Annual Report 2020

Valley Community Financial Services Limited

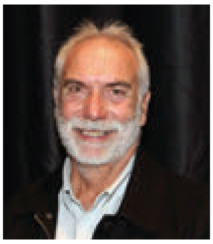
Community Bank
Hurstbridge, Diamond Creek, Eltham,
Doreen & Mernda and Kinglake Branch

ABN 86 092 399 730

Contents

Chair report.

For year ending June 30 2020.



We are experiencing a major transformation of the banking industry in which the trends are evident but the outcomes are unclear. Responding to probable changes and possible futures has required enormous commitment from the company's directors and senior management. Our attention to the standards and details of policy, strategy, planning, governance, marketing and community engagement have never been so critical. The time and responsibility required of directors and senior staff has expanded and I readily acknowledge that the results we enjoy would be impossible without such a positive and dedicated group of people. I thank them for their commitment and effort.

The Company has faced challenges in recent years as the banking industry, Bendigo Bank and our customers adjust to new regulatory, competitive, technological and behavioural circumstances. Throughout this period, we have enjoyed one constant in the commitment of our staff to their customers and the company. Our banking staff have risen to the high expectations of continual training programmes and epitomise the customer connectedness on which community banking was founded. Importantly they have grown the volume of business despite enormous competition. Our company staff have provided outstanding support for directors and bank staff while paying the close attention necessary, to fulfill our regulatory and commercial obligations and maintain productive relationships with our partners and community.

The banking environment in Australia has deteriorated further since our last annual report. Very low interest rates and strong competition have squeezed margins to painfully low levels. Fortunately, Bendigo Bank has competed strongly with attractive products but while we have grown volume significantly and contained costs, it is a challenge to produce the level of profit achieved in previous years. At the same time, customers' banking behaviours are changing markedly. More online banking services, higher service expectations, reduced teller transactions and a move to digital banking from cash are challenging the way banking is structured and delivered.

We have responded to these changing conditions through the implementation of key strategies. Our staff have grown the size of the business through hard work and a focus on meeting the needs of our customers. We have developed a more flexible and skilled workforce supported by the senior manager. Our staff have been upskilled to deliver higher levels of specialist service in the branches, or the customer's office and home. More of our staff are qualified to meet the lending needs of customers. We have established some central processing for loans which frees mobile lenders from desk bound tasks and we will pursue further economies of scale.

Our marketing has moved increasingly to the online sphere, particularly through social media campaigns and our connections with the community groups we support; ably managed by our Community Engagement Officer, Melinda De Bolfo.

Understanding and anticipating how changing customer behaviours will impact the business has been a major focus of the Board. We have initiated discussions with specialist staff from Bendigo Bank to determine what our customers will need from a branch in the future. The major banks are deserting our patch but will inevitably increase competition through aggressive online offerings. Community Banks pride themselves on high levels of personalised service but what will that look like with reduced visits to a branch? We are already conscious of a decrease in teller transactions and this has accelerated during the Covid 19 restrictions. Our mobile lenders are a key response but so too is the commitment of our staff to their connection with customers and to the groups which form the fabric of our community. The quality of our personal connections must out-compete call centres and robot programmes.

The Board are extremely conscious of the massive difference which our Branches have made to the financial wellbeing of the community during the past twenty years. It can be measured as a community dividend of more than six million dollars plus the economic benefit of almost four million dollars each year in wages and services. We think that shareholders should be proud of what has been achieved but we are not satisfied that we can fully describe the impact of that community investment and how effectively it is targeted. In 2019 we began a Board project to better understand the impact of community investments and ways to achieve a multiplying effect from partnerships, as well as a focus on significant projects. We'll report on our progress in 2021.

The Board have long held the view that the five franchises we hold and the branch fit-outs, although classed as assets, only have value while the Bendigo Bank is able to protect the Community Bank Model. A key element of our strategic plan is the goal of protecting shareholder capital through relevant property acquisitions. This year we completed the purchase of Shop 1 in the Diamond Creek Plaza, without borrowings, using our reserves. This building served as our Diamond Creek Branch before we moved to the current site and will give us significant flexibility in the future as Branch footprints are reduced. In the meantime, it provides good rental income. I'm pleased to report that in June 2020 we also initiated the purchase of 802 Main Road in Hurstbridge, which in time will serve as our administration centre. This purchase settled during September 2020 and was funded with a mortgage. Interest rates on borrowings are at historically low levels which means the bulk of repayments are directed toward repayment of the principal. We intend to seek further opportunities to realise the goals of this asset strategy and since June have entered negotiations to purchase the existing Hurstbridge Branch building.

The Board have chosen this investment course based on the significant reduction in rental outgoings which can be achieved in the medium term while strengthening company assets. In a time of economic upheaval this strategy aligns with advice from the Reserve Bank Governor to invest in the long term sustainability of business, in preference to maintaining dividends. We acknowledge that the Board's decision to declare a zero dividend will disappoint shareholders, but we are confident it is a prudent course of action and will strengthen the business for the future. In preparing for such economic shocks the Board have maintained deposits with the Community Enterprise Foundation which will be used to supplement our community strengthening investments.

Valley Community Financial Services is performing well and is soundly positioned for the future. In no small measure this is a result of the skill and dedication of three senior officers. Our Senior Manager, Tina Elmer has steered our staff and branches through high demands and challenging developments on the banking side of the business. Our Company Secretary, Melissa Humphries has managed the regulatory obligations and complexities of the enterprise with outstanding commitment and close attention to detail. Our Executive Director, Barry Henwood continues to provide energy and leadership for the Board and staff in meeting the challenges of a transformed banking landscape and forging a sustainable future. Much of our success in realising the Board's strategic goals comes as a result of Barry's drive and commitment. There is more work to be done but shareholders can be confident that the team of Directors, company officers and bank staff are ready for the challenge and will strive to deliver strong results.

Malcolm Hackett OAM
Chair

Executive Director's report.

For year ending June 30 2020.

Introduction

My position at Valley Community Financial Services Limited (VCFS) these days is to work with the board to develop strategy plans and implement those strategies across our business. Your Community Bank needs to provide local banking services, stay relevant to our market, and streamline our business to ensure long-term sustainability.

The business provides so many benefits to the community we serve.

Shareholders have enjoyed excellent returns on investment fully franked. The community has received over $6 million towards projects, programs, festivals, and fairs plus assistance with ongoing operational expenses incurred to run a club or service group. On top of that we employ local people, occupy five shops across our business network, engage local business and spend our operational costs locally as much as possible.

The impact on our community is more than just providing social capital. Our business contributes the best part of our $4.5 million in turnover right back into our local community every year. That type of investment must help grow our local economy, strengthening our local communities and support the growth of local employment for our families and young people.

2020 financial year

The 2020 financial year was a tough year for any business, particularly a bank.

We started with the final report from the banking Royal Commission. The regulatory authority APRA changed lending rules and business was hard to win. Competition and low interest rates squeezed our margins.

As we emerged from those matters, the COVID-19 pandemic kicked in with a stage III lockdown in the final quarter.

Our team answered the challenge and managed to grow our banking book for the year meeting growth targets in lending, deposits, and other products.

Due to the squeeze in margins our turnover has been stagnant and only held up due to the growth in our banking book, loans and deposits. This is a great tribute to our staff and the way they have gone about their business engaging local people and providing the best possible service and products suited to our customers.

Strategy plan

As we come to the end of our five-year strategy plan, we have begun the process of a new plan.

We have achieved a great deal of our strategy plan. The company undertook a business transformation in the way we do business modernising our staff structure and redesigning some of our fit outs to suit changes to customers habits and behaviours. This transformation will be ongoing and should continue into the foreseeable future.

We have two Mobile Relationship Managers now enabling us to go to the customer whenever and wherever that suits them. We have upskilled our staff to ensure they have the skills to provide the type of service and products our customers are looking for.

The demand for those instore transactions and full teller services has declined over the last few years. That decline has accelerated in recent months due to the pandemic. Now that customers have become more comfortable with online banking services the predictions are that the level of teller services required will not return to their former levels. We will need to adapt our business according to customers demand.

The Bendigo & Adelaide Bank have identified that customers still like to speak to people and come in store when they're looking for more complicated services. That is lending, deposits, insurances and other banking products.

Eltham branch relocation

Since opening our Eltham Community Bank 10 years ago, we have experienced regular flooding in the store when it rains. Both the landlord and VCFS have spent a lot of time and money trying to fix the problems but the flooding continued. At one stage the branch was closed for five weeks for works to be undertaken to fix the leaks and repairs drainage systems.

Your Board decided not to renew the lease and to relocate to a better premise. The Eltham Branch has now relocated into Shop 3, 958 Main Street, Eltham, the former site of the Eltham newsagency. It is a new building and we have installed a new state-of-the-art fit out. The store is smaller but adequate to requirements. A side benefit is reduced costs of occupancy that includes lower rent and associated outgoings commensurate to the smaller site. I would invite everybody to come into the branch and check it out and say hello to our staff. The branch manager, Eddie Raphael, would welcome you and is happy to introduce you to the team.

The Eltham Branch has been a star performer across the Bendigo Bank network in 2020 financial year.

Building shareholder asset backing

Our ongoing strategy is to purchase properties to provide collateral backing for shareholder funds. Last year VCFS purchased a property in Diamond Creek. That building is a potential future site for our Diamond Creek branch.

In the 2020 financial year VCFS enter a contract of sale to purchase 802 Main Road, Hurstbridge. The ground floor is a potential site for our Hurstbridge Branch and the first floor is expected to become our new administration office and board room. The property is due to settle in September 2020.

Changes to Diamond Creek and Hurstbridge Branches will take place over the next three years when the leases expire.

Long-term cost of occupancy savings is significant. The buildings provide the company with security of tenure, essential for small business, asset backing for shareholder funds and lower costs of operations close to $200,000 per year based on current costs.

Market strategy plan

In June 2020, in collaboration with our franchisor the Bendigo & Adelaide bank, we began a process of developing a market strategy plan. The plan will help to identify what our branches will look like in the next 3 to 5 years. The banking industry is going through rapid change. Teller transaction numbers have trended down with rapid reduction in recent months. Large stores are not likely required, and one model no longer fits all occasions. The banking industry continues, as it has done for the last 25 years, to close branches and drive customers online. That program has escalated recently. VCFS need to be able to meet the competition by taking out as many costs to operate as we can.

The market strategy will also focus on staff structures and efficiencies. VCFS has its own network providing opportunities to centralise some of the tasks to service all our branches. There are several tasks the one person can do for five branches. We will also look at the trends of demand for teller services and react to these trends appropriately. We see the future development of our business transformation to include reduced retail footprints centralise staffing and more staff up skilling to ensure we can maintain the modern version of old-fashioned friendly service.

This market strategy plan will form part of the company's new five-year business strategy plan when complete.

Final comments

There is little doubt that margins will continue to be squeezed in this very competitive market and costs must be contained. The community bank network is absorbing more and more expenses once covered by the franchisor.

Community banks have always received a market development fund up to $50,000 per branch each year. That fund will be severely eroded over the next three years and may well disappear altogether.

VCFS is challenged at both ends, by margin squeeze and rapidly rising costs.

We have put in place a process to identify the things we need to change. We have an excellent team with the skills to adapt to that change and we are well underway towards transforming our business best suited for the future and relevant to our shareholders and communities that we serve.

VCFS is fortunate to have a highly skilled Board of Directors with a broad and diverse background. Our chairman Malcolm Hackett OAM is a great leader.

VCFS also has a great operational team headed up by our Senior Manager, Tina Elmer. The Company is indeed in very good hands. The Bendigo & Adelaide Bank our franchisor continues to be proactive and assisting in helping us develop future plans for our business.

The company has a remarkable administration team. We have a highly skilled Company Secretary and my Executive Assistant, Melissa Humphries. We also have Melinda Debolfo who helps to run our community strengthening programs and implemented most of our marketing and advertising initiatives. They are well supported by Louise Danson. The administration team is dedicated and regularly refers business to our bankers everybody is determined to grow our business.

Every day I'm grateful for the opportunity to serve both the VCFS company and our local communities.

I take the opportunity as every year to thank everybody for the help, support and hard work that goes into running this great and successful business.

Barry Henwood
Executive Director

Mobile lending team.

As part of our strategic plan, our mobile lending team is continuing to provide a service designed around our customers. Darren Gray and Sam Biffi have the local knowledge and know-how to give our customers great old-fashioned service.

They will come to you at your home or office and have plenty of experience on zoom if you prefer a phone or video call.

Darren Gray

Darren has over 25 years of home lending experience right across metropolitan Melbourne and beyond. He thrives on delivering an unmatched customer experience and is proud to say he is a trusted lender to his many clients. Darren not only services the northern side including the Kinglake Ranges, but he will also travel far and wide to meet his clients at the best location and time suited to those clients. Darren has worked for the big banks for many years and has been with Bendigo Bank since April 2016. He has led teams of lenders as an area manager and is a very experienced banker.

With background experience in real estate and accounting, he can work with clients to achieve amazing outcomes in their financial lifecycle.

For further enquiries, please call Darren on 0417 167 390.

Sam Biffi

Sam has been in the financial services industry in both credit and lending roles since 1985 and therefore offers experience in different aspects of consumer home lending. He covers our customers from Doreen through to Eltham and all areas in the north and west Melbourne metro. Sam provides financial solutions and a great customer service to help the client's long-term growth. He delivers tailored lending solutions in consumer and business lending and his aim is to help clients build retirement wealth and long-term assets at any stage of their life.

Sam uses his experience to find the right solution for clients and will explain every aspect of the process. His aim is to keep the client's stress minimised throughout the buying process. Whether it be at your home, work office or a café near you, he looks forward to working with you soon.

Sam can be contacted on 0425 711 236.

Senior Manager report.

For year ending June 30 2020.

Well what a year it was. As a result of the final report off the back of the banking Royal Commission, the lending landscape changed, and continues to change. The term "responsible lending" holds true, meaning with rules changing to ensure the customer's full financial situation is at the forefront of any decision we make. This coupled with very competitive interest rates in the market, opening up more customer choice, certainly had an effect on our rate of growth and margin. But grow we did. Our focus is to transition our approvals to settlements.

February saw the bank participate as a lender for the National First Home Loan Deposit Scheme. It has provided us with an opportunity to capture borrowers in the First Home Buyers' market, a segment of our business that previously proved to be elusive.

The COVID 19 pandemic, accelerating in March 2020 has changed the landscape again. We rose to the challenge and despite the roadblocks this presented to us and our customers, we still continued to grow the book and provide the much needed support to our customers and community. This can only happen when you have staff who are committed to the customer value proposition and the growth and prosperity of our community. It is what the staff at Valley are renowned for. As Marnie Baker, Managing Director of Bendigo & Adelaide Bank says 'people should be treated as you would want to be treated.'

Our mobile lending team is going strong. Our team of three is now two, with the retirement of Michael Maloney in March. Their results are proof that making it convenient for customers to see them where and when they want is a recipe for success.

Despite reduction in deposit rates, our deposit book continued to grow.

Business Size – core business in '0000
(table shows size of book in each site in core business areas)

Hurstbridge Branch						
Deposits 2019	Deposits 2020	Growth	Lending 2019	Lending 2020	Growth	Growth %
134,539	132,801	-1,738	105,636	111,593	5,957	1.76

Diamond Creek Branch						
Deposits 2019	Deposits 2020	Growth	Lending 2019	Lending 2020	Growth	Growth %
86,162	93,670	7,508	52,055	53,825	1,770	6.71

Eltham Branch Branch						
Deposits 2019	Deposits 2020	Growth	Lending 2019	Lending 2020	Growth	Growth %
74,039	74,960	921	60,827	67,541	6,714	5.66

Doreen/Mernda Branch						
Deposits 2019	Deposits 2020	Growth	Lending 2019	Lending 2020	Growth	Growth %
36,225	42,234	6,009	40,348	40,558	210	8.12

Kinglake Branch						
Deposits 2019	Deposits 2020	Growth	Lending 2019	Lending 2020	Growth	Growth %
17,607	17,675	68	23,160	22,835	-325	-0.63

VCFS Ltd	2019	2020	Growth	Growth %
Deposits	348,573	361,340	12,768	3.66
Lending	282,026	296,352	14,326	5.07
Total	**630,598**	**657,692**	**27,094**	**4.29**

My role as Senior Manager has evolved to take on a more strategic role within the group and I have been working closely with the Board on our Market Strategy Plan. Questions have been raised as follows:

- What will banking look like in 3 to 5 years?
- What floor space will we occupy?
- What are our staffing requirements?
- How do we remain relevant in an ever-changing landscape?

Work has commenced to address these and other questions with assistance from the Bendigo Bank.

Branch compliance, which is abiding by the controls in place to mitigate risk for our customers, staff and our company, is ongoing. Staff are continually working hard to ensure that their branches are compliant.

With the departure of our Hurstbridge Manager, Sally Crompton-Guard, we welcomed our new Manager in January, Jason Dirkx. Jason is no stranger to Valley having taken a seconded role for 12 months at Diamond Creek two years ago. His return is welcomed and proving to be the right person and fit for the Branch and the Hurstbridge Community.

I would like to take the opportunity to thank all the staff who are doing an amazing job working through all the changes this year, proving our people are adaptive and resilient, just what is needed in these times. Their dedication to customers and community is appreciated and does not go unnoticed.

To the Board of Directors, thank you for your continual support and assistance throughout the year.

Not forgetting Louise Danson, Melinda De Bolfo and Melissa Humphries, our Administration staff, each with their own responsibilities. Your support to me is very much appreciated.

Looking forward to another very challenging, prosperous, and new future in banking.

Tina Elmer
Senior Manager

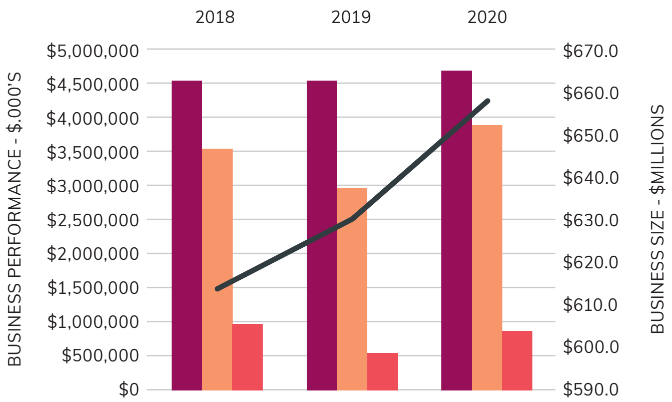
Treasurer's report.

For year ending June 30 2020.

We have all certainly been navigating unchartered waters over the last 12 months. The Banking Royal Commission prompted adjustment to new regulations, the bushfires affecting the east of the state caused us to consider what the economic impacts would be. Now we are reimagining service delivery as COVID 19 accelerates customers' shift from face to face banking and ATM use to online transactions. Government financial support (JobSeeker and JobKeeper) and debt moratoriums have been significant contributors to keeping the economy going and maintaining positive consumer sentiment. While the outlook is currently positive, the withdrawal of government supports makes for an uncertain future.

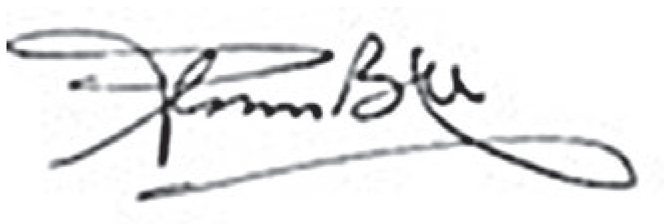
During the shutdown period, our business has continued to perform well although increased market competition and interest rate cuts suppressed income growth. Through all the challenges this year, our communities have valued and remained loyal to our business. Despite a difficult environment our staff finished the year strongly increasing our banking book (loans and deposits) to $658m, growth of 4.3%. Our profit before tax ($844,009) was in line with expectations although after adjusting for $162,921 received from the Federal and State [COVID-19] cash flow boost and payroll tax exemption the underlying profit before tax from operations was $681,088.

During 2020, the board continued to pursue the financial objectives of our 2017-2020 strategic plan.



	2018	2019	2020
Income	$4,605,479	$4,618,077	$4,736,678
Op exp.	$3,641,877	$3,993,150	$3,892,669
Op prof.	$963,602	$624,927	$844,009
Bus. size ($M)	$618.5	$630.6	$657.7

3 YEAR COMPARISON

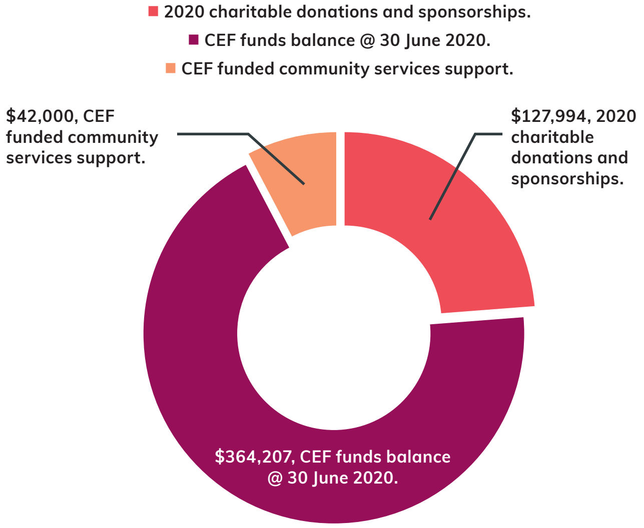


Phillip Burtt CPA (ASA)
Treasurer

Supporting our communities

During 2020, forty-eight community groups and sporting clubs received $127,994 in support. Our branches also assisted clubs and groups with small sponsorships from their marketing budgets. We also provided $42,000 from our CEF reserve in seed funding for family autism support services.

Community support.



Building a strong base for shareholder equity

During the year we progressed the strategy commenced in 2015 to build a capital growth asset portfolio. In addition to attached income streams, purchasing retail properties in our communities provides scope in the future to reduce operating costs by moving from rented property to owned property. Late in the 2020 financial year an opportunity presented in Hurstbridge. This property, on 2 titles, has an established income stream but could become a centre of operations for the business in the future.

2020 Dividend

After adjusting the Operating Profit for government subsidies received to support the business during the year, the 2020 result was only slightly higher than the 2019 result. Operating revenue was in fact below the 2019 level and the result was improved by cost containment.

After considerable and careful consideration, the board of directors has determined that no dividend will be declared for the 2020 financial year. An interim dividend will be considered in March/April 2021 when economic conditions should be clearer.

In making the decision, directors weighed competing demands and future economic risks.

We recognised that many shareholders rely on dividends. However, uncertainty and the high probability of a significant economic downturn in 2021 require us to retain funds to support operations if probability is realised. Directors believe that the property acquisition program will improve share valuations as capital gains accrue. Directors were also mindful of commentary from the Reserve Bank and public sentiment that companies should be retaining funds rather than dividend distributions.

Director's report.

For year ending June 30 2020.

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:

Directors Details

Malcolm Hackett (OAM Chair).

Qualifications, experience and expertise: BA Dip. Ed. 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.

Special responsibilities: Chair of Community Strengthening Committee, Chair of Policy & Procedure Committee, member of the Executive Committee, Human Resources Committee, Task Force Committee, Finance Committee, Strategy Committee, Audit Committee and Confident Job Seeker Committee.

Directorships of listed companies held in the last 3 years:

Director and Trustee of the Strathewen Bushfire Relief Company Limited and Strathewen Bushfire Relief Trust.

Barry Henwood (Executive Director).

Qualifications, experience and expertise: DipHort Sci, Grad Dip Acc. Formerly Newsagent and Licensed Post Office and Tattersall Operator for 25 years, Barry has also been a market gardner and is currently a beef farmer. He brings to the Board a demonstrated ability to run a business and a commitment to the local area.

Special responsibilities: Chair of Executive Committee, Task Force Committee, member of Finance Committee, Human Resources Committee, Policy & Procedure Committee, Strategy Committee and Community Strengthening Committee.

Directorships of listed companies held in the last 3 years: Nil.

Phillip Burtt (Treasurer).

Qualifications, experience and expertise: B.Economics, CPA (ASA). Phillip is a University Administrator and a QMS consultant. Phillip has worked as a Student Housing specialist at leading Victorian and International Universities (University of Melbourne, La Trobe University and Arcadia University) and is a management consultant providing QMS certification services to business preparing young people to be job ready and pathways to employment for indigenous youth.

Special responsibilities: Chair of Finance Committee, Member of Executive Committee, Audit Committee, Policy & Procedures Committee and Task Force Committtee.

Directorships of listed companies held in the last 3 years: Nil.

Daryl Brooke (Deputy Chair).

Qualifications, experience and expertise: NZ Certificate in Engineering Mechanical, GradDip Marketing Management, GradDip Industrial Production. 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.

Special responsibilities: Chair of Strategy Committee, Audit Committee and Community Engagement Committee, member of Confident Job Seeker Committee, Audit Committee, Policy & Procedure Committee and Task Force Committee.

Directorships of listed companies held in the last 3 years: Nil

Carol Jenkinson (Director).

Qualifications, experience and expertise: Dip Business Studies (Travel & Tourism), IATA International Travel Consultant (ITC) and Certification for Training. 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.

Special responsibilities: Chair of Marketing Committee, member of Events Committee, Policy & Procedure Committee, Strategy Committee, Community Strengthening Committee, Task Force Committee and Confident Job Seeker Committee.

Directorships of listed companies held in the last 3 years: Nil.

Greg Paull (Director).

Qualifications, experience and expertise: Bachelor of Business (Accounting), CPA. 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 lives in Yarrambat and has previously lived and worked overseas in a number of roles.

Special responsibilities: Member of Finance Committee and Task Force Committee.

Directorships of listed companies held in the last 3 years: Nil.

Philip Marendaz (Director).

Qualifications, experience and expertise: FCPA, B.Comm, GradDip Accounting. Philip's professional career has been in accounting and commercial management with major Australian public companies. He is a fellow of the Australian CPA's, a registered tax agent and runs his own accounting and business advisory practice based in Diamond Creek.He is also a past president of the Diamond Creek Traders Association and a member of Diamond Creek Rotary.

Special responsibilities: Member of Finance Committee, Task Force Committee and Strategy Committee.

Directorships of listed companies held in the last 3 years: Nil.

Gill Di Pasquale (Director).

Qualifications, experience and expertise: Bachelor of Business Management, Graphic Design and Digital Marketing studies. Gill is the owner/director of Gigliola Boutique in Diamond Creek, a business which has been established for over 11 years. Gill's experience in retail management, business development, social media, event planning and marketing is beneficial to the Board. She is also a member of the Diamond Creek Traders Association. .

Special responsibilities: Member of Task Force Committee, Marketing Committee, Events Committee and Community Strengthening Committee.

Directorships of listed companies held in the last 3 years: Nil.

Michael McBrien (Director).

Qualifications, experience and expertise: Bachelor of Management. Michael is the Project Manager for Total Communications Aust Pty Ltd where he manages accounts, projects and staff.

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

Directorships of listed companies held in the last 3 years: Nil.

Rob Charlesworth (Director).

Qualifications, experience and expertise: Rob was the Government & Community Engagement Manager for Scouts Victoria. This involved 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.

Special responsibilities: Chair of Confident Job Seeker Committee, member of Community Strengthening Committee.

Directorships of listed companies held in the last 3 years: Nil.

Carole Bury (Resigned as a Director on 13 November 2019).

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

Special responsibilities: Chair of Events Committee, Human Resources Committee and Audit Committee, member of Executive Committee.

Directorships of listed companies held in the last 3 years: Nil.

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 Meeting	Audit	Policy	HR	Community Strengthening	Task Force	Finance
Malcolm Hackett OAM	12(12)	2(2)	8(8)	4(5)	2(2)	11(12)	10(10)
Barry Henwood	12(12)	n/a	5(8)	5(5)	1(2)	10(12)	6(10)
Phillip Burtt	12(12)	2(2)	4(5)	n/a	n/a	7(12)	9(10)
Daryl Brooke	12(12)	2(2)	3(5)	n/a	2(2)	9(12)	1(1)
Philip Marendaz	9(12)	n/a	n/a	n/a	n/a	6(12)	7(10)
Carol Jenkinson	11(12)	n/a	5(8)	n/a	1(2)	4(12)	n/a
Carole Bury	3(5)	2(2)	n/a	1(2)	n/a	n/a	n/a
Rob Charlesworth	11(12)	n/a	n/a	n/a	1(2)	n/a	n/a
Michael McBrien	10(12)	1(2)	n/a	3(5)	1(2)	n/a	n/a
Gill Di Pasquale	10(12)	n/a	n/a	n/a	2(2)	8(12)	n/a
Greg Paull	12(12)	n/a	n/a	n/a	n/a	11(12)	9(10)

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.

B - The number of meetings attended.

N/A - not a member of that committee.

Company Secretary

Melissa Humphries 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. Melissa attends and completes sessions operated by the Governance Institute of Australia. These include Duties of Officers and Directors and Governance Essentials.

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 $538,377 (2019 profit: $304,250), which is a 76.9% increase compared with the previous year.

New Accounting Standards Implemented

The Company has implemented a new accounting standard that is applicable for the current reporting period.

AASB 16: Leases has been applied retrospectively using the modified cumulative approach, with the cumulative effect of initially applying the standard recognised as an adjustment to the opening balance of retained earnings at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: Leases.

COVID-19 Impact on Operations

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary interventions to stabilise economic conditions. The company, together with its Franchisor, Bendigo and Adelaide Bank, has implemented a number of changes in this time of pandemic. We have issued all staff with an extra 10 days of personal leave (pro rata) to use in case COVID testing was needed. We have implemented guidelines as advised by the World Health Organisation and Department of Health and Human Services guidelines to keep our staff and customers safe.

The Company has determined that these events have not required any specific adjustments within the financial report. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as any impact on the financial position and results of the Company for future periods.

Dividends

A fully franked final dividend of 6.5 cents per share was declared and paid during the year for the year ended 30 June 2019. No dividend has been declared or paid for the year ended 30 June 2020 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.

Director's report. (continued)

For year ending June 30 2020.

Likely developments

The company will continue its policy of providing banking services to the community. In September 2020, settlement will take place on the Company's purchase of Shop 1, 802 Main Road, Hurstbridge and 802 Main Road, Hurstbridge. This aquisition is an initative of the Company's 2017-2020 strategic plan to secure the future of banking presence in Hurstbridge.

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

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

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

Proceedings on behalf of company

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

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 6 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Equity holdings of key management personnel

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

Directors name	Balance at 30 June 2019	Net change in holdings	Balance at 30 June 2020
Malcolm Hackett OAM	20,000	Nil	20,000
Barry Henwood	11,000	Nil	11,000
Phillip Burtt	Nil	Nil	Nil
Daryl Brooke	Nil	Nil	Nil
Carol Jenkinson	Nil	Nil	Nil
Greq Paull	5,000	Nil	5,000
Philip Marendaz	5,000	Nil	5,000
Gill Di Pasquale	Nil	Nil	Nil
Michael McBrien	Nil	Nil	Nil
Rob Charlesworth	Nil	Nil	Nil
Carole Bury	5,000	Nil	5,000

Loans to key management personnel

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

Signed in accordance with a resolution of the Board of Directors at Diamond Creek on 30 September 2020.

Malcolm Hackett OAM
Chair

Auditor's independence declaration.

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Auditors Independence Declaration under section 307C of the Corporations Act 2001 to the Directors of Valley Community Financial Services Limited.

In accordance with Section 307C of the **Corporations Act 2001**, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been no contraventions of:

(i) The auditor independence requirements of 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: 4 October 2020

Financial statements.

For year ending June 30 2020.

Statement of profit or loss and other comprehensive Income.

	Note	2020 $	2019 $
Revenue		4,736,678	4,618,077
Expenses			
Employee benefits expense	2	2,481,142	2,488,328
Depreciation and amortisation	3	(548,322)	(194,171)
Finance costs	3	(152)	(129)
Bad and doubtful debts expense	3	(2,299)	(4,145)
Administration and general costs	3	(355,975)	(380,748)
Occupancy expenses		(212,891)	(574,868)
IT expenses		(164,331)	(162,753)
Auditors remuneration		(11,604)	(12,167)
Marketing & Promotion		(59,936)	(122,396)
Other expenses		(56,017)	(53,445)
Operating profit before charitable donations and sponsorship		**844,009**	**624,927**
Charitable donations and sponsorship		(127,994)	(185,335)
Profit before income tax		**716,015**	**439,592**
Income tax expense	4	(177,638)	(135,342)
Profit for the year after income tax		**538,377**	**304,250**
Other comprehensive income		-	-
Total comprehensive income for the year		**538,377**	**304,250**
Profit attributable to members of the company		538,377	304,250
Total comprehensive income attributable to members of the company		**538,377**	**304,250**

Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):

- basic earnings per share	20	**13.29**	**7.51**

The accompanying notes form part of these financial statements.

Statement of financial position.

	Note	2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents	5	1,313,834	365,673
Trade and other receivables	6	355,254	371,477
Financial assets	7	113,270	578,862
Current tax asset	4	-	44,621
Other assets	8	57,163	67,714
Total current assets		**1,839,521**	**1,428,347**
Non-current assets			
Property, plant and equipment	9	1,752,854	758,775
Intangible assets	10	142,004	284,975
Investment property	11	1,322,041	1,302,041
Deferred tax assets	4	73,494	41,514
Total non-current assets		**5,129,914**	**3,815,652**
Total assets		**3,290,393**	**2,387,305**
Liabilities			
Current liabilities			
Trade and other payables	12	148,299	263,954
Current tax liability	4	93,366	-
Borrowings	13	-	8,908
Leases	14	256,721	-

Statement of financial position. (continued)

	Note	2020 $	2019 $
Provisions	15	265,386	227,617
Total current liabilities		**763,772**	**500,479**
Non-current liabilities			
Leases	14	752,678	-
Provisions	15	54,603	31,316
Deferred tax liability	4	-	-
Total non-current liabilities		**807,281**	**31,316**
Total liabilities		**1,571,053**	**531,795**
Net assets		**3,558,861**	**3,283,857**
Equity			
Issued capital	16	2,055,876	2,055,876
Retained earnings	17	1,502,985	1,227,981
Total equity		**3,558,861**	**3,283,857**

The accompanying notes form part of these financial statements.

Statement of changes in equity

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2019 (reported)		**2,055,876**	**1,227,981**	**3,283,857**
Change due to the adoption of AASB 16		-	-	-
Balance at 1 July 2019 (restated)		**2,055,876**	**1,227,981**	**3,283,857**
Comprehensive income for the year				
Profit for the year		-	538,377	538,377
Other comprehensive income for the year		-	-	-
		-	**538,377**	**538,377**
Transactions with owners in their capacity as owners				
Dividends paid or provided	18	-	(263,373)	(263,373)
Balance at 30 June 2020		**2,055,876**	**1,502,985**	**3,558,861**
Balance at 1 July 2018 (reported)		2,055,876	1,187,104	3,242,980
Change due to the adoption of AASB 9		-	-	-
Change due to the adoption of AASB 15		-	-	-
Balance at 1 July 2018 (restated)		**2,055,876**	**1,187,104**	**3,242,980**
Comprehensive income for the year				
Profit for the year		-	304,250	304,250
Other comprehensive income for the year		-	-	-
		-	**304,250**	**304,250**
Transactions with owners in their capacity as owners				
Dividends paid or provided	20	-	(263,373)	(263,373)
Balance at 30 June 2019		**2,055,876**	**1,227,981**	**3,283,857**

The accompanying notes form part of these financial statements.

Financial statements. (continued)

For year ending June 30 2020.

Statement of Cash Flows.

	Note	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		5,190,790	5,033,902
Transfer from Investments to short term deposit		465,592	
Payments to suppliers and employees		(4,258,383)	(4,368,980)
Dividends received		18,169	22,869
Interest paid		(153)	(129)
Interest received		700	4,402
Income tax paid		(209,619)	(243,114)
Net cash flows provided by operating activities	**21b**	**1,207,096**	**448,950**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		7,182	-
Transfer of Investment to short term deposit		465,592	632,704
Purchase of property, plant and equipment		(18,480)	(26,432)
Purchase of investments		(20,000)	(1,302,041)
Purchase of intangible assets		(72,225)	(72,225)
Net cash flows from/(used in) investing activities		**362,069**	**(767,994)**
Cash flows from financing activities			
Repayment of borrowings		-	(5,758)
Repayment of lease liabilities		(357,631)	-
Dividends paid		(263,373)	(263,373)
Net cash flows used in financing activities		**(621,004)**	**(269,131)**
Net increase/(decrease) in cash held		**948,161**	**(588,175)**
Cash and cash equivalents at beginning of financial year		365,673	953,848
Cash and cash equivalents at end of financial year	**21a**	**1,313,834**	**365,673**

The accompanying notes form part of these financial statements.

These financial statements and notes represent those of Valley Community Financial Services Limited as an individual entity.

Valley Community Financial Services Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 30th September 2020.

Notes to the financial statements.

For year ending June 30 2020.

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. The amounts presented in the financial statements have been rounded to the nearest dollar.

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 / Meranda and Kinglake.

The branches operates 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

(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.

With the exception of the below, these financial statements have been prepared in accordance with the same accounting policies adopted in the entity's last annual financial statements for the year ended 30 June 2019. Note that the changes in accounting policies specified below ONLY apply to the current period. The accounting policies included in the company's last annual financial statements for the year ended 30 June 2019 are the relevant policies for the purposes of comparatives.

AASB 16 Leases became mandatorily effective on 1 January 2019. Accordingly, these standards apply for the first time to this set of annual financial statements. The nature and effect of changes arising from these standards are summarised in the section below.

AASB 16 Leases

AASB 16 Leases replaces AASB 117 Leases and three associated Interpretations. The new standard has been applied using the modified retrospective approach, with the cumulative effect of adopting AASB 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated, as permitted under the specific transition provisions in the standard.

For contracts in place at the date of initial application, as permitted under the specific transition provisions in the standard, the Company has elected to apply the definition of a lease from AASB 117 and relevant associated interpretations, and has not applied AASB 16 to arrangements that were previously not identified as a lease under AASB 117 and associated interpretations. This means that any contracts that were deemed to not contain a lease under AASB 117 have not been reassessed under AASB 16.

The Company has also elected to not include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of AASB 16, being 1 July 2019. Furthermore, at this date, the Company has elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition as allowed under the transition provisions.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of AASB 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-valueassets (less than $10,000) the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under AASB 117 immediately before the date of initial application.

On transition to AASB 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under AASB 16 was 4.5%.

The Company has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 30 June 2019 to the lease liabilities recognised at 1 July 2019.

	$
Total operating lease commitments disclosed at 30 June 2019	**391,482**
Recognition exemptions:	
• leases of low value assets	-
• leases with remaining lease terms of less than 12 months	-
Variable lease payments not recognised	806,370
Other minor adjustments relating to commitment disclosures	-
Operating lease liabilities before discounting	**1,197,852**
Lease liability discounted using incremental borrowing rate at date of initial application (1 July 2019).	1,083,479

	$
Lease liability as at 1 July 2019	
Represented by:	-
Current lease liabilities	346,900
Non-current lease liabilities	736,579
	1,083,479

Adjustments recognised in the balance sheet on 1 July 2019

The recognised right-of-use assets relate to the following types of assets:

	30 June 2020 $	1 July 2019 $
Properties	1,029,420	1,083,479
Total right-of-use assets	1,029,420	1,083,479

Balance sheet item	Effect	Amount
Property, plant and equipment	Increase	1,083,479
Deferred tax assets	nil	-
Lease liabilities	Increase	1,083,479
Retained earnings	nil	-

(h) Change in accounting policies.

Accounting policy applicable from 1 July 2019

The Company as a lessee

For any new contracts entered into on or after 1 July 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

- the Company has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net any incentives received).

The Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or to the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-ofuse asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, the right-of-use assets have been included in property, plant and equipment (except those meeting the definition of investment property) and lease liabilities have been included in borrowings.

Finance leases

Management applies judgement in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Company obtains ownership of the asset at the end of the lease term.

For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life.

See the accounting policy note in the year-end financial statements for the depreciation methods and useful lives for assets held under finance leases. The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

All other leases are treated as operating leases. Where the Company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Impact of standards issued but not yet applied by the entity

AASB 17 Insurance Contracts

AASB 17 was issued in July 2017 as replacement for AASB 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured each reporting period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under AASB 9.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. As the company does not issue any insurance contracts or investment contracts with discretionary participation features, the directors have determined this standard will not affect the company when adopted.

The company does not intend to adopt the standard before its effective date.

AASB 1059 Service Concession Arrangements: Grantors

The standard applies to both not-for-profit and for-profit public sector entities that are grantors in a service concession arrangement. These are arrangements that involve an operator providing public services related to a service concession asset on behalf of a public sector entity for a specified period of time and managing at least some of those services.

As the company is not a grantor in a service concession arrangement, the directors have determined this standard will not affect the company when adopted.

The company does not intend to adopt the standard before its effective date.

2. REVENUE.

	2020 $	2019 $
Revenue		
- service commissions	4,558,934	4,583,289
	4,558,934	**4,583,289**
Other revenue		
- interest received	700	4,402
- distribution from investments	18,169	22,870
- other revenue	158,875	7,516
	177,744	**34,788**
Total revenue	**4,736,678**	**4,618,077**

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.

Interest, dividend and other income

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

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

Other revenue includes $100,000 from the Federal Governments Covid-19 cashflow stimulus package. The cash flow boost provided offsets for tax withheld from wages paid to employees. The maximum offset available under this initiative was All revenue is stated net of the amount of goods and services tax (GST).

Rendering of services

As detailed in the franchise agreement, companies earn three types of revenue - margin, commission and fee income. Bendigo and Adelaide Bank Limited decide the method of calculation of revenue the company earns on different types of products and services and this is dependent on the type of business the company generates also taking into account other factors including economic conditions, including interest rates.

Core Banking Products

Bendigo and Adelaide Bank Limited identify specific products and services as 'core banking products', however it also reserves the right to change the products and services identified as 'core banking products', providing 30 days notice is given. The core banking products, as at the end of the financial year included: **Fixed and Variable loans, Interest bearing deposits.**

Margin

Margin is earned on all core banking products. A Funds Transfer Pricing (FTP) model is used for the method of calculation of the cost of funds, deposit return and margin. Margin is determined by taking the interest paid by customers on loans less interest paid to customers on deposits, plus any deposit returns, i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit, minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Commission

Commission is a fee earned on products and services sold. Depending on the product or services, it may be paid on the initial sale or on an ongoing basis.

Fee Income

Fee income is a share of 'bank fees and charges' charged to customers by Bendigo and Adelaide Bank Limited, including fees for loan applications and account transactions.

Notes to the financial statements. (continued)

For year ending June 30 2020.

2. REVENUE. (continued)

Discretionary Financial Contributions

Bendigo and Adelaide Bank Limited has made discretionary financial payments to the company, outside of the franchise agreement and in addition to margin, commission and fee income. This income received by the company is classified as "Market Development Fund" (MDF) income. The purpose of these payments is to assist the company with local market development activities, however, it is for the board to decide how to use the MDF. Due to their discretionary nature, Bendigo and Adelaide Bank Limited may change or stop these payments at any time.

Form and Amount of Financial Return

The franchise agreement stipulates that Bendigo and Adelaide Bank Limited may change the form, method of calculation or amount of financial return the company receives. The reasons behind making a change may include, but not limited to, changes in Bendigo and Adelaide Bank Limited's revenue streams/processes; economic factors or industry changes.

Bendigo and Adelaide Bank Limited may make any of the following changes to form, method of calculation or amount of financial returns:

- A change to the products and services identified as 'core banking products and services'
- A change as to whether it pays the company margin, commission or fee income on any product or service.
- A change to the method of calculation of costs of funds, deposit return and margin and a change to the amount of any margin, commission and fee income.

These abovementioned changes, may impact the revenue received by the company on a particular product or service, or a range of products and services.

However, if Bendigo and Adelaide Bank Limited make any of the above changes, per the franchise agreement, it must comply with the following constraints in doing so.

a) If margin or commission is paid on a core banking product or service, Bendigo and Adelaide Bank Limited cannot change it to fee income;

b) In changing a margin to a commission or a commission to a margin on a core banking product or service, OR changing the method of calculation of a cost of funds, deposit return or margin or amount of margin or commission on a core product or service, Bendigo and Adelaide Bank Limited must not reduce the company's share of Bendigo and Adelaide Bank Limited's margin on core banking product and services when aggregated to less than 50% of Bendigo and Adelaide Bank Limited's margin on core banking products attributed to the company's retail branch operation; and

c) Bendigo and Adelaide Bank Limited must publish the change at least 30 days before making the change.

3. EXPENSES.

	2020 $	2019 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	2,146,666	2,135,963
- other costs including superannuation	334,476	352,365
	2,481,142	**2,488,328**
Depreciation and amortisation		
Depreciation		
- Leased Property	357,788	-
- leasehold improvements	23,021	23,348
- plant and equipment	14,000	17,317
- motor vehicles	10,542	10,534
	405,351	51,199
Amortisation		
- franchise fees	67,983	67,984
- Community Bank Stadium naming rights	74,988	74,988
	142,971	**142,972**
Total depreciation and amortisation	**548,322**	**194,171**
Finance costs		
- Interest paid	152	129
Bad and doubtful debts expenses	2,299	4,145
(Gain) / Loss on disposal of property, plant and equipment	(921)	-
Auditors' remuneration		

3. EXPENSES. (continued)

	2020 $	2019 $
Profit before income tax includes the following specific expenses:		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	6,150	6,000
- Non audit services	5,454	6,166
	11,604	**12,166**

Operating expenses

Operating expenses are recognised in profit or loss on an accruals 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, including buildings and capitalised leased assets, but excluding freehold land , 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
Investment property	n/a	n/a
Leasehold improvements	4-5%	Straight line & Diminishing value
Plant and equipment	25-75%	Straight line & Diminishing value
Motor vehicles	25%	Diminishing Value
Franchise fees	20%	Straight line
Community Bank Stadium naming right	10%	Straight line

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

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.

4. INCOME TAX.

	2020 $	2019 $
a. The components of tax expense comprise:		
Current tax expense	209,618	113,605
Deferred tax expense	(31,980)	21,737
Recoupment of prior year tax losses	-	-
Under / (over) provision of prior years	-	-
	177,638	**135,342**

b. Prima facie tax payable.		
The prima facie tax on profit / (loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5% (2019: 27.5%)	196,904	120,888
Add tax effect of:		
- Under / (over) provision of prior years	(28,765)	-
- Non-deductible expenses	9,499	14,454
Income tax attributable to the entity	177,638	135,342
The applicable weighted average effective tax rate is:	24.81%	30.79%

4. INCOME TAX. (continued)

	2020 $	2019 $
c. Current tax liability.		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	(44,621)	84,888
Income tax paid	(71,631)	(243,114)
Current tax	209,618	113,605
Under / (over) provision prior years	-	-
	93,366	**(44,621)**

	2020 $	2019 $
d. Deferred tax asset.		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Provision for doubtful debts	-	-
Prepayments	(14,108)	(17,944)
Property, plant & equipment	-	-
Accruals	17,291	8,660
Employee provisions	87,997	71,207
Unused tax losses	-	-
	91,180	**61,923**
Deferred tax liabilities comprise:		
Accrued income	123	678
Property, plant & equipment	17,563	19,731
	17,686	**20,409**
Net deferred tax asset	**73,494**	**41,514**
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(27,293)	1,328
(Decrease) / increase in deferred tax liabilities	7,218	20,409
Under / (over) provision prior years	(11,905)	-
	(31,980)	**21,737**

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 for the current period. Current tax liabilities/assets are measured at the amounts expected to be paid to/recovered from the relevant taxation authority.

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

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; and
- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and
  - at the time of the transaction, affects nether accounting profit nor taxable profit (tax loss).

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

Deferred income tax assets and liabilities are 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.

Current tax assets and liabilities are offset where a legally enforceable right of off-set exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity.

5. CASH AND CASH EQUIVALENTS.

	2020 $	2019 $
Cash at bank and on hand	727,745	365,673
Short-term bank deposits	586,089	-
	1,313,834	**365,673**

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.

The effective interest rate on short-term bank deposits was 1.33% (2019: 0.24%); these deposits have an average maturity of 60 days.

6. TRADE AND OTHER RECEIVABLES.

	2020 $	2019 $
Current		
Trade receivables	355,254	371,477
Other receivables	-	-
	355,254	**371,477**

Trade and other receivables are initially measured at the transaction price. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

The Company's main debtor relates to the Bendigo & Adelaide Bank monthly profit share distribution, which is deposited 14 days post month end, there is no items that require the application of the lifetime expected credit loss model.

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 Company always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current and forecast directions of conditions at the reporting date.

There has been change in the estimation techniques or significant assumptions made during the current reporting period.

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

	Gross amount	Not past due	Past due but not impaired			Past due and impaired
			< 30 days	31-60 days	> 60 days	
2020	**$**	**$**	**$**	**$**	**$**	**$**
Trade receivables	355,253	355,253	-	-	-	-
Total	355,253	355,253	-	-	-	-
2019	**$**	**$**	**$**	**$**	**$**	**$**
Trade receivables	371,477	371,477	-	-	-	-
Total	371,477	371,477	-	-	-	-

7. FINANCIAL ASSETS.

	2020 $	2019 $
Amortised cost		
Term deposits	7,827	576,862
Investment in managed funds	105,443	2,000
	113,270	**578,862**

The effective interest rate on the bank deposits was 1.95% (2019: 2.3%). This deposit has a term of 6 months, maturing on 14th october 2020

7. FINANCIAL ASSETS. (continued)

(a) Classification of financial assets.

The company classifies its financial assets in the following categories:

- amortised cost

Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets.

(b) Measurement of financial assets.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Cash and cash equivalents, trade and other receivables fall into this category of financial instruments as well as government bonds that were previously classified as held-to-maturity under AASB 139.

(c) Impairment of financial assets.

AASB 9's impairment requirements use more forward looking information to recognise expected credit losses - the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVTOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit

The company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(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.

	2020 $	2019 $
Payments	51,300	65,250
Security bond	5,416	-
Accrued income	447	2,464
	57,163	**67,714**

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

9. PROPERTY, PLANT AND EQUIPMENT.

	At cost	Accumulated depreciation	Written down value
2020	**$**	**$**	**$**
Leasehold improvements - at cost	868,408	(245,193)	623,215
Plant and equipment - at cost	582,842	(510,531)	72,311
Motor vehicles - at cost	85,809	(57,904)	27,905
Property Leases	1,387,211	(357,788)	1,029,423
Total property, plant and equipment	**2,924,270**	**(1,171,416)**	**1,752,854**
2019	**$**	**$**	**$**
Leasehold improvements - at cost	868,408	(222,172)	646,236
Plant and equipment - at cost	564,514	(496,531)	67,983
Motor vehicles - at cost	91,918	(47,362)	44,556
Property Leases	-	-	-
Total property, plant and equipment	**1,524,840**	**(766,065)**	**758,775**

Plant and equipment

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

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

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

Leased assets

As described in Note 1(h), the Company has applied AASB 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under AASB 17.

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 2020 (2019: None)

(b) Movements in carrying amounts of PP&E.

	Property leases	Leasehold improvements	Plant & equipment	Motor vehicles	Total
2020	**$**	**$**	**$**	**$**	**$**
Opening carrying value	**-**	**646,236**	**67,983**	**44,556**	**758,775**
Adjustment for adoption of AASB 16	**1,083,479**	**-**	**-**	**-**	**1,083,479**
Restated opening net book amount	1,083,479	646,236	67,983	44,556	1,842,254
Additions	303,732		18,480	-	322,212
Disposals	-	-	(152)	(6,109)	(6,261)
Transfers			-	-	-
Revaluations	-	-	-	-	-
Depreciation	(357,788)	(23,021)	(14,000)	(10,542)	(405,351)
Closing carrying value	**1,029,423**	**623,215**	**72,311**	**27,905**	**1,752,854**

2019	Property leases $	Leasehold improvements $	Plant & equipment $	Motor vehicles $	Total $
Opening carrying value	-	665,094	84,946	33,502	783,542
Additions	-	4,490	354	21,588	26,432
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
Revaluations	-	-	-	-	-
Depreciation	-	(23,348)	(17,317)	(10,534)	(51,199)
Closing carrying value	-	646,236	67,983	44,556	758,775

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	2020 $
Properties	1,029,423
Total right-of-use assets	**1,029,423**

(c) Right of use assets.

The Company's lease portfolio includes buildings, plant and equipment.

Options to extend or terminate

The option to extend or terminate are contained in the property leases of the Company. All extension or termination options are only exercisable by the Company. The extension options or termination options which were probable to be exercised have been included in the calculation of the Right of use asset.

(i) AASB 16 related amounts recognised in the statement of financial position.

	Leased Building $	Total Right of use asset $
Leased Asset	1,387,211	1,387,211
Accumulated depreciation	(357,788)	(357,788)
	1,029,423	**1,029,423**
Movements in carrying amounts:		
Recognised on initial application of AASB 16	1,083,479	1,083,479
- previously classified as operating leases	29,087	29,087
- transferred from property, plant & equipment	-	-
Additions	274,645	274,645
Depreciation expense	(357,788)	(357,788)
Net carrying amount	**1,029,423**	**1,029,423**

(ii) AASB 16 related amounts recognised in the statement of profit or loss.

	$
Depreciation charge related to right-of-use assets	357,788
Interest expense on lease liabilities	34,780
Total cash outflows for leases	**392,568**

10. INTANGIBLE ASSETS.

2020 $	At cost	Accumulated amortisation	Written down value
Franchise fees	309,322	(292,298)	17,024
Community Bank @ Stadium naming rights	750,000	(625,020)	124,980
Total intangible assets	**1,059,322**	**(917,318)**	**142,004**

2019 $	At cost	Accumulated amortisation	Written down value
Franchise fees	309,322	(224,315)	85,007
Community Bank @ Stadium naming rights	750,000	(550,032)	199,968
Total intangible assets	**1,059,322**	**(774,347)**	**284,975**

10. INTANGIBLE ASSETS. (continued)

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

Movements in carrying amounts

	Opening written down value	Additions	Amortisation	Closing written down value
2020	$	$	$	$
Franchise fees	85,007	-	(67,983)	17,024
Community Bank @ Stadium naming rights	199,968	-	(74,988)	124,980
Total intangible assets	284,975	-	(142,971)	142,004
2019	$	$	$	$
Franchise fees	152,991	-	(67,984)	85,007
Community Bank @ Stadium naming rights	274,956	-	(74,988)	199,968
Total intangible assets	427,947	-	(142,972)	284,975

11. INVESTMENT PROPERTY.

	2020 $	2019 $
Investment Property - at cost	1,322,041	1,302,041
	1,322,041	**1,302,041**

Investment property is measured initially at its cost, including transaction costs.

Subequent to initial recognition, the company has elected to measure investment property using the cost model.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawan from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

The Company purchased a commercial property in Diamond Creek during 2019 FY as a long term investment to earn rental income and capital appreciation.

The property rental income from the company's investment property which are leased out under operating leases, amounted to $68,097. Direct operating expenses (including repairs and maintenance) arising from the rental - generating investment properties amounted to $9,222. Net rental income of $58,875 inclueded in the other revenue (note 2) Rental income is recognised on a straight line basis over the term of the lease.

Company elected not to depreciate the investment property, as the building is old and will not have much value to depreciate in accounts.

(a) Reconciliation of the carrying value of investment property.

	2020 $	2019 $
Opening balance	1,302,041	-
Additions	20,000	1,302,041
Closing balance	**1,322,041**	**1,302,041**

(b) Capital expenditure commitments.

During the year the company entered into a contract to purchase 802 main road, Hurstbridge. A deposit of $20,000 was paid.

Settlemetn is scheduled for september 2020. The contract value is $1,030,000 net of GST

(c) Fair value of investment property.

As the Diamond Creek property was purchased during May 2019 and cost price is taken to be reasonable estimate of the fair value of the property as at 30th June 2020.

11. FINANCIAL LIABILITIES.

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related 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. Where available, quoted prices in an active market are used to determine fair value. 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.

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

12. TRADE AND OTHER PAYABLES.

	2020 $	2019 $
Current		
Unsecured liabilities:		
Trade creditors	23,614	159,311
Other creditors and accruals	124,685	104,643
	148,299	**263,954**

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.

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

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

13. BORROWINGS.

	2020 $	2019 $
Current		
Secured liabilities		
Finance Leases	-	8,908
	-	**8,908**
Total borrowings	**-**	**8,908**

Loans

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

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

14. LEASES.

	2020 $	2019 $
Current		
Property leases	256,721	-
	256,721	**-**
Non-current		
Property leases	752,678	-
	752,678	**-**
Total leases	**1,009,399**	**-**

The Company has leases for properties. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as a lease payments based on a percentage of Group sales) are excluded from the initial measurement of the lease liability and asset. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 9).

14. LEASES. (continued)

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying asset outright at the end of the lease, or to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and factory premises the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company must insure items of property, plant & equipment and incur maintenance fees on such items in accordance with the lease contracts.

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 June 2020 were as

	Minimum lease payments due				
	Within 1 year	1 -2 years	3 - 5 years	After 5 years	Total
30 June 2020					
Lease payments	296,357	260,085	551,431	-	1,107,873
Finance charges	29,470	29,209	29,798	-	98,477
Net present values	**256,887**	**230,876**	**521,633**	**-**	**1,009,399**
30 June 2019					
Lease payments	388,598	260,347	538,201	-	1,187,146
Finance charges	41,698	27,492	34,477	-	103,667
Net present values	**346,900**	**232,855**	**503,724**	**-**	**1,083,479**

Lease payments not recognised as a liability

The Company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

15. PROVISIONS.

	2020 $	2019 $
Current		
Employee benefits	265,386	227,617
Non-current		
Employee benefits	54,603	31,316
Total provisions	**319,989**	**258,933**

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

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.

16. SHARE CAPITAL.

	2020 $	2019 $
2,055,876 Ordinary shares fully paid	2,055,876	2,055,876
1,996,014 (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.	2020 $	2019 $
Fully paid ordinary shares:		
At the beginning of the reporting period	4,051,890	4,051,890
Shares issued during the year	-	-
At the end of the reporting period	**4,051,890**	**4,051,890**

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

(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.

(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.

17. RETAINED EARNINGS.

	2020 $	2019 $
Balance at the beginning of the reporting period	1,227,981	1,187,104
Profit for the year after income tax	538,377	304,250
Dividends paid	(263,373)	(263,373)
Balance at the end of the reporting period	**1,502,985**	**1,227,981**

18. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES.

	2020 $	2019 $
Dividends paid or provided for during the year		
Interim and/or final fully franked ordinary dividend of 6.5 cents per share (2019: 6.5 cents) franked at the tax rate of 27.5% (2019: 27.5%).	263,373	263,373

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.

20. EARNINGS PER SHARE.

	2020 $	2019 $
Basic earnings per share (cents)	13.29	7.51
Earnings used in calculating basic earnings per share	538,377	304,250
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 servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issues during the year.

21. STATEMENT OF CASH FLOWS.

(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:

	2020 $	2019 $
Cash and cash equivalents (Note 5)	1,313,834	365,673
As per the Statement of Cash Flow	**1,313,834**	**365,673**

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

	2020 $	2019 $
Profit for the year after income tax	**538,377**	**304,250**
Non-cash flows in profit		
- Depreciation and amortisation	548,322	194,171
- Bad debts	2,299	4,145
- Net (profit) / loss on disposal of property, plant & equipment	(921)	-
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	13,925	(23,998)
- (increase) / decrease in prepayments and other assets	10,551	4,336
- (Increase) / decrease in deferred tax asset	(31,980)	21,737
- Increase / (decrease) in trade and other payables	(72,520)	42,056
- Increase / (decrease) in current tax liability	137,987	(129,509)
- Increase / (decrease) in provisions	61,056	31,762
Net cash flows from operating activities	**1,207,096**	**448,950**

(c) Changes in Liabilities arising from Financing Activities.

				Non-cash changes			
	1 July 19 $	Cash Flows $	Initial application of AASB 16 $	Acquisition $	Fair Value Changes	Reclassification	30 June 20
Borrowings	8,908	8,908	-	-	-	-	-
Lease	-	348,722	1,083,479	274,642	-	-	1,009,399
Liabilities total	8,908	357,630	1,083,479	274,642	-	-	1,009,399

Notes to the financial statements. (continued)

For year ending June 30 2020.

22. KEY MANAGEMENT PERSONNEL AND RELATED PARTY DISCLOSURES.

(a) Key management personnel.

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

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

	2020 $	2019 $
Short-term employee benefits	126,956	121,582
Post-employment benefits	17,536	11,550
Total key management personnel compensation	**144,492**	**133,132**

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.

(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 - related party of director Philip Marendaz	Accounting Services	63,119

During the year, the company made donations to related party community groups of $ 8,775. Directors of Valley Community Financial Services Ltd are members of boards/ committee of these groups, however must declare a conflict of interest and are prohibited from voting on the decision to donate to these beneficiaries.

The Directors of Valley Community Financial Services Limited have not accepted the Bendigo and Adelaide Bank Limited's Community Bank Directors Privileges package.

(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:

	2020 $	2019 $
Malcolm Hackett OAM	20,000	20,000
Barry Henwood	11,000	11,000
Phillip Burtt	Nil	Nil
Daryl Brooke	Nil	Nil
Carol Jenkinson	Nil	Nil
Greg Paull	5,000	5,000
Philip Marendaz	5,000	5,000
Gill Di Pasquale	Nil	Nil
Michael McBrien	Nil	Nil
Rob Charlesworth	Nil	Nil
Carole Bury	5,000	5,000
	46,000	**46,000**

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 key management or related parties other than those described above.

23. COMMUNITY ENTERPRISE FOUNDATION™.

The Community Enterprise FoundationTM (CEF) is the philanthropic arm of the Bendigo and Adelaide Bank Group to which

	2020 $	2019 $
Opening Balance	399,434	426,100
Contributions	-	57,895
Grants Paid	(42,000)	(93,522)
Interest	4,773	7,853
GST	2,000	3,739
Management fees	-	(2,631
Balance available for distribution in future periods	**364,207**	**399,434**

24. EVENTS AFTER THE REPORTING PERIOD.

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

25. CONTINGENT LIABILITIES AND CONTINGENT ASSETS.

The company has entered into a contract to purchase 802 Main road Hurstbridge. Settlement is scheduled for September 2020.

The contract value excluding GST is $1,030,000. The purchase will be partly funded by loan finance of $550,000

26. 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 (2019: 100%).

27. COMMITMENTS.

(a) Operating lease commitments.	2020 $	2019 $
Payable		
- no later than 12 months	-	296,410
- between 12 months and five years	-	95,072
- greater then 5 years	-	-
Minimum lease payments	**-**	**391,482**

(b) Finance lease commitments.

Finance lease liabilities are payable exclusive of GST as follows:

Payable		
- no later than 12 months	-	8,951
- between 12 months and five years	-	-
- greater then 5 years	-	-
Minimum lease payments	**-**	**8,951**
Less future interest charges	-	(43)
Finance lease liability	**-**	**8,908**

The adoption of the accounting standard AASB 16 Leases has resulted in the information for current period leases being reported in Note14. The comparative information provided is as reported in the financial statements for the year ended 30th June 2019.

28. COMPANY DETAILS.

The registered office and principal place of business is
8B,75-77 Main Hurstbridge Road, Diamond Creek, 3089

The principal places of the business are:

808 Main Road, Hurstbridge, Vic 3099

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

1036 Main Road, Eltham, Vic 3095

Shop 3, 101 Hazel Glen Drive, Doreen Vic 3754

Shop 4, 1 Victoria Road, Kinglake, Vic 3763

29. FINANCIAL INSTRUMENT RISK FINANCIAL RISK MANAGEMENT POLICIES.

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

Specific financial risk exposure and management

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

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 9 *Financial Instruments* as detailed in the accounting policies are as follows:

	Note	2020 $	2019 $
Financial assets			
Financial assets at amortised cost:			
- Cash and cash equivalents	5	1,313,834	365,673
- Trade and other receivables	6	355,254	371,477
		1,669,088	**737,150**
Financial assets			
- term deposits	7	7,827	576,862
- investment in managed funds	7	105,443	2,000
		113,270	**578,862**
Total financial assets		**1,782,358**	**1,316,012**
Financial liabilities			
Financial liabilities at amortised cost:			
- Trade and other payables	12	148,299	263,954
- Borrowings	13	-	8,908
- Lease Liabilities	14	1,009,399	-
Total financial liabilities		**1,157,698**	**272,862**

(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.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed at Note 6. 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.

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

Financial liability and financial asset maturity analysis:

30 June 2020	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	1.33%	1,313,834	1,313,834	-	-
Trade and other receivables		355,254	355,254	-	-
Term deposits	2.22%	105,443	105,443	-	-
Investment in managed funds	1,11%	113,270	578,862	-	-
Total anticipated inflows		**1,887,801**	**2,353,393**	**-**	**-**
Financial liabilities					
Trade and other payables		148,299	148,299	-	-
Borrowings		1,009,399	256,721	752,678	-
Total expected outflows		**1,157,698**	**405,020**	**752,678**	**-**
Net inflow / (outflow) on financial instruments		**730,103**	**1,948,373**	**(752,678)**	**-**

30 June 2019	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	0.24%	365,673	365,673	-	-
Trade and other receivables		371,477	371,477	-	-
Term deposits	2.30%	2,000	2,000	-	-
Investment in managed funds		576,862	576,862	-	-
Total anticipated inflows		**1,316,012**	**1,316,012**	**-**	**-**
Financial liabilities					
Trade and other payables		263,954	263,954	-	-
Borrowings		8,908	8,908	-	-
Total expected outflows		**272,862**	**272,862**	**-**	**-**
Net inflow / (outflow) on financial instruments		**1,043,150**	**1,043,150**	**-**	**-**

(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.

The primary risks the company is exposed to is interest rate risk and other price risk. The company has no exposure to fluctuations in foreign currency or other price risk

Interest rate risk

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

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

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, management believes the following movements are 'reasonably possible' over the next 12 months:
- A parallel shift of +/- 0.5% in market interest rates from year-end rates.

These movements will not have a material impact on the valuation of the company's financial assets and liabilities, nor will they have a material impact on the results of the company's operations.

Director's 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 8 to 24 are in accordance with the Corporations Act 2001

    (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1 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 2020 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.

Malcolm Hackett OAM
Chair

Signed at Diamond Creek on 30 September 2020.

Independent auditor's report.

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Auditor's Responsibility for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

We identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required

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to report that fact. We have nothing to report in this regard.

RSD Audit
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 4 October 2020

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

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Valley Community Financial Services Limited (the Company), which comprises the statement of financial position as at 30 June 2020, 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 other explanatory information, and the directors' declaration.

In our opinion the accompanying financial report of Valley Community Financial Services Limited is in accordance with the **Corporations Act 2001**, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its performance for the year then ended; and

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

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 Company 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 Company 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
ABN 60 616 244 309

Notes.

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Shop 8B/75-77 Main Hurstbridge Road, Diamond Creek VIC 3089
Phone: 9438 3194 Fax: 9438 4960
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Share Registry:
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facebook.com/valleygroupbranches/

Bendigo Bank

Bendigo and Adelaide Bank Limited ABN 11 068 049 178, AFSL/Australian Credit Licence 237879 A1429506 OUT_1395344 24/07/2020