



Annual Report 2018

Valley Community Financial Services Limited

Hurstbridge, Diamond Creek, Eltham, Doreen & Mernda **Community Bank**® Branches and Kinglake Branch

ABN 86 092 399 730

Contents

Chairman's Report

For year ending June 30, 2018

Sadly, for me this will be my last annual Chairman's report. I will be standing down as Chairman at the 2018 Annual General Meeting.

Can I take a moment to reflect?

I was privileged to be selected by your board for this role 11 years ago. It has been an amazing journey, shoulder to shoulder with our communities who have endured the highest of highs to the lowest of lows. We've enjoyed boomtimes and difficult business conditions. We teamed up with three more local communities which brought about rapid expansion for our business.

Each event has seen this company grow stronger and better. In the aftermath of the fires, I think the company truly became an integral part of our communities. Bendigo & Adelaide Bank, staff and directors were steely in their determination to contribute to the rebuild and support for our communities, local families and individuals impacted by the disaster.

The opening of the **Community Bank®** Stadium in Diamond Creek was at that time the single largest project ever undertaken by a community bank. It was also the largest infrastructure project at that time ever undertaken by the Nillumbik Shire Council. The facility services two schools, basketball netball, gymnasts, meeting rooms and roughly 6000 people a week use it.

The Stadium realised the dreams of many local people at grassroots level who had worked tirelessly to make it happen. It was so consistent with the values of community banking. Local people identifying the facilities or services that they need - not what others (be it local government, Spring Street or Canberra) telling them what they need or they can have.

In 2007 our business had a revenue of $1.5 million. In 2018 that figure has jumped to $4.5 million. At that time, we had a banking book of $137 million. In 2018 it is $620 million. We had 9 staff in 2018 and now we have 28 staff.

In 2007 the company reported a net profit before income tax of $270,000 in 2018 that figure is almost $1 million.

The company has now contributed nearly $6 million back to community and shareholders since opening our first branch in 2001.

We have a very strong balance sheet with cash reserves exceeding the original shareholder funds.

We have savings under management with the Community Enterprise Foundation of over $400,000. These funds are not included in our balance sheet as they are set aside in a Foundation enabling the company to save that money for the next major project when it comes along.

We now have four of our five branches in profit. Doreen/Mernda branch is growing slowly but not far off being a profitable business. We've seen the Bank of Melbourne open and close down in Doreen since we first opened in February 2011.

Our original shareholders have enjoyed no less than 12% return on their money and the dividend paid in October 2017 equalled 20% return on investment. Our more recent shareholders have enjoyed dividends no less than 3% almost from day one. The 2017 dividend paid was equivalent to 5% return on their investment. Dividends are all fully franked - an even better result.

The one disappointment is the trading price of our shares. I for one don't understand it. It's a great company, it makes good profits and pays good dividends.

We joined the National Stock Exchange (NSX) for several years in an attempt to build a market and ensure transactions were at arm's length. In the 2016 financial year, there were no sales at all and the company elected to change to the low-volume market (LVM) as at 1 July 2016. Since that time, we have seen 120,167 shares change hands. Many of those sales have been to existing shareholders seeing the current price offering a terrific investment. The company has developed a strategy of promoting the availability of shares to local people. We will continue to find ways to promote the sale of shares and as the supply tightens anticipate the price should rise.

It's relatively easy to place your shares on the market and to make an enquiry to purchase. Please head to our Trading Shares page (*https://www.bendigobank.com.au/public/community/our-branches/hurstbridge/trading-shares-lvm/register-of-interested-parties*) and complete the online form. Our Company Secretary facilitates introduction of buyers to sellers who then negotiate the sale independently.

Today, I am the only director from the original board in 2001.

There are so many people that I would like to thank. As chairman I have been so lucky to have so many incredible people ready willing and able to contribute to the company's success. Our dedicated staff, our branch leaders and business development people, Bendigo Bank people and such talented directors always prepared to make a huge contribution. The company can now afford an administration team which makes the role of director so much more durable and those three people are just as dedicated to the growth and development of this company as our banking teams. And of course, a huge thank you to our shareholders and our customers. Local people have really jumped on board supporting our community bank network, ensuring not just profits but almost all of our revenue stays right here in our local economy strengthening our community, supporting local businesses and employing local people.

I also want to acknowledge the families of all those involved. I would particularly like to thank my wife Janice and three daughters who have always supported the work of our community banks.

We have a lot to boast about and a very busy schedule of events and very healthy business growth for the 2018 financial year.

Our business grew more than 6% for the 2018 financial year and many of our new products in insurance and superannuation excelled for the year.

Our Hurstbridge branch sits at number one across Australia in those products designed to protect our customers. The Diamond Creek branch is in the top 10 across Australia. A terrific result and a credit to all our staff within our branches.

We have a wonderful team of people across five branches complemented with mobile business managers who can service our customers whenever and wherever they like.

Chairman's Report (continued)

We have restructured our business over the last two years to redefine old-fashioned friendly service is not just service in store but providing the sort of service people want in today's world.

You will find contact details in these pages. Please do not hesitate to call one of our people if you're looking for banking services or recommend a friend if you know somebody in the market for banking products.

Community Support

We have been very active in our community support programs. These programs are always linked to our business and we are able to leverage business development with a lot of the work we do.

We are currently working with the Diamond Valley Secondary College to develop a new confident jobseekers program designed to prepare young people for the workforce. The program targets not just future careers but also helping young people to temporary and casual work while they are still students.

I think everybody was very disappointed to learn of the demise of the Eltham North Adventure Playground. Almost everyone you speak to has a family or childhood memory at the adventure playground. There was a huge outcry via social media many people saying they wanted to help with the replacement.

The replacement will include improvements and more facilities so there is a shortfall in funding.

Your Community Bank board decided to facilitate a fundraising program. We have said we will match community contributions to $25,000. We are working closely with Council and community groups to help make this replacement playground the best it can be for the generations of people that will use it.

Earlier this year we learned of the program designed to assist and support families who have children under spectrum, that includes autism. The Board of Directors was shocked at the numbers of families within the Diamond Valley impacted by the spectrum. Statistics are not accurate but there is strong evidence that hundreds of families face challenges daily as they tried to do the best for their children.

An organisation called Spectrum Journeys who operate out of Lilydale hub offer to provide outreach services for families in our region who need support. These services will provide programs that can support the families offer them training, advice on what to expect over the next few years. They will provide opportunities to network and introduce them to avenues of support. Supporting this type of project creates that intangible asset for communities to help people with the best they can be and build capacity within our communities to achieve whatever people want to achieve.

Valley group of community banks have committed $50,000 over the next 12 months which will enable Spectrum Journeys to create a program suited to this region. The first program was filled within a week good evidence the need is there and will commence at the end of August.

As you can see building community capacity is not always just about bricks and mortar assets but also those services and programs that make our communities a better place to live.

Over 2018 financial year we contributed $200,000 towards 49 clubs, groups and other community organisations across our patch. Many of the sponsorships and grants assist the ongoing operation of the group or club. This company truly has become an integral part of the community we serve.

I step aside having taken the reins of an incredible business in 2007 and proudly pass the reins on of the most remarkable business and organisation.

A company with a strong culture of success, participation and a set of values that deliver great outcomes for everyone associated with it.

Thank you to all for the honour of leading this company.

Barry Henwood
Chair

Leadership Team

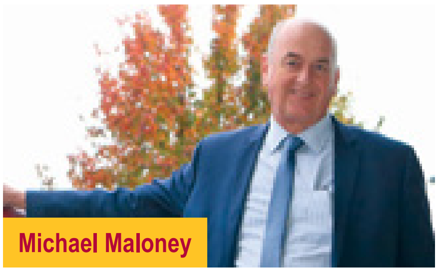
We would like to introduce to our Leadership Team.

Darren Gray, Business Development & Engagement Manager, Michael Maloney, Business Development Manager, and Sam Biffi, Business Development Manager. We also have Tina Elmer our Operation & Compliance Manager; whose report is on the following page.

I am Darren Gray the Business Development & Engagement Manager based in Hurstbridge, servicing the northern side of the group including the Kinglake Ranges.

I am a specialist in lending, both home and small business, and being mobile I find it very easy to meet my clients when and where is convenient. With over 30 years' banking experience, my customers enjoy the fact I not only help them with their immediate needs, but am seen as a Trusted Advisor.

My mobile number is
0417 167 390



My name is Michael Maloney and I am the Business Development Manager who services all areas south of Diamond Creek including Research, Eltham and Lower Plenty. Our Group has in recent times responded to what the market wants with its conveniently located branches, improved ebanking services and now Mobile Lenders like myself. With over 30 years' experience in banking and being mobile at all times, I make it easier for customers to get access to our products where ever they are located, day or night! The results so far have been great and the more connected to our customers we become, the better they will get.

If you need me give me a call on
0413 932 771

My name is Sam Biffi and I am the Business Development Manager for the west end of Valley's region including Doreen, Mernda and parts of Diamond Creek and Whittlesea.

I have over 17 years' experience in banking which I believe will be a benefit to our team. I have always been passionate about providing not only a professional and friendly banking experience to customers, but the benefit of my expertise in home lending.

I can be contacted on
0425 711 236

Operation & Compliance Manager's Report

For year ending June 30, 2018

Here we are 2 years into our "Business Transformation". What a challenging time it has been for our business.

Business was heavily influenced by several factors out of our control. The biggest being changes to banking regulations. Our assessment criteria was tightened, a squeeze was put on investment borrowing, and focus shifted towards where focus should be, responsible lending. Competition amongst Financial Institutions is now stronger than ever, with customers having more choice and chasing lower rates. Our Point of Difference is what we bank on, and it still resonates today within our communities.

We started the year with three Mobile Lenders, Darren Gray, Michael Maloney and Jennifer Pearson. Jennifer left the organisation to pursue another career path in February, leaving a vacancy. New Customer Relationship Managers were appointed to Diamond Creek and Doreen. Darren and Michael stretched themselves to provide services in the area vacated by Jennifer and assisted our new lenders, with a result of overall growth in all 5 Branches, and growth for the group at 5.35%.

My role as Operations & Compliance Manager is to create efficiencies within the group, control staffing, coaching the leaders and ensure each branch passes compliance and engages in the community. I am in the process of developing and trialling a support system for our Business Development Managers which will take them away from paper work and place them out and about acquiring new business.

Business size - core business in '000.
Table shows size of book in each site in core business areas:

Branches	Deposits 2017	Deposits 2018	Growth	Lending 2017	Lending 2018	Growth	Growth %
Hurstbridge	133,306	136,774	3,468	105,324	111,586	6,124	4.02
Diamond Creek	78,827	85,237	6,410	47,709	48,666	957	5.82
Kinglake	18,136	19,331	-672	24,673	25,736	1,063	5.27
Eltham	62,308	63,824	1,516	51,613	58,840	7,227	7.67
Doreen/Mernda	28,637	33,457	4,784	36,425	36,842	417	7.98

VCFS Ltd	2017	2018	Growth	Growth %
Deposits	321,250	336,756	15,506	
Lending	265,744	281,670	15,926	
Total	**586,994**	**618,426**	**31,432**	**5.35**

This is an increase of $31 million from previous year.

Each branch is measured on 'Key Performance Indicators' and each branch has its own target aligned to each KPI.

KPI (100% YTD)

Lending	Four branches achieved
Deposits	Two branches achieved
Resi LoanSure	One Branch achieved Doreen/Mernda
Consumer LoanSure	Three Branches achieved
General Insurance	Three Branches achieved
Financial Planner Referrals	One Branch achieved Doreen/Mernda
BSSS YTD	No Branches Achieved
Sandhurst YTD	Five Branches achieved

The KPI's are business as usual with branches being able to have control on the end results. With the correct holistic conversations, each branch can have positive effects on these.

Financial Planning/Superannuation has produced some outstanding results this year. Financial Planning contributed $56,721 to the group's bottom line. This is a 59.51% increase on last year's revenue. With over 300 branches, Hurstbridge finished the year as the #1 Ranked Branch in the country and Diamond Creek #11 out of 605 branches across Australia.

VALLEY GROUP

	Jun 2017	Jun 2018	Change from 2017	
Hurstbridge	$14,349	$28,526	+98.80%	
Diamond Creek	$9,173	$14,179	+54,57%	
Doreen	$7,026	$2,409	+59,30%	
Eltham	$3,332	$8,720	-161,70%	
Kinglake	$1,679	$2,885	+71.82%	
TOTAL REV	**$35,559**	**$56,719**	**54.51%**	**$21,160**

General Insurance sales of 382 against a group target of 401 = 95%. Not quite where we wanted to be, but a good effort by all staff. $15,308 income was generated.

Compliance is another important area to ensure we have and are abiding by the controls in place against certain tasks to mitigate the risks should these not be adhered too, putting customers and us at risk. Staff work hard throughout the year to ensure their branches are compliant. To have five branches with a rating of satisfactory is an outstanding result for Valley.

Results achieved this year:

Diamond Creek	Satisfactory
Doreen	Satisfactory
Eltham	Satisfactory
Hurstbridge	Satisfactory
Kinglake	Satisfactory

Throughout this entire process, the staff have come together as 'One Team' working as a single team not only to achieve in their own sites but also to ensure they are all contributing to the group results. Staff have left the organisation and we have employed new locals to work in our Team, all demonstrating the right culture necessary for Team Work, Performance and Integrity.

I would like to thank all the staff across the group for their continued patience and hard work throughout this process, which will continue to evolve and throw out new challenges. Their dedication to continuing to provide excellent customer service and community engagement is very much appreciated and shows in our results.

Thank you to the Board of Directors for all your assistance throughout the year. I am looking forward to another more prosperous financial year ahead, working as 'One Group'.

Tina Elmer
Operations & Compliance Manager

Treasurer's Report

For year ending June 30, 2018

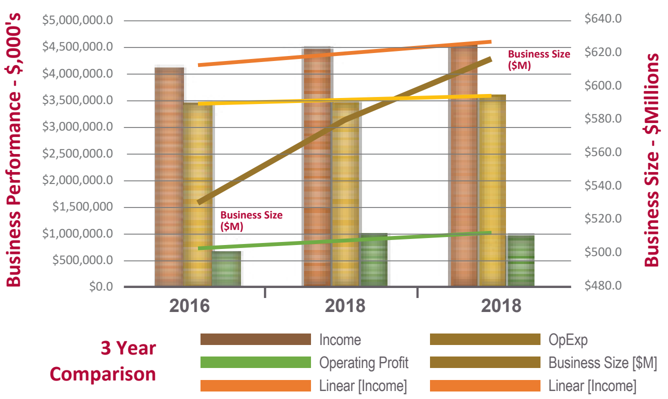
Shareholders and stakeholders, I am pleased to report another successful financial year.

Our financial position improved as did our capacity to deliver great outcomes to you and our community.

The summary financial data and performance indicators which accompany this report are drawn from the audited financial statements for 2018 that are presented in the body of the 2018 annual report. I encourage you to turn to the audited financial statements for further detailed information about the Company's financial performance.

Business conditions continued to be challenging during the year.

While the broad economy improved during the year, the overheating property market prompted APRA (the banking regulatory authority) to tighten loan approval criteria. New approval criteria resulted in delaying many loan approvals, reducing the number of applications successfully meeting approval criteria and year on year business size growing at a slower rate than 2017. 2018 was also the first full year under the new franchise agreement profit sharing arrangement, funds transfer pricing (FTP). The Company previously advised that FTP was likely to curtail year on year income growth. The impact of FTP was not as great as initially estimated but did produce a significant shift in product revenue profiles which we will need to adjust in 2019.



Operating result reflected strong performance and focus on delivery of our strategic goals.

The Company's business size continued to grow during 2018, albeit at a slower rate than during 2017. Year on year growth was 6.39%.

Operating revenue improved 16.6% over 2017 and expenses growth was contained to 3.44% just above the annual CPI.

Overall pre-tax profit was $724,631 and all core measures continue to track in the direction of growth.

Revenue growth, improving cash position and operating margin yield benefits our shareholders and our communities.

Our Shareholders

The franchise agreement permits the Company to pay dividends to shareholders up to an amount calculated using adjusted profits earned during the financial year or an investment return formula (5% plus the long term bond rate published by Bendigo Bank at the close of the financial year) whichever is the greater.

In October 2017, the Company distributed $202,594 to shareholders in a dividend of 5 cents per share based on the performance of the 2017 financial year.

Your directors recommend that a dividend of 6.5 cents per share be paid for the 2018 financial year. It is anticipated this will be paid in October 2018.

Our Communities

During 2018 the Company supported 49 clubs, groups, schools and charities with $138,971 as well as depositing $100,000 in Bendigo Bank's

BUSINESS SIZE - $618.5M

INCOME - $4.605M

COST TO INCOME - 79:1

PROFIT AFTER TAX - $522,408

OPERATING CASH - EARNINGS PER SHARE 17.6 CENTS

NET EARNINGS PER SHARE 12.9 CENTS

DIVIDENDS PAID - PER SHARE 5.0 CENTS

DIVIDENDS - TOTAL PAID $203K

Business Size ($M)	
2018	$618.5
2017	$581.3
2016	$530.9

Operating Profit ($M)	
2018	$0.964
2017	$1.009
2016	$0.667

Income ($M)	
2018	$4.606
2017	$4.530
2016	$4.190

Cost to Income Ratio	
2018	79:1
2017	78:1
2016	84:1

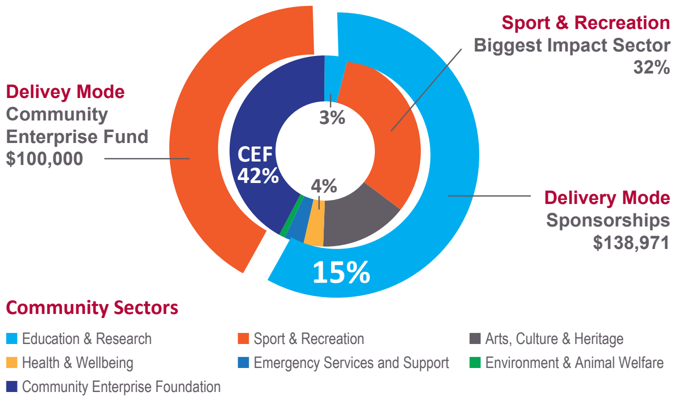
Operating Margin	
2018	20.9%
2017	22.4%
2016	16.1%

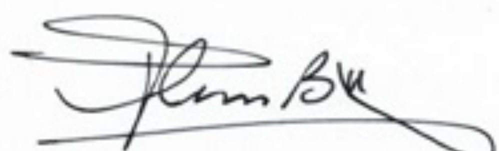
Net Assets ($M)	
2018	$3.243
2017	$2.923
2016	$2.504

Operating Cash - Return on Equity	
2018	21.9%
2017	19.6%
2016	20.5%

Operating Cash - Earnings Per Share	
2018	17.6 cents
2017	14.2 cents
2016	12.7 cents

Net Asset Backing Per Share	
2018	80 cents
2017	72.1 cents
2016	61.8 cents





Phillip Burtt
Treasurer

Director's Report

The Directors present their report of the company for the financial year ended 30 June 2017.

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

Position: Chair

Professional qualifications: DipHort Sci, Grad Dip Acc.

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.

Directorships and former Directorships in last 3 years: Nil

Special responsibilities: Member of all Committees with the exception of the Audit Committee.

Malcolm Hackett OAM

Position: Deputy Chair

Professional qualifications: BA Dip. Ed

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.

Directorships and former Directorships in last 3 years: Director and Trustee of the Strathewen Bushfire Relief Company Limited and Strathewen Bushfire Relief Trust.

Special responsibilities: Chair of Community Strengthening Committee, Chair of Policy & Procedures Committee, Member of the Strategy, Audit, Communications/IT, Executive, Business and Youth & Community Development Committees.

Phillip Burtt

Position: Treasurer

Professional qualifications: -

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.

Directorships and former Directorships in last 3 years: Blackwood College Ltd.

Special responsibilities: Chair of Finance Committee, Member of Executive, Audit and Youth & Community Development Committees.

Daryl Brooke

Position: Director

Professional qualifications: -

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.

Directorships and 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.

Philip Marendaz

Position: Director

Professional qualifications: 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 CPAs, a registered tax agent and runs his own accounting and business consulting practice based in Diamond Creek.

Directorships and former Directorships in last 3 years: Nil.

Special responsibilities: Member of Finance, Strategy and Youth & Community Development Committees.

Carol Jenkinson

Position: Director

Professional qualifications: -

Experience and expertise: Carol's background is travel and marketing and she is heavily involved in numerous groups including Hurstbridge Wattle Festival and School Council for Diamond Valley College.

Directorships and former Directorships in last 3 years: Nil

Special responsibilities: Chair of Marketing Committee, Member of Events, Policy & Procedures, Community Strengthening, Strategy, Communications IT and Youth & Community Development Committees.

Carole Bury

Position: Director

Professional qualifications: -

Experience and expertise: Carole has worked as an Executive Assistant managing travel and logistics for multimillion dollar projects in the mining industry.

Directorships and 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 Executive Committee.

Rob Charlesworth

Position: Director

Professional qualifications: -

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.

Directorships and former Directorships in last 3 years: Nil

Special responsibilities: Chair of Youth & Community Development Committee, Member of Marketing and Community Strengthening Committees.

Michael McBrien

Position: Director

Professional qualifications: -

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.

Directorships and former Directorships in last 3 years: Nil

Special responsibilities: Member of Human Resources Committee, Business and Audit Committee.

Gill Di Pasquale

Position: Director

Professional qualifications: -

Experience and expertise: Gill is the owner/director of Gigliola Boutique in Diamond Creek, a business which has been established for over 8 years.

Gill's experience in retail management, business development, event planning and marketing will be beneficial to the Board. She is also an active member of the Diamond Creek Traders Association.

Directorships and former Directorships in last 3 years: Nil

Special responsibilities: Member of Marketing, Events and Business Committees.

Greg Paull

Position: Director

Professional qualifications: -

Experience and expertise: Greg is a registered builder and a Director of Transform Homes, a local construction company. He is an active member of the Rotary Club of Diamond Creek where he was President from 2015 to 2016. Greg holds a Bachelor of Business (Accounting) and is also a CPA. Greg lives in Yarrambat and has previously lived and worked overseas in a number of roles.

Directorships and former Directorships in last 3 years: Nil

Special responsibilities: Member Finance and Business Committees.

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:

Director	Board Meetings	Audit	Policy	HR	Community Strengthening	Strategy	Finance
Barry Henwood	13(14)	-	7(10)	2(2)	2(2)	1(1)	2(2)
Malcolm Hackett, OAM	14(14)	2(3)	10(10)	-	2(2)	-	-
Phillip Burtt	13(14)	2(3)	-	-	1(2)	-	2(2)
Daryl Brooke	7(14)	2(3)	5(10)	-	1(2)	1(1)	-
Philip Marendaz	11(14)	-	-	-	-	-	2(2)
Carol Jenkinson	13(14)	-	10(10)	-	1(2)	-	-
Carole Bury	12(14)	3(3)	-	2(2)	-	-	-
Rob Charlesworth	12(14)	-	-	-	-	-	-
Michael McBrien	10(14)	2(3)	-	2(2)	-	-	-
Gill Di Pasquale	12(14)	-	-	-	1(2)	-	-
Greg Paull	13(14)	-	-	-	-	-	2(2)

The number of meetings eligible to attend is in brackets (#).
The number of meetings attended is the first number.
N/A - not a member of that committee.

Company Secretary

Melissa Vickrage has been the Company Secretary of Valley Community Financial Services Limited since 2013. Melissa's qualifications and

experience include having a strong legal background working for many years as a Legal Assistant/Paralegal with a major Melbourne law firm.

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 has 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 $522,408 (2017 profit: $541,184), which is a 3.5% decrease as compared with the previous year.

Dividends

A fully franked final dividend of five (5) cents per share was declared and paid during the year for the year ended 30 June 2017. No dividend has been declared or paid for the year ended 30 June 2018 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.

Director's Report (continued)

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

Signed in accordance with a resolution of the Board of Directors at Diamond Creek on 26 September 2018.

Barry Henwood
Board Chair

Auditor's Independence Declaration

41A Breen Street
Bendigo, Victoria
PO Box 448, Bendigo, VIC, 3552

Ph: (03) 4435 3550
admin@rsdaudit.com.au
www.rsdaudit.com.au

Auditors 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 2018 there have been no contraventions of:

(i) The auditor independence requirements 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.

RSD Audit

Kathie Teasdale
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 27 September 2018

Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Financial Statements

These financial statements should be read in conjunction with the accompanying notes.

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018

	Note	2018 - $	2018 - $
REVENUE	2	4,605,479	4,530,205
EXPENSES			
Employee benefits expense	3	(2,217,392)	(2,181,418)
Depreciation and amortisation	3	(198,281)	(199,225)
Finance costs	3	(80)	(206)
Loss on disposal of property, plant &equipment	3	(1,229)	-
Bad and doubtful debts expense	3	(6,112)	(2,137)
Auditors' remuneration	3	(12,058)	(11,932)
Administration and general costs		(371,804)	(337,802)
Occupancy expenses		(550,212)	(515,058)
IT expenses		(154,887)	(155,587)
Marketing and promotion		(93,773)	(83,416)
Other expenses		(36,049)	(34,050)
		(3,641,877)	(3,520,831)
Operating profit before charitable donations and sponsorships		**963,602**	**1,009,374**
Charitable donations and sponsorships		238,971	(247,513)
Profit before income tax		**724,631**	**761,861**
Income tax expense	4	202,223	(220,677)
PROFIT FOR THE YEAR		522,408	**541,184**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**522,408**	**541,184**
Profit attributable to members of the company		522,408	541,184
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF THE COMPANY		**522,408**	**541,184**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):		**¢**	**¢**
Basic earnings per share	18	12.89	13.36

Statement of Financial Position as at 30 June 2018

	Note	2018 - $	2017 - $
ASSETS			
Current assets			
Cash and cash equivalents	5	953,848	406,940
Trade and other receivables	6	351,625	374,296
Financial assets	7	1,211,566	1,338,775
Other assets	8	72,050	45,739
TOTAL CURRENT ASSETS		**2,589,089**	**2,165,750**
Non-current assets			
Property, plant and equipment	9	783,542	830,113
Intangible assets	10	427,947	568,381
Deferred tax assets	4	63,251	66,438
TOTAL NON-CURRENT ASSETS		**1,274,740**	**1,464,932**
TOTAL ASSETS		**3,863,829**	**3,630,682**
LIABILITIES			
Current liabilities			
Trade and other payables	12	221,898	219,650
Current tax liability	4	84,888	89,182
Borrowings	13	5,758	5,349
Provisions	14	205,992	184,531
Total current liabilities		**518,538**	**498,712**
Non-current liabilities			
Trade and other payables	12	72,225	144,451
Borrowings	13	8,909	14,667
Provisions	14	21,179	49,686
Total non-current liabilities		**102,313**	**208,804**
TOTAL LIABILITIES		**620,849**	**707,516**
Net assets		**3,242,980**	**2,923,166**
Equity			
Issued capital	15	2,055,876	2,055,876
Retained earnings	16	1,187,104	867,290
TOTAL EQUITY		**3,242,980**	**2,923,166**

Statement of Changes in Equity for the year ended 30 June 2018

	Note	Issued Capital $	Retained Earnings &	Total Equity $
Balance at 1 July 2017		2,055,876	867,290	2,923,166
Comprehensive income for the year				
Profit for the year		-	522,408	522,408
		-	**522,408**	**522,408**
Transactions with owners, in their capacity as owners				
Dividends paid or provided	17	-	(202,594)	(202,594)
Balance at 30 June 2018		**2,055,876**	**1,187,104**	**3,242,980**
Balance at 1 July 2016		**2,055,876**	**447,663**	**2,503,539**
Profit for the year		-	541,184	541,184
		-	**541,184**	**541,184**
Transactions with owners, in their capacity as owners				
Dividends paid or provided	17	-	(121,557)	(121,557)
BALANCE AT 30 JUNE 2017		**2,055,876**	**867,290**	**2,923,166**

Statement of Cash Flows for the year ended 30 June 2018

	Note	2018 - $	2017 - $
Cash flows from operating activities			
Receipts from customers		5,045,140	4,891,308
Payments to suppliers and employees		(4,162,451)	(4,160,293)
Dividends received		26,257	477
Interest paid		(80)	(206)
Interest received		6,835	28,828
Income tax paid		(203.330)	(186,806)
Net cash provided by operating activities	**19B**	**712,371**	**573,308**
Cash flows from investing activities			
Proceeds from sale of investments		127,710	792,604
Purchase of property, plant and equipment		(12,505)	(9,524)
Purchase of investments		-	(1,171,007)
Purchase of intangible assets		(72,225)	(40,678)
Net cash flows used in investing activities		**42,480**	**(347,249)**
Cash flows from financing activities			
Repayment of leases		(5,349)	(4,940)
Dividends paid		(202,594)	(121,639)
Net cash used in financing activities		**(207,943)**	**(126,579)**
Net increase in cash held		**546,908**	**99,562**
Cash and cash equivalents at beginning of financial year		406,940	307,378
Cash and cash equivalents at end of financial year	**19a**	**953,848**	**406,940**

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 26 September 2018.

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, Eltham, Doreen/Mernda and Kinglake.**

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®** branches 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®** branches;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

(b) 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.

(c) 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.

(d) Comparative figures

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

(e) 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.

(f) New and revised standards that are effective for these financial statements

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

(g) 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 out on the proceeding pages.

(g) 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)

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 company'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

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.

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

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.

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.

2. Revenue

	2018 - $	2017 - $
REVENUE		
Service commissions	4,572,317	4,494,810
	4,572,317	4,494,810
OTHER REVENUE		
Interest received	6,835	28,828
Distributions from investments	26,257	6,567
Other income	70	-
	33,162	35,395
TOTAL REVENUE	**4,605,479**	**4,530,205**

Revenue arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank LImited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The entity applies the revenue recognition criteria set out below to each separately identifiable sales transaction in order to reflect the substance of the transaction.

Rendering of services

The entity generates service commissions on a range of products issued by the Bendigo and Adelaide Bank Limited. The revenue includes upfront and trailing commissions, sales fees and margin fees.

Interest, distribution and other income

Interest income is recognised on an accrual basis using the effective interest rate method.

Distribution and other revenue is recognised when the right to the income has been established.

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

and prepare the asset for its intended use or sale.

3. Expenses

	2018 - $	2017 - $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
Wages and salaries	1,912,426	1,795,768
Superannuation costs	169,590	163,599
Other costs	135,376	222,051
	2,217,392	**2,181,418**
Depreciation and amortisation		
Depreciation		
Leasehold improvements	23,282	23,771
Plant and equipment	23,398	23,865
Motor vehicles	11,167	14,890
	57,847	**62,526**
Amortisation		
Franchise fees	65,446	61,710
Community Bank® Stadium naming rights	74,988	74,988
	140,434	**136,698**
TOTAL DEPRECIATION AND AMORTISATION	**198,281**	**199,224**
Finance costs		
Interest paid	80	206
Bad and doubtful debts expenses	6,112	2,137
Loss on disposal of property, plant and equipment	1,229	-
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit for:		
Audit or review of the financial report	5,850	5,818
Share registry services	6,208	6,114
	12,058	**11,932**

Operating expenses

Operating expenses are recognised in profit or loss on an accurals basis, which is typically upon utilisation of the service or at the date upon which the entity becomes liable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

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%	Straight line & Diminishing value
Plant and equipment	25-75%	Straight line & Diminishing value
Motor vehicles	25%	Diminishing value

Gains/losses upon disposal of non-current assets

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.

Income tax

	2018 - $	2017 - $
a. The components of tax expense comprise:		
Current tax expense	199,036	209,551
Deferred tax expense	3,187	11,126
	202,223	**220,677**
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 27.5% (2017: 27.5%)	199,274	209,512
Add tax effect of:		
Non-deductible expenses	2,949	11,165
Income tax attributable to the entity	**202,223**	**220,677**
The applicable weighted average effective tax rate is	-27.91%	-28.97%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities		
Opening balance	89,182	66,437
Income tax paid	(203,330)	(188,093)
Current tax	199,036	209,551
Under / (over) provision prior years	-	1,287
	84,888	**89,182**
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Employee provisions	63,251	66,438
	63,251	66,438
Net deferred tax asset	**63,251**	**66,438**
e. Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	3,187	11,126
	3,187	**11,126**

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities 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.

5. Cash and cash equivalents

	2018 - $	2017 - $
Cash at bank and on hand	953,848	406,940
	953,848	**406,940**

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.

The effective interest rate on short-term bank deposits was 0.7% (2017: 0.2%); these deposits have an average maturity of 90 days.

6. Trade and other receivables

	2018 - $	2017 - $
Current		
Trade receivables	351,625	374,296
	351,625	**374,296**

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 there is 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.

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.

	Gross amount $	Not past due $	Past due but not impaired			Past due and impaired $
			< 30 days $	31-60 days $	> 60 days $	
2018 Trade receivables	351,625	351,625	-	-	-	-
Total	**351,625**	**351,625**	-	-	-	-
2017 Trade receivables	374,296	374,296	-	-	-	-
Total	**374,296**	**374,296**	-	-	-	-

7. Financial assets

	2018 - $	2017 - $
Held to maturity financial assets		
Term deposits	15,338	167,768
Available for sale financial assets		
Investments in managed funds	1,196,228	1,171,007
	1,211,566	**1,338,775**

The effective interest rate on the bank deposits was 1.70% (2017: 2.24%). These deposits have a term of 12 months, maturing on 30 October 2018 and 14 April 2019.

7. Financial assets (continued)

(a) Classification of financial assets

The company classifies its financial assets in the following categories:

- 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, reevaluates this designation at the end of each reporting period.

Held to maturity investments

The company 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 company 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.

(b) Measurement of financial assets

At initial recognition, the entity 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.

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.

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 other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

(c) Impairment of financial assets

The entity 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 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.

7. Financial assets (continued)

(d) ***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.

8. Other assets

	2018 - $	2017 - $
Prepayments	***64,923***	***39,649***
Accrued income	7,127	6,090
	72,050	**45,739**

Other assets represent items that will provide the entity with future economic benefits controlled by the company as a result of past transactions or other past events.

9. Property, plant and equipment

	2018 - $	2017 - $
Leasehold improvements		
At cost	863,918	863,918
Accumulated depreciation	(198,824)	(175,542)
	665,094	**688,376**
Plant and equipment		
At cost	572,123	573,685
Accumulated depreciation	(487,177)	(476,618)
	84,946	**97,067**
Motor vehicles		
At cost	70,330	70,330
Accumulated depreciation	(36,828)	(25,660)
	33,502	**44,670**
Total property, plant and equipment		
At cost	1,506,371	1,507,933
Accumulated depreciation	(722,829)	(677,820)
	783,542	**830,113**

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

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

9. Property, plant and equipment (continued)

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.

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.

(a) Capital expenditure commitments

The entity does not have any capital expenditure commitments at 30 June 2018 (2017: None)

(b) Movements in carrying amounts of PP&E

	2018 - $	2017 - $
Leasehold improvements		
Opening written down value	688,376	712,147
Additions	-	-
Disposals	-	-
Depreciation	(23,282)	(23,771)
Closing written down value	**665,094**	**688,376**
Plant and equipment		
Opening written down value	97,067	111,408
Additions	(12,505)	(9,524)
Disposals	(1,229)	-
Depreciation	(23,298)	(23,865)
Closing written down value	**84,945**	**97,067**
Motor vehicles		
Opening written down value	44,670	59,560
Additions	-	-
Disposals	-	-
Depreciation	(11,167)	(14,890)
Closing written down value	**33,503**	**44,670**
Total property, plant and equipment		
Opening written down value	830,113	883,115
Additions	12,505	9,524
Disposals	(1,229)	-
Depreciation	(57,847)	(62,526)
Closing written down value	**783,542**	**830,113**

10. Intangible assets

	2018 - $	2017 - $
Franchise fee		
At cost	309,322	309,322
Accumulated amortisation	(156,331)	(90,885)
Written down value	152,991	218,437
Community Bank® *Stadium naming rights*		
At cost	750,000	750,000
Accumulated amortisation	(475,044)	(400,056)
	274,956	349,944
Total intangible assets		
At cost	1,059,322	1,059,322
Accumulated amortisation	(631,375)	(490,941)
TOTAL INTANGIBLE ASSETS	**427,947**	**568,381**

10. Intangible assets (continued)

Franchise fees and **Community Bank**® tadium naming rights 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.

Movements in carrying amounts

	2018 - $	2017 - $
Franchise fee		
Opening written down value	218,437	320,825
Cost reduction	-	(40,678)
Amortisation	(65,446)	(61,710)
Closing written down value	**152,991**	**218,437**
Community Bank® *Stadium naming rights*		
Opening written down value	349,944	424,932
Cost reduction	-	-
Amortisation	(74,988)	(74,988)
Closing written down value	**274,956**	**349,944**
Total intangible assets		
Opening written down value	568,381	745,757
Cost reduction	-	(40,678)
Amortisation	(140,434)	(136,698)
Closing written down value	**427,947**	**568,381**

11. Financial liabilities

entities. Financial liabilities are 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.

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as "fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

12. Trade and other payables

	2018 - $	2017 - $
Current		
Unsecured liabilities:		
Trade creditors	129,788	90,765
Other creditors and accruals	92,110	128,885
	221,898	**219,650**
Non-current		
Unsecured liabilities:		
Other creditors and accruals	72,225	144,451
	72,225	**144,451**

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.

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

13. Borrowings

	2018 - $	2017 - $
Current *Secured liabilities*		
Finance leases	5,758	5,349
	5,758	5,349
Non-current *Secured liabilities*		
Finance leases	8,909	14,667
	8,909	14,667
Total borrowings	**14,667**	**20,016**

Finance 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 straight-line basis over the shorter of their estimated useful lives or the lease term.

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

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

14. Provisions

	2018 - $	2017 - $
Current		
Employee benefits	205,992	184,531
Non-current		
Employee benefits	21,179	49,686
Total provisions	**227,171**	**234,217**

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.

15. Share capital

	2018 - $	2017 - $
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**

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.

(a) 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**

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.

(b) 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.

15. Share capital (continued)

(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.

16. Retained earnings

	2018 - $	2017 - $
Balance at the beginning of the reporting period	867,290	447,663
Profit/(loss) after income tax	522,408	541,184
Dividends paid	(202,594)	(121,557)
Balance at the end of the reporting period	1,187,104	867,290

17. Dividends paid

Dividends paid or provided for during the year

Final fully franked ordinary dividend of 5 cents per share franked at the tax rate of 27.5% was paid during the year for the year ended 30 June 2107.

(3 cents per share fully franked paid in 2017 for the year ended 30 June 2016

	2018 - $	2017 - $
	202,594	121,557

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

18. Earnings per share

	2018 - $	2017 - $
Basic earnings per share (cents)	12.89	13.36
Earnings used in calculating basic earnings per share	522,408	541,184
Weighted average number of ordinary shares used in calculating basic earnings per share.	4,051,890	4,051,890

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.

19. Statement of cash flows

	2018 - $	2017 - $
(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 5)	953,848	406,940
As per the Statement of Cash Flow	**953,848**	**406,940**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit after income tax	522,408	541,184
Non-cash flows in profit		
Depreciation and amortisation	198,281	199,224
Bad debts	6,112	2,137
Net loss on disposal of property, plant & equipment	1,229	-
Changes in assets and liabilities		
Increase in trade and other receivables	16,559	(52,983)
(increase) / decrease in prepayments and other assets	(26,311)	(6,359)
(Increase) / decrease in deferred tax asset	3,187	11,126
Increase / (decrease) in trade and other payables	2,246	(150,022)
Increase in current tax liability	(4,294)	22,745
Increase in provisions	(7,046)	6,257
Net cash flows from operating activities	**712,371**	**573,309**

20. 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 company, 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:

	2018 - $	2017 - $
Short-term employee benefits	109,070	93,000
Post-employment benefits	10,362	8,835
Other long-term benefits	-	-
Share-based payments	-	-
Total key management personnel compensation	119,432	**101,835**

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.

20. Key management personnel and related party disclosures (continued)

(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	Description of goods / services provided	Value $
Marendaz Pty Ltd	Accounting services	62,517
Transform Homes	Repairs & maintenance	1,450

The Directors of Valley Community Financial Services Limited have not accepted the Bendigo and Adelaide Bank Limited's **Community Bank**® Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch.

(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:

	2018	2017
Barry Henwood	11,000	11,000
Malcolm Hackett, OAM	20,000	20,000
Daryl Brooke	7,000	7,000
Philip Marendaz	5,000	5,000
Carol Jenkinson	-	-
Carole Bury	5,000	5,000
Phillip Burtt	-	-
Rob Charlesworth	-	-
Michael McBrien	-	-
Gill Di Pasquale	-	-
Greg Paull	-	-
	48,000	**48,000**

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.

21. Events after the reporting period

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

22. Contingent liabilities and contingent assets

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

23. 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 Murrindindi, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2017: 100%).

24. Commitments

Operating lease commitments

	2018 - $	2017 - $
Payable:		
no later than 12 months	365,487	355,291
between 12 months and five years	383,447	728,240
greater than five years	-	2,622
Minimum lease payments	**748,934**	**1,086,153**

The property leases are non-cancellable leases with a terms ranging between 4 and 5 years, with rent payable monthly in advance and with CPI increases each year. The amounts payable only include payables on the prime lease and not for an option period that has not yet been exercised.

Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.

Finance lease commitments

Finance lease liabilities are payable exclusive of GST as follows:

	2018 - $	2017 - $
Payable:		
no later than 12 months	6,150	6,150
between 12 months and five years	8,952	15,102
Minimum lease payments	**15,102**	**21,252**
Less future interest charges	(435)	(1,236)
Finance lease liability	**14,667**	**20,016**

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

25. Company details

The registered office of the company is:

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

The principle places of the business are:

808 Main Road, Hurstbridge, VIC 3099

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

Shop 4, 1 Victoria Road, Kinglake 3763

1036 Main Road, Eltham, 3095

Shop 3, 101 Hazel Glen Drive, Doreen 3754

26. 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.

26. Financial risk management (continued)

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	2018 - $	2017 - $
Financial assets			
Cash and cash equivalents	5	953,848	406,940
Trade and other receivables	6	351,625	374,296
Financial assets	7	1,211,566	1,338,775
TOTAL FINANCIAL ASSETS		**2,517,039**	**2,120,011**
Financial liabilities			
Trade and other payables	12	221,898	219,650
Borrowings	13	14,667	20,016
TOTAL FINANCIAL LIABILITIES		**236,565**	**239,666**

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company. Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the 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 (2017: 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 (right) 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.

26. Financial risk management (continued)

Financial liability and financial asset maturity analysis:

30 June 2018	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	0.69%	953,848	953,848	-	-
Trade and other receivables	-%	351,625	351,625	-	-
Financial assets	2.19%	1,211,566	1,211,566	-	-
Total anticipated inflows		**2,517,039**	**2,517,039**	**-**	**-**
Financial liabilities					
Trade and other payables	-%	221,898	221,898	-	-
Borrowings	5.46%	14,667	5,758	8,909	-
Total expected outflows		**236,565**	**227,656**	**8,909**	**-**
Net inflow / (outflow) on financial instruments		**2,280,474**	**2,289,383**	**(8,909)**	**-**

30 June 2017	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	0.20%	406,940	406,940	-	-
Trade and other receivables	-%	374,296	374,296	-	-
Financial assets	2.24%	1,338,775	1,338,775	-	-
Total anticipated inflows		**2,120,011**	**2,120,011**	**-**	**-**
Financial liabilities					
Trade and other payables	-%	219,650	219,650	-	-
Borrowings	2.81%	20,016	5,349	14,667	-
Total expected outflows		**239,666**	**224,999**	**14,667**	**-**
Net inflow / (outflow) on financial instruments		**1,880,345**	**1,895,012**	**(14,667)**	**-**

(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 company has no exposure to fluctuations in foreign currency, or any exposure to a material price risk.

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.

Year ended 30 June 2018	Profit - $	Equity - $
+/- 1% in interest rates (interest income)	21,654	21,654
+/- 1% in interest rates (interest expense)	(147)	(147)
	21,507	**21,507**

Year ended 30 June 2017	Profit - $	Equity - $
+/- 1% in interest rates (interest income)	17,457	17,457
+/- 1% in interest rates (interest expense)	(200)	(200)
	17,257	**17,257**

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

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 7 to 34 are in accordance with the Corporations Act; 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 2018 and of the performance for the year ended on that date;

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

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

Barry Henwood
Director

Signed at Diamond Creek on 26 September 2018.

Valley Community Financial Services Limited ABN: 86 092 399 730 | Financial Report For the year ended 30 June 2018

Independent Auditor's Report

rsd Audit

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF VALLEY COMMUNITY FINANCIAL SERVICES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Valley Community Services Limited, which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion:

(a) the financial report of Valley Community 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 2018 and of its performance for the year then ended; 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.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

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

Independence

We are independent of the entity in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

Director's Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Richmond Sinnott & Delahunty, trading as RSD Audit
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Liability limited by a scheme approved under Professional Standards Legislation

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Kinglake branch
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Shop 8/75-77 Main Hurstbridge Road, Diamond Creek VIC 3089
Phone: 9438 3194 Fax: 9438 4960
ABN: 86 092 399 730
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