more people so that they know our story and purpose of our being and that will invariably grow our business.

Thank you

Finally, as has been the case every year, I sincerely want to thank everybody involved with this business.

Thank you to all of our banking staff for their contribution and dedication.

Thank you to Neville Wiles our Regional Manager and his Bendigo and Adelaide Bank regional team that guide us on a very wide and varied range of matters.

Thank you to our Administration team. Their dedication and enthusiasm for this company are extraordinary.

Thank you to my fellow Directors. We have a remarkable group who have a very wide range of skills and experience. It is indeed a great privilege to know them and work with them.

And thank you to our shareholders and our customers who are responsible for making this great business. We are building a magnificent asset for shareholders and community alike.

Barry Henwood

Barry Henwood
Chairman

Hurstbridge Manager's report

For year ending 30 June 2016

It is with pleasure I present to you the Manager's Report for the Hurstbridge & Districts **Community Bank**® Branch for the 2015/16 financial year. During the year the branch celebrated its 15th Birthday and we are very proud of this milestone.

As a result of a very challenging year it has now achieved total business footings of $217 million. This was a result of decrease in lending growth of $8.42 million and increased deposit growth of $14.03 million.

Although impacted by the challenges of discharges and a transient client base, the overall positive result is very pleasing. Lending has been consistent in acquisition throughout the year but an unusually high level of downsizing took place within our client base attributing to the bulk of the negative growth. Banking competition although not physical is always prevalent, and to hold our own in such a competitive environment is outstanding. Lending lost to other institutions was minimal.

Our confidence level around dramatic improvements to growth, in particular lending growth, is a direct result of the restructure and the improved allocated resourcing of a roving Business Development Manager, staff movement and training and recently a real shift in the competitive pricing available to our potential clients. We also have begun obtaining Referral Agents which again will increase our opportunity base. Added to this the entire staff here at Hurstbridge have really embraced the total customer care concept. This has resulted in a significant uplift in counter referrals and cross sales to existing clients.

To all the staff, a big thank you for your support and efforts throughout the year. Your commitment to your community and more importantly our valued customers is outstanding and is evidenced by the continual feedback I obtain in my travels from our highly satisfied clients. The reality is our staff are our strongest asset and their ongoing drive and passion for the business is undoubted.

I would also thank fully the Board embers and Administrative support staff for your support. A special thanks to our Regional Team who have been exceptional in their unwavering support, encouragement and guidance.

My new role in the group involves primarily Business Development and Community Engagement spanning Kinglake, Hurstbridge and part of the Diamond Creek area. Added to this mobile lending capability is an attitude of seeing the customer wherever, whenever. With multiple Referrer Agents already accredited, we have a renewed referral source now capturing opportunities we would never have seen. I will also be involved in ongoing coaching and support to all staff and be working closely with our Operations & Compliance Manager (Tina Elmer) to continue to develop our business model for the betterment of the Group.

In closing I honestly look forward to the continued support of our valued customers and shareholders, and we will always focus on making a significant positive impact and contribution to the local Hurstbridge and surrounds community as a whole. We are truly part of the community.

Darren Gray
Business Development & Community Engagement Manager

Diamond Creek Manager’s report

For year ending 30 June 2016

Financial year ending 30 June 2016 has seen us with branch footings of $115.7 million. Not quite where we wanted to be. The market is tough and competition amongst financial institutions and non-financial institutions is very strong.

Bendigo Bank’s new attractive Home loan packages are now making an impact to our book and giving the other institutions a run for their money, with refinancing higher than it has ever been. The number of accounts is 5,272, up by 232 on last year’s numbers. Our deposit book decreased, with customers choosing to repay debt. The decrease in lending rates has had a direct effect on our deposit rates influencing customers to reduce debt.

Protecting our customer with Insurance products is a very big focus and I am pleased to say that we excelled in this area.

Diamond Creek **Community Bank**® Branch has seen some staff changes during the year with Jodi Fitzpatrick coming on board as a part time Customer Service Officer replacing Jo Sandy who was promoted to Customer Relationship Officer at our Hurstbridge & Districts **Community Bank**® Branch. Jan Cunningham is our new Internal Relief Officer. Jan continued this role after Cathrine Homewood retired having been with the Valley Group for 15 years. The team at Diamond Creek **Community Bank**® Branch is strong and focused on delivery excellent customer service. I would like to thank Melinda Tonti, Monica Rae, Heather Hayman, Jodi Fitzpatrick and Jan Cunningham for their dedication to our customers and to the growth of the business.

A big thank you to all the Board members for their support and assistance over the last 12 months and to our Administration staff, thank you. Lastly thank you to our community groups, sporting clubs and shareholders for choosing us as your preferred **Community Bank**® branch to strengthen the Diamond Creek community.

My role moving forward into the New Year has changed to Operations & Compliance Manager. We have also introduced Mobile Lenders, Michael Maloney, Darren Gray and Jennifer Pearson who will be on the road penetrating the market and very visible in their branded vehicles. Each branch now has a Customer Relationship Manager who will take over the management role in their respective branches. My role is to oversee the operations and compliance of the Group and its staff to ensure success as a group. This will involve a lot of one- on-one coaching time with each individual staff member, to develop their skills and plan for succession.

These are exciting times for our Group and I am looking forward to contributing and being part of this great initiate that we have committed too. I have no doubt what so ever that we will make it work and be an example and a lead to other community groups.

Tina Elmer
Operations & Compliance Manager

Eltham Manager's report

For year ending 30 June 2016

The financial year ending 30 June 2016 was a tough year for the Eltham & District **Community Bank**® Branch which saw the business grow by 25.35% in what was a very competitive, tough market. Net lending growth for the year was $3.7 million while deposits also grew $16.0 million in a highly competitive market. Account openings remain strong, wealth and insurance sales continue to build. Overall footings total stood at $97.5 million as at 30 June 2016.

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 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.

During the year we had a number of staff changes with Janice Hawkins and Annette Austin leaving the **Community Bank**® Group to pursue other careers and activities. Also Dan Mathers left the branch to take over the Kinglake branch. We thank all these people for their efforts over a number of years and wish them well for the future.

To replace the staff leaving we recruited Nirmala Menezes as a part time Customer Services Officer and Eddie Raphael as a Customer Relationship Manager. Eddie will manage the branch operations and assist with some lending activities, which will allow me to complete more business development to continue the growth of the Eltham & District **Community Bank**® Branch and Group overall.

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 company for their support.

Eltham & District Community Bank® Branch:

Business Development Manager:	Michael Maloney
Customer Relationship Manager:	Eddie Raphael
Staff:	Karen McDermott, Janine Woolnough and Nirmala Menezes

	2014	2015	2016	Growth %
Deposit Growth:	$28.8 million	$37.1 million	$53.1 million	+43.12%
Lending Growth	$30.4 million	$40.7 million	$44.4 million	+ 9.09%
Total Growth	$59.2 million	$77.7 million	$97.4 million	+25.35%

Michael Maloney
Business Development Manager

Doreen & Mernda Manager's report

For year ending 30 June 2016

On 10 February 2016, Doreen & Mernda **Community Bank**® Branch celebrated its fifth year of operation and service to the community and the milestone was celebrated with an official cake cutting and barbeque provided by our friends at the Doreen CFA. This event was attended by local dignitaries, business owners, customers, staff and Directors. I am pleased to report that as at 30 June 2016 the branch footings were at $62.2 million and we had 3,159 customers. This represents a $16.3 million growth in footings and the branch continues to grow steadily.

I would personally 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 loyal advocates in our community. Your support has assisted our continued growth and subsequent contribution to local community.

Again this year I urge all stakeholders to consider where they currently bank, have their home loan, business accounts, insurances, leases and any other financial products and ask themselves, "Are you happy with the service you currently receive and what return does your current financial institution provide to your community?" Does your current financial institution support your community and/or your business and contribute revenue back into your community?

I would also like to thank our staff, past and present, for their valued contribution and the high level of service provided to our customers and community. Our staff are dedicated to providing a friendly and professional service that is second to none. We said a sad farewell to Lidia Lucisano after five years of service to our customers to take up a new career and Sarah Griffiths who returned to Sydney to be closer to family and thank them for their years of service. Travis Bird began his career in banking at our branch in October last year and Bernadette Furlong has recently returned to banking after a short break and we are pleased to now have a full team of experienced and dedicated staff.

I am delighted to be able to announce that we have made some changes to the way we do business with our customers which will make it easier to do business with us! We are now able to offer existing, new and potential customers a banking service that is more flexible and personalised than ever before.

My new role as a Mobile Relationship Manager will mean that I am able to concentrate on the needs and requirements of customers both new and existing, inside and outside the branch and the normal hours of the branch. I look forward to being able to provide this extra service to customers and being able to assist many more that may find it hard to get into our branches. So look out for the Bendigo Bank branded car around town and feel free to give me a call to discuss your financial requirements.

Finally, I would like to thank our wonderful administration team at Valley Community Financial Services Limited and our dedicated Board of Directors who work tirelessly for the **Community Bank**® company.

I look forward to a new year of growth and building stronger communities.

Jennifer Pearson
Mobile Relationship Manager

Kinglake Manager's report

For year ending 30 June 2016

It is with pleasure I present to you the Manager's Report for the Kinglake branch for 2015/16.

In its 7th trading year and 3rd year as a fully operational branch providing the community with full banking services, it has now achieved total business footings of $35.82 million. This was a result of increases in both lending growth of $1.289 million and deposit growth of $2.736 million.

Although impacted by the challenges of discharges and a transient client base, the overall positive result is very pleasing. Banking competition although not physical is always prevalent, and to hold our own in such a competitive environment is outstanding.

Our confidence level around future improvements to growth revolves around the improved allocated resourcing of a roving Business Development Manager, staff movement and training and recently a real shift in the competitive pricing available to our potential clients. We also have begun obtaining Referral Agents which again will increase our opportunity base.

To all the staff a big thank you for your support and efforts throughout the year. Your commitment to your community and more importantly our valued customers is first class and should be commended. This dedication will bring us future ongoing success, I am sure of it.

I would also thank fully the Board members and Administrative support staff for your support along with our Regional Team.

I would also like to acknowledge and thank Dan Mathers for his outstanding efforts, and we wish him all the very best for his career opportunities.

In closing, I wish to say we very much look forward to the continued support of our valued customers and shareholders, and continue to strive to make a significant positive impact and contribution to the local Kinglake and surrounds community as a whole.

Darren Gray
Business Development & Community Engagement Manager

Treasurer's report

For year ending 30 June 2016

Business performance summary

Mixed conditions in the broad economy during 2015/16 led to greater competition in the banking and finance sector. Interest rate cuts and price conscious customers placed downward pressure on margins throughout the year. However, new products and sharp pricing packages developed by Bendigo Bank assisted us in being competitive and to maintain the momentum in business footings growth which began in 2014/15. Building sales, cross selling of other income earning products such as insurance, combined with our reputation for superior service and community support resulted in business footings growing $49 million or 10.17% over the close for June 2015 ($45.3 million, 10.4% 2015 over 2014).

The company has also commenced a process of organisational restructure designed to focus staff on business development and reduce operating cost. This process is ongoing but saw operating costs maintained at 2015 levels in real terms during 2016.

Profit before Sponsorships and tax for 2016 was $667,300 (2015 - $507,600).

Key financial data:

Key financial data	2016	2015	variance	
Footings ($ million)	530.9	481.9	49.0	10.17%
	$000's	$000's	$000's	%
Income	4,158.7	4,016.5	142.2	3.5
Employment	2,137.8	2,146.0	-8.2	-0.4
Expenses	3,491.3	3,508.9	-17.6	-0.5
Operating profit (before sponsorship and tax)	667.3	507.6	159.7	31.5
Sponsorship	262.6	174.4	88.2	50.6
Profit after tax	285.5	230.7	54.8	23.8
Cash	1,267.8	1,205.1	62.7	5.2
Net assets	3,503.5	2,339.6	163.9	7.0
Retained earnings	447.7	283.7	164.0	57.8
Return on equity before sponsorship and tax	26.7%	21.7%	5%	23.0
Return on equity after tax	11.4	9.9%	1.5%	15.2
Cost to income ratio	84.0	87.4%	-3.4%	-3.7

Key observations are as follows:

- Total Expenses did not increase.
- Income was up 3.5% after an increase in business footings of 10.17% due to reduced margins on lending and deposit products. These margins are symptomatic of the economic conditions.
- Employment costs were contained at 2015 levels.
- Profit before tax and sponsorship was up 31.5%.

- Underlying sponsorship spending was in line with the previous year. The Increase was due to a $100,000 contribution to the Bendigo Bank Community Enterprise Foundation™ for draw down in the future. This was in addition to Marketing spending and amortisation of the **Community Bank** Stadium goodwill.
- After tax profit rose by 23.8% enabling Net assets to rise by $163,900 or 7%.
- Retained Earnings rose by 57.8% off a low base.

Financial year 2017

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

- Leveraging off its existing customer base and increasing number of banking products per customer;
- Continue to upskill staff with emphasis on sales.
- Changing branch and staff structures to focus more attention on sales and take advantage of economies of scale.

Financial year 2016 dividend

The Board of Directors has declared a dividend of 3 cents per share payable in October 2016. The total cost of the dividend is $121,557.00. VCFSL policy requires that the Finance Committee provides 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 2016:

- Maintaining financial stability by increasing long term Retained Earnings within the company by $1163,983.
- Maintaining a significant contribution to the community by way of sponsorship spending of $262,632 ($100,000-CDF); and
- Paying a shareholder return of $121,557 or 3 cents per share which has the added benefit of being fully franked.

Phillip Burtt
Treasurer

Directors' report

For the financial year ended 30 June 2016

The Directors present their report of the company for the financial year ended 30 June 2016.

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:

Barry Henwood, DipHort Sci, Grad Dip Acc: Chair

Experience and expertise	Newsagent and Licensed Post Office Operator. Barry has been in small business for over 30 years. He brings to the Board a demonstrated ability to run a business and a commitment to the local area in which he lives.
Other current Directorships	Nil
Former Directorships in last 3 years	Nil
Special responsibilities	Member of all Committees with the exception of the Audit Committee.

Malcolm Hackett OAM, BA Dip. Ed: Deputy Chair

Experience and expertise	Malcolm worked in the Victorian Education Department as a teacher, education consultant and school administrator for 34 years. He retired in 2008 having completed his career as the Principal of Diamond Valley College. Malcolm contributes his analytical and management skills, and has broad knowledge of the rural and urban communities.
Other current Directorships	Director and Trustee of the Strathewen Bushfire Relief Company Limited and Strathewen Bushfire Relief Trust.
Former Directorships in last 3 years	Chair of Strathewen Community Renewal Association Director of Strathwen Bushfire Relief Trust Fund.
Special responsibilities	Chair of Community Strengthening Committee, Chair of Policy & Procedures Committee Member of Strategy, Audit, Communications/IT, Executive and Youth & Community Development Committees.

Phillip Burtt: Treasurer

Experience and expertise	Phillip is a University Administrator and a QMS consultant. Phillip has worked at La Trobe University, Bundoora for 13 years. His last role at the University was the Deputy Director, Residential Services. In this position he was responsible for a budget in excess of $18 million, 2,238 beds across 5 locations with 33 staff.
Other current Directorships	Blackwood College Ltd.
Former Directorships in last 3 years	Nil
Special responsibilities	Chair of Finance Committee, Member of Executive, Audit and Youth & Community Development Committees.

Directors (continued)

Philip Marendaz, FCPA, B.Comm, Grad Dip Accounting

Experience and expertise	Philip's professional career has been in accounting and commercial management with major Australian public companies. He is a fellow of the Australian CPA's, a registered tax agent and runs his own accounting and business consulting practice based in Diamond Creek.
Other current Directorships	Director, Marendaz Accountants & Business Consultants.
Former Directorships in last 3 years	Nil
Special responsibilities	Member of Finance and Youth & Community Development Committees.

Daryl Brooke

Experience and expertise	Daryl owns and operates Daryl Brooke & Associates, a business development consultancy providing intensive business coaching services - strategic and marketing planning advice, business and organisational assessment and change management guidance.
Other current Directorships	Director, Parcell-Brooke Pty Ltd.
Former Directorships in last 3 years	Nil
Special responsibilities	Chair of Strategy Committee. Member of Finance, Marketing, Policy & Procedures, Audit and Youth & Community Development Committees.

Carole Bury

Experience and expertise	Carole has worked as an Executive Assistant managing travel and logistics for multi-million dollar projects in the mining industry.
Other current Directorships	Nil
Former Directorships in last 3 years	Nil
Special responsibilities	Chair of Human Resources Committee, Chair of Events Committee and Chair of Audit Committee. Member of Community Stengthening Committee.

Carol Jenkinson

Experience and expertise	Carol's background is travel and marketing and she is heavily involved in numerous community groups including Nillumbik Tourism Association, Hurstbridge Wattle Festival and School Councils for Diamond Valley College and Arthurs Creek Primary School.
Other current Directorships	Nil
Former Directorships in last 3 years	Nil
Special responsibilities	Chair of Marketing Committee. Member of Events, Policy & Procedures, Community Strengthening, Communications IT and Youth & Community Development Committees.

Rob Charlesworth (appointed 27 January 2016)

Experience and expertise	Rob is currently the Government & Community Engagement Manager for Scouts Victoria. This involves project managing the implementation of Scouts Victoria's Growth Strategy. Rob has been involved with Scouts Victoria as a Volunteer Leader and employee for over 30 years.
Other current Directorships	Nil
Former Directorships in last 3 years	Nil
Special responsibilities	Chair of Youth & Community Development Committee. Member of Marketing and Community Strengthening Committees.

Directors (continued)

Michael McBrien (appointed 27 July 2016)

Experience and expertise	Michael has a Bachelor of Management and is the Project Manager for Total Communications Aust Pty Ltd where he manages accounts, projects and staff.
Other current Directorships	Nil
Former Directorships in last 3 years	Nil
Special responsibilities	Member of Human Resources and Audit Committees.

Stephen Bennett (resigned 11/11/2015)

Experience and expertise	Winery Proprietor. Stephen enjoyed a career spanning 15 years with ANZ Banking Group Limited culminating in a role as Relationship Manager, Collins Street, Melbourne. He has operated Lovegrove Winery for over 15 years which has enabled Stephen to be in touch with many of the local business community.
Other current Directorships	Nil
Former Directorships in last 3 years	Nil
Special responsibilities	Chair of Finance Committee. Member of Audit and Executive Committees

Ingrid Crichton (resigned 11/11/2015)

Experience and expertise	Retired. Ingrid's career in the federal public service spanned almost 4 decades. She has held positions as Director of Housing Policy for the ACT, Regional Manager for Immigration and Administrator of the Executive Development Scheme. The bulk of her career invovled Human Resource Management.
Other current Directorships	Nil
Former Directorships in last 3 years	Nil
Special responsibilities	Chair of Human Resources Committee. Member of Community Strengthening and Audit Committees

Peter Steven (resigned 25/5/2016)

Experience and expertise	Peter is an insurance broker by trade and has run his business, located in Doncaster, for over 27 years. He has had a long involvement in community activities, coaching junior football, and basketball, as well as an administrator for a local basketball association.
Other current Directorships	Nil
Former Directorships in last 3 years	Nil
Special responsibilities	Member of Community Strengthening 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.

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings		Audit committee meetings	
Director	**A**	**B**	**A**	**B**
Barry Henwood	12	12	N/A	N/A
Malcolm Hackett	12	12	4	4
Ingrid Crichton	4	4	N/A	N/A
Stephen Bennett	4	3	N/A	N/A
Philip Marendaz	12	9	N/A	N/A
Daryl Brooke	12	12	4	4
Carole Bury	12	12	4	4
Rob Charlesworth	7	6	N/A	N/A
Carol Jenkinson	12	11	N/A	N/A
Phillip Burtt	12	12	4	4
Peter Steven	7	6	N/A	N/A

A - The number of meetings eligible to attend.
B - The number of meetings attended.
N/A - not a member of that committee.

Company Secretary

Melissa Vickrage has been the Company Secretary of Valley Community Financial Services Limited since 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. Melissa brings to the Company Secretary role her strong organisational skills and a wealth of knowledge relating to relevant legislation and corporate governance. Melissa does not hold a Director position in the company and has been employed by the company since April 2010.

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 $280,828 (2015 profit: $230,692), which is a 21.7% increase as compared with the previous year.

Dividends

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

A fully franked final dividend of 3 cents per share was declared and paid during the year for the year ended 30 June 2015. No dividend has been declared or paid for the year ended 30 June 2016 as yet.

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.

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

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

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

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.

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 21 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

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
- none of the services undermine the general principles relating to Auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

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.

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.

	2016 $
Barry Henwood	5,000
Malcolm Hackett	7,000
Ingrid Crichton	1,250
Stephen Bennett	2,350
Philip Marendaz	5,000
Daryl Brooke	5,000
Carole Bury	5,000
Carol Jenkinson	5,000
Rob Charlesworth	1,000
Phillip Burtt	7,000
Peter Steven	Nil
	43,600

Remuneration report (continued)

Equity holdings of key management personnel

The number of ordinary shares in the company held during the financial year and prior year by each Director and other key management personnel, including their related parties, are set out below:

Name	Balance at 30 June 2015	Net change in holdings	Balance at 30 June 2016
Directors			
Barry Henwood	11,000	Nil	11,000
Malcolm Hackett	20,000	Nil	20,000
Ingrid Crichton	5,750	Nil	5,750
Stephen Bennett	N/A	Nil	N/A
Philip Marendaz	5,000	Nil	5,000
Daryl Brooke	7,000	Nil	7,000
Carole Bury	5,000	Nil	5,000
Carol Jenkinson	N/A	Nil	N/A
Phillip Burtt	N/A	Nil	N/A
Rob Charlesworth	N/A	Nil	N/A
Peter Steven	N/A	Nil	N/A
Michael McBrien	N/A	Nil	N/A

Loans to key management personnel

There were no loans to key management personnel during the current or prior reporting period.

Signed in accordance with a resolution of the Board of Directors at Diamond Creek on 15 September 2016.

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

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 2016 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: 15 September 2016

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 2016

	Notes	2016 $	2015 $
Revenue	2	4,158,673	4,016,535
Expenses			
Employee benefits expense	3	(2,137,816)	(2,145,984)
Depreciation and amortisation	3	(177,654)	(190,287)
Administration and general costs		(361,383)	(334,224)
Finance costs	3	(4,992)	(8,965)
Bad and doubtful debts expense	3	(5,223)	(4,303)
Auditors' remuneration	3	(9,614)	(9,949)
Occupancy expenses		(515,189)	(508,865)
IT costs		(164,269)	(185,365)
Marketing and promotion		(82,944)	(81,504)
Other expenses		(32,253)	(39,467)
Operating profit before charitable donations and sponsorships		**667,336**	**507,622**
Charitable donations and sponsorships		(262,632)	(174,365)
Profit before income tax		**404,704**	**333,257**
Income tax expense	4	(119,164)	(102,565)
Profit for the year		**285,540**	**230,692**
Other comprehensive income		-	-
Total comprehensive income for the year		**285,540**	**230,692**
Profit attributable to members of the company		285,540	230,692
Total comprehensive income attributable to members of the company		**285,540**	**230,692**

Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	17	7.05	5.69

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2016

	Notes	2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents	5	307,378	321,594
Trade and other receivables	6	323,450	295,019
Financial assets	7	960,372	883,466
Other assets	8	39,380	43,197
Total current assets		**1,630,580**	**1,543,276**
Non-current assets			
Plant and equipment	9	883,115	814,458
Intangible assets	10	745,757	516,302
Deferred tax assets	4	77,564	48,402
Total non-current assets		**1,706,436**	**1,379,162**
Total assets		**3,337,016**	**2,922,438**
Liabilities			
Current liabilities			
Trade and other payables	11	514,124	163,448
Current tax liability	4	66,437	31,672
Borrowings	12	4,940	37,963
Provisions	13	159,746	108,990
Total current liabilities		**745,247**	**342,073**
Non-current liabilities			
Borrowings	12	20,016	189,884
Provisions	13	68,214	50,925
Total non-current liabilities		**88,230**	**240,809**
Total liabilities		**833,477**	**582,882**
Net assets		**2,503,539**	**2,339,556**
Equity			
Issued capital	14	2,055,876	2,055,876
Retained earnings	15	447,663	283,680
Total equity		**2,503,539**	**2,339,556**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the year ended 30 June 2016

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2014		**2,055,876**	**174,545**	**2,230,421**
Profit for the year		-	230,692	230,692
Total comprehensive income for the year		**-**	**230,692**	**230,692**
Transactions with owners, in their capacity as owners				
Dividends paid or provided	24	-	(121,557)	(121,557)
Balance at 30 June 2015		**2,055,876**	**283,680**	**2,339,556**
Balance at 1 July 2015		**2,055,876**	**283,680**	**2,339,556**
Profit for the year		-	285,540	285,540
Total comprehensive income for the year		**-**	**285,540**	**285,540**
Transactions with owners, in their capacity as owners				
Dividends paid or provided	24	-	(121,557)	(121,557)
Balance at 30 June 2016		**2,055,876**	**447,663**	**2,503,539**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		4,512,091	4,391,687
Payments to suppliers and employees		(3,906,811)	(3,825,053)
Interest paid		(4,992)	(10,302)
Interest received		26,177	24,295
Income tax paid		(113,561)	(95,606)
Net cash provided by operating activities	**16b**	**512,904**	**485,021**
Cash flows from investing activities			
Purchase of plant and equipment		(125,766)	(48,954)
Purchase of investments		(76,906)	(281,914)
Net cash flows used in investing activities		**(202,672)**	**(330,868)**
Cash flows from financing activities			
Proceeds from borrowings		-	31,942
Repayment of borrowings		(198,360)	(26,717)
Repayment of leases		(4,531)	-
Dividends paid		(121,557)	(121,557)
Net cash used in financing activities		**(324,448)**	**(116,332)**
Net decrease in cash held		**(14,216)**	**37,821**
Cash and cash equivalents at beginning of financial year		321,594	283,773
Cash and cash equivalents at end of financial year	**16a**	**307,378**	**321,594**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

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 15 September 2016.

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 the **Community Bank®** branches at Hurstbridge, Diamond Creek, Kinglake, Eltham, and Doreen.

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

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

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

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;

Note 1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic dependency (continued)

- 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 asset 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.

(d) 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.

Note 1. Summary of significant accounting policies (continued)

(d) Plant and equipment (continued)

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 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	Rate	Method
Leasehold improvements	4-5%	SL & DV
Plant and equipment	25-75%	SL & DV
Motor vehicles	25%	DV

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.

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 diminishing value 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.

Note 1. Summary of significant accounting policies (continued)

(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

Short-term employee benefits

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

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

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.

Note 1. Summary of significant accounting policies (continued)

(i) Intangible assets

Establishment costs and franchise fees 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 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.

(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 revenue is recognised on a time proportional basis that taken into account the effective yield on the financial asset.

Dividend revenue is recognised when the right to the income has been established.

Rental income is recognised on a straight line basis over the lease term.

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

(l) Investments and other financial assets

(i) Classification

The company classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held to maturity investments, and
- available for sale assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term with the intention of making a profit. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The company has not designated any financial assets at fair value through profit or loss.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

Loans and receivables

This category is the most relevant to the company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the period end, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Held to maturity investments

The group classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the group intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Available for sale financial asset

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(ii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

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.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

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.

(iii) Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(iv) 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(m) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when ther eis objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

(n) 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.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measures at amortised cost. Any diference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings as classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(p) Borrowing costs

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

(q) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(r) Dividends

Provision is made for the amount of any dividends declared being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year, but not distributed at balance date.

(s) 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.

(t) Comparative figures

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

Note 1. Summary of significant accounting policies (continued)

(u) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servcing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjsuted for bonus elements in ordinary shares issues during the year.

(v) 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).

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a) Financial assets that are debt instruments will be classified based on:

   (i) the objective of the entity's business model for managing the financial assets; and

   (ii) the characteristics of the contractual cash flows.

b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

   - the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
   - the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

   Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

   - classification and measurement of financial liabilities; and
   - derecognition requirements for financial assets and liabilities

Note 1. Summary of significant accounting policies (continued)

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

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

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018).

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.

In May 2015, the AASB issued ED 260 Income of Not-forProfit Entities, proposing to replace the income recognition requirements of AASB 1004 Contributions and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016."

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

When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

(iii) AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

Note 1. Summary of significant accounting policies (continued)

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

(iii) AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019). (continued)

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

(w) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

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

Fair value assessment of non-current physical assets

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

Employee benefits provision

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

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.

	2016 $	2015 $
Note 2. Revenue		
Revenue		
- services commissions	4,132,496	3,992,240
	4,132,496	**3,992,240**
Other revenue		
- interest received	26,177	24,295
	26,177	**24,295**
Total revenue	**4,158,673**	**4,016,535**

Note 3. Expenses

Profit before income tax inculdes the following specific expenses:

	2016 $	2015 $
Employee benefits expense		
- wages and salaries	1,721,585	1,775,951
- superannuation costs	161,612	164,969
- other costs	254,619	205,064
	2,137,816	**2,145,984**
Depreciation and amortisation		
Depreciation		
- plant and equipment	27,649	32,739
- leasehold improvements	22,419	23,065
- motor vehicles	7,041	3,729
	57,109	**59,533**
Amortisation		
- franchise fees	45,545	55,754
- **Community Bank**® Stadium naming rights	75,000	75,000
	120,545	**130,754**
Total depreciation and amortisation	**177,654**	**190,287**
Finance costs		
- Interest paid	4,992	8,965
Bad and doubtful debts expenses	5,223	4,303

	2016 $	2015 $
Note 3. Expenses (continued)		
Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	4,600	4,430
- Share registry services	5,014	5,519
	9,614	**9,949**

Note 4. Income tax

	2016 $	2015 $
a. The components of tax expense comprise:		
Current tax expense	149,617	107,887
Deferred tax expense relating		
to the origination and reversal of temporary differences	(29,162)	(5,322)
Over provision of prior years	(1,291)	-
	119,164	**102,565**
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 30% (2015: 30%)	121,411	99,977
Add tax effect of:		
- Utilisation of previously unrecognised carried forward tax losses		
- Over provision of prior years	(1,291)	-
- Non-deductible expenses	(956)	2,588
Income tax attributable to the entity	**119,164**	**102,565**
The applicable weighted average effective tax rate is	29.44%	30.78%
c. Current tax liability		
Current tax relates to the following:		
Current tax assets		
Opening balance	31,672	19,390
Income tax paid	(113,562)	(95,605)
Current tax	149,617	107,887
Over provision prior years	(1,290)	-
	66,437	**31,672**

	2016 $	2015 $

Note 4. Income tax (continued)

d. Deferred tax asset

Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Intangible assets	8,753	-
Employee provisions	68,811	48,402
	77,564	**48,402**
Net deferred tax asset	**77,564**	**48,402**

e. Deferred income tax revenue included in income tax expense comprises:

Increase in deferred tax assets	(29,162)	(5,322)
	(29,162)	**(5,322)**

Note 5. Cash and cash equivalents

Cash at bank and on hand	307,378	321,594
	307,378	**321,594**

Note 6. Trade and other receivables

Current

Trade receivables	323,450	295,019
	323,450	**295,019**

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.

Note 6. Trade and other receivables (continued)

Credit risk

			Past due but not impaired			
	Gross amount $	Past due and impaired $	< 30 days $	31-60 days $	> 60 days $	Not past due $
2016						
Trade receivables	323,450	-	-	-	-	323,450
Total	**323,450**	**-**	**-**	**-**	**-**	**323,450**
2015						
Trade receivables	295,019	-	-	-	-	295,019
Total	**295,019**	**-**	**-**	**-**	**-**	**295,019**

	2016 $	2015 $

Note 7. Financial assets

	2016 $	2015 $
Held to maturity financial assets		
Term deposits	960,372	883,466
	960,372	**883,466**

Note 8. Other assets

	2016 $	2015 $
Prepayments	39,380	43,197
	39,380	**43,197**

Note 9. Plant and equipment

	2016 $	2015 $
Leasehold improvements		
At cost	863,918	789,610
Less accumulated depreciation	(151,771)	(129,352)
	712,147	**660,258**
Plant and equipment		
At cost	564,161	556,078
Less accumulated depreciation	(452,753)	(425,103)
	111,408	**130,975**

	2016 $	2015 $

Note 9. Plant and equipment (continued)

	2016 $	2015 $
Motor vehicles		
At cost	70,330	26,954
Less accumulated depreciation	(10,770)	(3,729)
	59,560	**23,225**
Total plant and equipment	**883,115**	**814,458**
Movements in carrying amounts		
Leasehold improvements		
Balance at the beginning of the reporting period	660,258	683,323
Additions	74,308	-
Depreciation expense	(22,419)	(23,065)
Balance at the end of the reporting period	**712,147**	**660,258**
Plant and equipment		
Balance at the beginning of the reporting period	130,975	141,714
Additions	8,082	22,000
Depreciation expense	(27,649)	(32,739)
Balance at the end of the reporting period	**111,408**	**130,975**
Motor vehicles		
Balance at the beginning of the reporting period	23,225	-
Additions	43,376	26,954
Depreciation expense	(7,041)	(3,729)
Balance at the end of the reporting period	**59,560**	**23,225**
Total property, plant and equipment		
Balance at the beginning of the reporting period	814,458	825,037
Additions	125,766	48,954
Depreciation expense	(57,109)	(59,533)
Balance at the end of the reporting period	**883,115**	**814,458**

Note 10. Intangible assets

	2016 $	2015 $
Franchise fee		
At cost	350,000	383,647
Less accumulated amortisation	(29,175)	(367,277)
	320,825	**16,370**

	2016 $	2015 $
Note 10. Intangible assets (continued)		
Community Bank® Stadium naming rights		
At cost	750,000	750,000
Less accumulated amortisation	(325,068)	(250,068)
	424,932	**499,932**
Total intangible assets	**745,757**	**516,302**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	16,370	72,124
Additions	350,000	-
Amortisation expense	(45,545)	(55,754)
Balance at the end of the reporting period	**320,825**	**16,370**
Preliminary expenses		
Balance at the beginning of the reporting period	499,932	574,932
Amortisation expense	(75,000)	(75,000)
Balance at the end of the reporting period	**424,932**	**499,932**
Total intangible assets		
Balance at the beginning of the reporting period	516,302	647,056
Additions	350,000	-
Amortisation expense	(120,545)	(130,754)
Balance at the end of the reporting period	**745,757**	**516,302**

Note 11. Trade and other payables

Current		
Unsecured liabilities:		
Trade creditors	111,938	156,313
Accrued franchise fees	350,000	-
Other creditors and accruals	52,186	7,135
	514,124	**163,448**

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

	2016 $	2015 $

Note 12. Borrowings

	2016 $	2015 $
Current		
Unsecured liabilities		
Bank loan	-	33,432
Secured liabilities		
Finance leases	4,940	4,531
	4,940	**37,963**
Non-current		
Unsecured liabilities		
Bank loan	-	164,928
Secured liabilities		
Finance leases	20,016	24,956
	20,016	**189,884**

Lease liabilities

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Note 13. Provisions

	2016 $	2015 $
Current		
Employee benefits	159,746	108,990
Non-current		
Employee benefits	68,214	50,925
Total provisions	**227,960**	**159,915**

Note 14. Share capital

	2016 $	2015 $
2,055,876 Ordinary shares fully paid	2,055,876	2,055,876
3:1 Bonus shares issued for no consideration	-	-
	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
At the end of the reporting period	**4,051,890**	**4,051,890**

Note 14. Share capital (continued)

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

(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.

	2016 $	2015 $
Note 15. Retained earnings		
Balance at the beginning of the reporting period	283,680	174,545
Profit after income tax	285,540	230,692
Dividends paid (Note 24)	(121,557)	(121,557)
Balance at the end of the reporting period	**447,663**	**283,680**

Note 16. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled		
to that shown in the Statement of Cash Flows as follows:		
Cash and cash equivalents (Note 6)	307,378	321,594
As per the Statement of Cash Flow	**307,378**	**321,594**

	2016 $	2015 $

Note 16. Statement of cash flows (continued)

(b) Reconciliation of cash flow from operations with profit after income tax

	2016 $	2015 $
Profit after income tax	285,540	230,692
Non-cash flows in profit		
- Depreciation	57,109	59,533
- Amortisation	120,545	130,754
- Bad debts	5,223	4,303
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(33,654)	(13,537)
- (increase) / decrease in prepayments and other assets	3,817	-
- (Increase) / decrease in deferred tax asset	(29,162)	(5,322)
- Increase / (decrease) in trade and other payables	676	53,519
- Increase / (decrease) in current tax liability	34,765	7,979
- Increase / (decrease) in provisions	68,045	17,100
Net cash flows from operating activities	**512,904**	**485,021**

Note 17. Earnings per share

	2016 $	2015 $
Basic earnings per share (cents)	7.05	5.69
Earnings used in calculating basic and diluted earnings per share	285,540	230,692
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share.	4,051,890	4,051,890

Note 18. Key management personnel and related party disclosures

(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.

The totals of remuneration paid to key management personnel of the company during the year are as follows:

	2016 $	2015 $
Short-term employee benefits	85,767	95,000
Post-employment benefits	8,148	9,025
Other long-term benefits	-	-
Share-based payments	-	-
Total key management personnel compensation	**93,915**	**104,025**

Note 18. Key management personnel and related party disclosures (continued)

(a) Key management personnel (continued)

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to Executive Directors and other key management personnel.

Post-employment benefits

These amounts are the current year's estimated cost of providing the company's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

Other long-term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

Share-based payments

These amounts represent the expense related to the participation of key management personnel in equity-settled benefits schemes as measured by the fair value of the options, rights and shares granted on grant date.

(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.

During the year, the company purchased goods and services under normal terms and conditions, from related parties as follows:

Name of related party	Related to	Description of goods/services	Value $
Blackburn South Newsagency	Barry Henwood	Office supplies	2,792
Barry Henwood	Barry Henwood	Consultancy fees	42,167
Marendaz Pty Ltd	Philip Marendaz	Accounting services	58,000
Lovegrove Vineyard and Winery	Stephen Bennett	Staff amenities	273

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.

Note 18. Key management personnel and related party disclosures (continued)

(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:

	2016	2015
Barry Henwood	11,000	11,000
Malcolm Hackett	20,000	20,000
Ingrid Crichton	5,750	5,750
Stephen Bennett	N/A	N/A
Philip Marendaz	5,000	5,000
Daryl Brooke	7,000	7,000
Carole Bury	5,000	5,000
Carol Jenkinson	N/A	N/A
Phillip Burtt	N/A	N/A
Rob Charlesworth	N/A	N/A
Peter Steven	N/A	N/A
Michael McBrien	N/A	N/A

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 19. 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 20. Contingent liabilities and contingent assets

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

Note 21. 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 (2015: 100%).

	2016 $	2015 $

Note 22. Commitments

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.		
Payable:		
- no later than 12 months	355,017	142,808
- between 12 months and five years	1,007,493	523,901
- greater than five years	-	-
Minimum lease payments	**1,362,510**	**666,709**

The property leases are non-cancellable leases with terms ranging between 4 and 5 years, with rent payable monthly in advance and with CPI increases each year.

Finance lease commitments

Finance lease liabilities are payable exclusive of GST as follows:		
Payable:		
- no later than 12 months	6,150	6,150
- between 12 months and five years	21,252	27,402
Minimum lease payments	**27,402**	**33,552**
Less future interest charges	(2,446)	(4,065)
Finance lease liability	**24,956**	**29,487**

Finance leases comprise leases of property, plant and equipment under normal commercial finance lease terms and conditions repayable over 5 years.

Note 23. 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

	2016 $	2015 $

Note 24. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 3 cents per share (2015: 3 cents) franked at the tax rate of 28.5% (2015: 30%).	121,557	121,557

Note 25. Financial risk management

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.

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	2016 $	2015 $
Financial assets			
Cash and cash equivalents	5	307,378	321,594
Trade and other receivables	6	323,450	295,019
Financial assets	7	960,372	883,466
Total financial assets		**1,591,200**	**1,500,079**
Financial liabilities			
Trade and other payables	11	514,124	163,448
Borrowings	12	24,956	227,847
Total financial liabilities		**539,080**	**391,295**

(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.

Note 25. Financial risk management (continued)

(a) Credit risk (continued)

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.

<u>Credit risk exposures</u>

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 table above.

The company has 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 (2015: 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.

(b) Liquidity risk

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

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

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

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

Note 25. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis:

30 June 2016	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	-%	307,378	307,378	-	-
Trade and other receivables	-%	323,450	323,450	-	-
Financial assets	2.7%	960,372	960,372	-	-
Total anticipated inflows		**1,591,200**	**1,591,200**	**-**	**-**
Financial liabilities					
Trade and other payables	-%	514,124	514,124	-	-
Borrowings	6.5%	24,956	4,940	20,016	-
Total expected outflows		**539,080**	**519,064**	**20,016**	**-**
Net inflow / (outflow) on financial instruments		**1,052,120**	**1,072,136**	**(20,016)**	**-**

30 June 2015	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	-%	321,594	321,594	-	-
Trade and other receivables	-%	295,019	295,019	-	-
Financial assets	2.7%	883,466	883,466	-	-
Total anticipated inflows		**1,500,079**	**1,500,079**	**-**	**-**
Financial liabilities					
Trade and other payables	-%	163,448	163,448	-	-
Borrowings	3.9%	227,847	37,963	189,884	-
Total expected outflows		**391,295**	**201,411**	**189,884**	**-**
Net inflow / (outflow) on financial instruments		**1,108,784**	**1,298,668**	**(189,884)**	**-**

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, fixed interest securities, 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 2016		
+/- 1% in interest rates (interest income)	12,678	12,678
+/- 1% in interest rates (interest expense)	250	250
	12,678	**12,678**
Year ended 30 June 2015		
+/- 1% in interest rates (interest income)	12,051	12,051
+/- 1% in interest rates (interest expense)	2,278	2,278
	12,051	**12,051**

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.

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 25. Financial risk management (continued)

(d) Price risk (continued)

Fair values (continued)

	2016		2015	
	Carrying amount $	**Fair value $**	**Carrying amount $**	**Fair Value $**
Financial assets				
Cash and cash equivalents (i)	307,378	307,378	321,594	321,594
Trade and other receivables (i)	323,450	323,450	295,019	295,019
Financial assets	960,372	960,372	883,466	883,466
Total financial assets	**1,591,200**	**1,591,200**	**1,500,079**	**1,500,079**
Financial liabilities				
Trade and other payables (i)	514,124	514,124	163,448	163,448
Borrowings	24,956	24,956	227,847	227,847
Total financial liabilities	**539,080**	**539,080**	**391,295**	**391,295**

(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 9 to 40 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 2016 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.
3. The audited remuneration disclosures set out in the remuneration report section of the Directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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

Barry Henwood
Director

Signed at Diamond Creek on 15 September 2016.

Richmond Sinnott & Delahunty
Chartered Accountants
Level 2, 10-16 Forest Street
Bendigo, VICTORIA
PO Box 30, Bendigo VICTORIA 3552
Ph: (03) 5445 4200
Fax: (03) 5444 4344
rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

INDEPENDENT AUDITOR'S OPINION

To the directors of Valley Community Financial Services Limited

Report on the Annual 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 2016, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 half-year financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state that the financial statements comply with *International Financial Reporting Standards.*

Auditor's Responsibility

Our responsibility is to express a conclusion 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

Richmond Sinnott Delahunty
ABN [illegible]

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

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 2016 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 pages 6 to 7 of the director's report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s.300A of the Corporations Act 2001. Our responsibility is based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report for Valley Community Financial Services Limited for the year ended 30 June 2016 complies with s.300A of the *Corporations Act 2001*.

Richmond Sinnott & Delahunty
Chartered Accountants

Kathie Teasdale
Partner

Dated: 15 September 2016

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
Shop 8b, 75-77 Main Hurstbridge Road (PO Box 469),
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
(BNPAR16054) (08/16)