2021 Annual Report

Valley Community Financial Services Limited

ABN 86 092 399 730

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

Contents

Chairman's report.

For year ending June 30 2021.

This year we have completed many of our strategic goals and through the hard work of our staff we have achieved outstanding growth. The officers' statements contained in this Annual Report provide the details of strategies, their implementation and outcomes conducted on behalf of the company during the 2020/2021 financial year. While we can be proud of the outstanding growth achieved in 2020/2021, our reward is not massively increased revenue, but rather continued viability and a sound platform from which to confront new challenges emerging in the post-pandemic economy. My report will offer some context to the challenges we are confronting and the opportunities which are emerging.

We have lived through historic times and a decade of change following the GFC. Few activities remained untouched by the social, economic and technological forces which followed the GFC. Now business is being transformed again by digital technology, machine learning and smart apps. Big disruptions provide opportunities for competitor technologies and innovation to emerge while society grapples with reasserting order. Communications and marketing have changed, social media has outperformed print advertising. Digital financial products have emerged which challenge traditional banking. The need for a bank premises is being questioned as digital financial products emerge to undermine old ways of doing business. Increasingly customers conduct their banking on computers or smart phones and foot traffic into branches is declining. Traditional banks are responding by cutting costs and offering digital products which eliminate the need for in-person services. Emerging digital banks are offering new forms of credit and debt in competition with more conservative institutions.

COVID-19 has accelerated many of these trends as more employees work from home and meet via conference calls. Increasingly contracts are exchanged electronically, signed digitally, and may be conducted without parties ever sitting across a desk in the same room. As the digitally savvy embrace smart technologies, new apps with little or no connection to a bricks and mortar bank, continue to lure customers away. The global IT companies envisage a seamless connection linking their existing smart phone or social media customers with payment and credit services.

While these trends have been with us for some time the last COVID year has driven home the urgency of developing strategies to respond. All banks are responding but already we can see it will be a painful transition. We understand that our partner, Bendigo and Adelaide Bank are confronting the same issues as other big financial institutions and they will make decisions driven by similar economic imperatives. We have seen and may see further contraction of their branch network as we may see changes to the Community Bank Network through closures and amalgamations.

At the same time new opportunities have opened up. Bendigo Bank has successfully grown its customer base. Its products have become more innovative and competitive. Our lenders have been able to deliver quicker turn around and more attractive product features which clinch deals. Most importantly the real estate market remains buoyant and the appetite for debt has actually grown along with mortgages required to secure a property. The closure of bank branches from our region has delivered new customers who want local, personal service. The opportunities to grow remain strong.

We operate in a franchise arrangement with Bendigo Bank. We rely on their products and systems to be attractive, competitive and serve the needs of our customers. We are both empowered and constrained by our franchise agreement, systems, obligations, and regulations but there are major elements we can control.

I reported in 2019 that we had begun a Board review of our branch structure, staffing and skill levels, costs and opportunities for growth. We have received significant leadership and encouragement in these tasks from our Bendigo Bank Regional Manager and State Manager. Over time, you can expect that the nature of our branches and the services we provide will change to meet the economic conditions and the services our customers support. To date, we have resolved to invest in a smaller footprint, new look cashless branch in Doreen/Mernda with an experienced mobile lender focussed on the characteristics of this growing region. We have also invested in training more staff to achieve advanced lending authorities and have confirmed the value of high-level administrative support for our mobile bankers. We now own four properties which can be tailored to our needs as circumstances change. In the meantime, savings on occupancy and income from rent are supporting our bottom line and for the first time we now have substantial asset backing for shareholder capital. We are proud of the growth achieved during the past year and the realisation of our property strategy.

Managing an enterprise of five branches across the region requires a high level of commitment from our directors and the workload continues to grow. The range of issues and the complexity of the judgements require lengthy consideration, detailed research and constant evaluation. When I joined the Board, the expectation was a once a month meeting plus one or two committee meetings. Today we meet as a full Board twice per month firstly, to address governance and business performance issues and secondly to review the implementation of strategy and develop responses to emerging trends. Directors also attend two or more sub-committees each month which focus on finance; policy and procedures; community strengthening and market development; audit and governance; human resources; strategy and business development.

This work 'on the business' is just one half of a Director's responsibilities. Community Banks are built on a foundation of connection with the community, so it is essential that we tell our story at every opportunity and to every club, group, school and level of government. Directors visit groups over a much wider footprint than ever as the reach of our five branches continues to grow.

While Directors volunteer significant time from their private and business lives to the good of the Company the personal cost and expectations have dramatically increased, alongside the complexity of the business. It has been over a decade since shareholders approved an adjustment to the directors remuneration pool. At this years' Annual General Meeting you will be asked to approve a resolution which acknowledges the increased responsibility and workload.

Dividend

I believe we were prudent in our treatment of the 2019 Dividend given the economic uncertainty of the national COVID-19 lockdown. We remain wary of the uncertainties but the May interim dividend of 3.00 cents and this final dividend declaration of 4.00 cents, I'm sure will be welcomed by shareholders. There aren't too many businesses declaring such healthy, fully franked returns and the share price has lifted on several occasions above the sixty cent mark as a recognition of the dividend return.

Valley Community Financial Services is performing well and is soundly positioned for the future. Our Branch Managers and their staff have shown outstanding commitment to their customers and to the business. Along with our Mobile Lenders, they pursue every opportunity to grow the banking book and care for our customers. They provide excellent support and backup for one another and work across our network as one team. During the COVID lockdowns the staff have performed magnificently; managing the health protocols, the changes in policy, the personal complications of home schooling and occasional exposure restrictions while getting the job done. I thank them for their commitment and hard work throughout a very challenging year.

VCFS is a complex business which relies on the skill and dedication of four key officers. Tina Elmer, our Senior Manager, has led our staff through the implementation of ongoing Bendigo Bank policy changes and the organisational challenges posed by our Board's transformation strategy. Tina is our interpreter of "bank speak" and has connected us, very positively with the Bank's regional and state leadership during our review process.

Our Company Secretary, Melissa Humphries has managed the regulatory obligations and complexities of the enterprise with outstanding commitment. By the time you read this report we will have farewelled Melissa, who has made a move to regional Victoria after ten years in her central role. Melissa has been a first point of contact for shareholders and many sponsorship partners, who I am sure will miss her. Thank you, Melissa for your hard work and dedication to the company.

Melinda DeBolfo has provided outstanding co-ordination of our community strengthening program and has managed much of the development and implementation of our social media and marketing. Melinda knows more about community groups, clubs and their committees than anyone and she cares about their role in the fabric of community. She also has a keen eye for business and promotional opportunities. Her commitment to the company has made us stronger.

Finally Barry Henwood, our Executive Director provides the drive and leadership for all of us in addressing the challenges and implementing the strategies we have developed. Barry's background in business, his knowledge and experience in customer service and franchise operations provide the Board with a wealth of perspectives to inform our decisions. His commitment to community banking and his twenty years of dedication to VCFS make him one of our most valuable assets. Our success in realising the Board's strategic goals comes as a direct result of Barry's commitment to VCFS.

Together these officers have shaped the results of the past year and the directions we will take in the future. I thank them for their commitment and contribution to our achievements.

I would also like to acknowledge the contribution made by Heidi Crundwell who joined the Board in February 2021. Heidi has extensive business development experience in Nillumbik with tourist and traders groups and is committed to the Community Bank model. Heidi has now taken on the role of Company Secretary where her administrative skills and diligence with regulatory requirements will further strengthen the Board.

Twenty-five years ago, major banks wrote off the importance of the local economy and community connectedness. Bendigo Bank Community Banks were the ground swell response to this contraction of banking services. Our existence is based on local people investing in a vision where local economy and connectedness are fundamental to why we live where we do. We have just entered another period of contraction, but we intend to continue as we began. Our purpose remains focussed on the communities we serve. We have very loyal customers and clubs who remain committed to strengthening the community. Of course, that isn't enough. In these times, we have to significantly grow our customer base and our products per customer just to stay still. Doing the same thing and hoping for a different result won't cut it. The reports which follow detail our success to date.

Malcolm Hackett OAM
Chair

Executive Director's annual report.

For year ending June 30 2021.

No doubt, I am consistent with just about every report you read when I say it has been an extraordinary year the 2021 financial year. The COVID pandemic has put up challenges in the way we run our business and uncertainty as to how business would and will perform in the short term.

Financial year results:

I am pleased to be able to report, what has to be described as a massive growth in our business size for the reported period. Our business is measured by the size of its banking book, that is the combination of total deposits plus loans. The Valley group has a banking book amongst the top three or four community bank networks across Australia. VCFS budgeted total business growth of $32.5 million in 2021 financial year. I can report actual growth of $98.1 million for the 2021 financial year. This gives us a total banking book as at 30th of June 2021 of $755.8 million. This result has been a combination of the Bendigo Bank's new marketing strategy, a range of quality competitively priced products that appeal to our customers plus a strong housing market and better than expected business opportunities.

The VCFS group restructured our business a few years ago which put us in an excellent position to take advantage of the opportunities over the last 12 months. We have invested in our business and our people and in 2021 financial year, and we have enjoyed remarkable results. We have employed Mobile Relationship Managers, Darren Gray and Sam Biffa, who were able to utilise their networks to write substantial business well ahead of their set targets. We also have in place a Senior Manager, Tina Elmer, to oversee the operations of our branches and help to train our Managers and teams ensuring they are able to recognise and attract new business at every opportunity.

Unfortunately, in this low interest environment and very competitive pricing our revenue has failed to grow in the same way. Our teams are not able to have any impact on our margins. They are asked to grow our business via the various banking products plus deposits and loans. To that end, they have achieved an excellent result and we are very lucky to have such a great team of dedicated and competent people.

Bendigo bank has also reviewed and reduced some of the revenue channels and are likely to expect us to share in more of the expenses that the bank has carried in the past. One example is the reduction of what is known as the Marketing Development Fund. A few years ago, this fund was worth as much as $250,000 a year across our five branches. In the 2021 financial year the fund was only $82,500 and is likely to disappear altogether soon. So, with these challenges the company has only fallen a little short of the revenue budget which is a very good result. Costs have been contained and also fell slightly short of budget. There will be more detail in the Treasurer's report.

Business review.

The banking industry continues to experience rapid change. We are seeing banks consider their physical network with the closure of branches a means of removing costs to their operations. Your local Community Bank branches are challenged with the desire to offer continued service and a local branch presence which comes at a high cost. We need to find ways to provide the services that our customers expect and remove those that they do not so that our branches can remain viable. It is anticipated that over the next few years banks, including the Community Bank network will continue to assess their physical network.

VCFS intend to investigate best practice, remove costs from our business where possible and continue to provide all those important things that Community Banks have to offer. These are the reasons for the creation of a Community Bank network, these include continuing to provide a service relevant to the community, employ local people, support local business, support local community groups, schools, sporting clubs and service groups. Create an income stream that provides social capital that can assist to bring about important projects identified by local people at grassroots level.

There is so much more to Community Banks than just a banking service.

In the first half of the financial year Bendigo Bank facilitated a review of our five sites. The review consisted of your Directors and some key and senior staff from the Bendigo and Adelaide Bank. The review considered each of our five branches individually and collectively and looked at the possibilities, alternatives, and options of service provision consistent with the communities they serve.

A key challenge is the cost of staffing and occupancy. As banking changes there is no longer the need for large premises and some of the staffing workload can be shared across the five branches. We looked at how those things can be tweaked to provide better results for the company. VCFS will continue to review each branch as we come to the end of a lease or franchise term.

The first outcome from that review was to focus on the Doreen Mernda branch. We considered the demographic and looked at the change in usage and the costs of operating the branch. While that branch has met some growth targets over the 10 years, since it has been open, it has never managed to make a profit. The squeeze in margins, change to the revenue model and removal of the market development fund has made it very difficult for this branch to be profitable. Across the counter transactions have been in decline for the last few years. Local businesses have taken advantage of our services in depositing turnover and changing coins and funds but for the most part have not supported our business. The decision was made that you cannot continue to do the same thing and expect a different outcome. We had to make substantial change to that operation while trying to honour our commitment to retain a presence in that shopping precinct. It is not up to our other four communities to fund a Community Bank in Doreen and Mernda.

We have been able to renegotiate our occupancy. The store has been modified reducing the area from 210 m^2 to 110 m^2. We have achieved a 40% rent reduction. Cash services have been removed from the business, but an ATM is still in place and available for all customers. Bendigo and Adelaide Bank have a relationship with Australia Post enabling customers to deposit and withdraw. There is the Doreen licensed Post Office, another local small business, just around the corner. There is no longer a Branch Manager, however, we have created a new Mobile Relationship Manager role. That person is Michael Slaughter, and I invite shareholders to go in and meet him. Michael works from the branch and services customers from Doreen to Mernda and across to Wollert and beyond. He is available to meet customers whenever and wherever they prefer.

With the removal of cash, we have been able to reduce the staffing levels, below minimum requirements when cash is in store. Cash transit is costly and will no longer be an impost on the branch. But there is more; it is a new innovative branch model. The branch still offers all the services it did before except cash across the counter deposit or withdrawal. The branch has been set up to provide a service to the community and local businesses. We have created two spaces in store. A retail pop-up and an Art space for local small businesses to promote and have an opportunity to present their wares. Many businesses now work online and from home and don't have that opportunity to showcase their products. This innovation provides an opportunity to create foot traffic and promote in-store the services our branch continues to offer. Local sporting clubs and schools will be welcome to use the space if they need. Early signs are very promising, and these two spaces are booked through to the end of January as this report is being prepared. Spaces are provided free of charge but users are asked to promote the branch when advertising when they will be in the store.

On behalf of the Board, I will continue in my role to review these operational matters to ensure the continued healthy profits and viability of the businesses we operate.

Hurstbridge branch freehold.

Last year I reported our intention to purchase the Hurstbridge freehold at 808 Main Road, Hurstbridge. That purchase has now taken place and adds considerable value to the company's balance sheet and will eventually contribute to significant occupancy cost savings for that branch.

VCFS also owns 802 at 802A Main Road, Hurstbridge. We have built a very strong balance sheet, above and beyond franchise agreements and in-store fit outs.

Low-volume market.

While the COVID restrictions that have been in place off and on for the last 12 months have made share sales difficult we do have some buyers interested in negotiating to buy shares.

The low-volume market platform provides an opportunity for buyers and sellers to place an expression of interest with Carla Lewis our Executive Officer. Carla can provide buyers and sellers with a list of shares that are for sale and a list of people interested in buying. Once the parties have been introduced, negotiations and contracts of sale are entirely up to the vendors and the buyer.

Directors are satisfied with the return on investment over our years of operation and dividends are fully franked. Naturally we can't speak for future results. People interested in shares with Valley Community Financial Services Ltd can contact Carla at our Diamond Creek administration office on 9438 3194.

Once again I would like to take this opportunity to thank shareholders and the Board of Directors and the VCFS team to continue in this role, I consider it a great honour and privilege to be your Executive Director.

I would also like to thank the Board and in particular the Chairman Malcolm Hackett, for their continued support and Malcolm's remarkable work ethic serving our local communities and VCFS Ltd.

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, Sam Biffi and Michael Slaughter 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 an 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 all areas in the north and west Melbourne metro. Sam provides financial solutions and great customer service to help the client's with their 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.

Michael Slaughter

Michael has been in the banking and finance industry for over 10 years. He has helped hundreds of people turn their dreams into reality, from 1st home buyers to investors. He is mobile and can come to you at a time and place that suits your needs.

Michael has won several awards during his finance career and has been recognised for his superior customer service. He prides himself on his follow up and ensuring the loan process is seamless for his clients. His expertise ensures he can provide tailored advice to help you achieve your goals.

Michael is passionate about the local community and helping it prosper and grow! He loves sport and is actively involved with his local soccer club. He looks forward to meeting with you and helping you grow your wealth! Call him now on 0498 002 137.

Senior Manager's report.

For year ending June 30 2021.

Challenging, disruptive, uncertain, rollercoaster; a few of the words I could use to describe the year we have had. Our customers and our business faced a difficult year, however, this led to us moving fast, adapting, and creating a better experience for our customers, while understanding that we needed to be there for our customers and community. We introduced a smarter way to stay in touch with Digital Document Signing; a platform where we can connect and have our customers sign documents digitally with no physical contact.

The pandemic and our subsequent numerous and lengthy lockdowns had little effect on our business and growth. Our overall business experienced a 12% growth, the highest we have seen since 2018. This is a testament to all our staff demonstrating one of our critical behaviours: "Moving fast to help our customers", and of course, with the support of Bendigo Bank's processing departments. A decision by the Bank to condense the number of Home Loan products in our suite to one simple, competitive, all-in-one product helped us increase our Loan Book. This came into effect July 2020 and we now have a product that stands up against the majors.

Our Mobile Lending team of two, Darren Gray and Sam Biffi, grew to three with the addition of Michael Slaughter in May 21. Michael came to us in August 2020 as Branch Manager, Diamond Creek bringing with him a wealth of knowledge in lending from his previous role as a Broker. We have recently filled the role of Branch Manager Diamond Creek with Kris Petrevski. Kris has previously worked in banking and the brokering industry.

The results produced by our Mobile Lenders is a testament to their expertise and uncanny ability to connect with our customers, making banking convenient anytime, anywhere.

MRM Figures as at JUNE 2021

MRM DARREN GRAY	YTD #	YTD $
Approval	55	25,366,450
Settlements	46	20,628,450

MRM SAM BIFFI	YTD #	YTD $
Approval	72	28,559,807
Settlements	70	25,820,614

Our Deposit Book continued to grow at a rapid rate, despite the reduction in interest rates

Business Size-core business in'0000

(Table shows size of book as a group and each site in core business areas)

Group Business Size as at JUNE 2021

VCFS LTD	Balance as at;		GROWTH	GROWTH%
	30/06/2020	2020/21		
DEPOSITS	361,340	418,336	56,996	15.77
LENDING	296,352	337,487	41,155	13.88
TOTAL	657,692	755,823	98,131	14.92

DEPOSITS 2020/21	GROWTH	LENDING 2020/21	GROWTH	OVERALL GROWTH
HURSTBRIDGE				
148,358	15,558	126,073	14,480	30,038
DIAMOND CREEK				
113,360	19,960	64,633	10,808	30,498
KINGLAKE				
22,161	4,486	26,848	4,013	8,499
ELTHAM				
84,329	9,369	72,265	4,724	14,093

Strategic Planning has become an important part of my role, working on the business rather than in the business in conjunction with the Board and Bendigo Bank. Our work around transformation, understanding what was needed to remain relevant, keeping costs down and increasing revenue without decreasing our footprint was put into place with the transformation of our Doreen-Mernda Branch. Work commenced in May which saw our Branch transform to a cashless site, with a Retail Pop Up and Art Space. Our services still include Home Loans, Personal Loans, Credit Cards, Account Opening, services that do not require us to handle cash.

Our new concept branch opened its doors on the 7 of June. Despite having no cash on site, the branch is showing signs that this concept will work in this community. Its initial and ongoing success is attributed to having the right staff in the right role. The Branch is staffed by two Customer Relationship Officers, Kath King and Steph Weeks, along with Melinda De Bolfo who has taken on the role as the Local Engagement Officer, liaising with business to occupy our two new spaces on a roster system. These spaces are proving to be popular and demand is high.

Branch Compliance. Each Branch is reviewed 6 monthly to ensure that staff are abiding by the controls in place to mitigate risk to our customers, staff and the company. Staff continually work hard to ensure that their branches are compliant with all policies and procedures.

We could not have achieved what we have as a group without the amazing staff we have. Their experience and resilience in these times has allowed us to continue to provide exemplary service to our customers which has directly resulted in our success. Thank you for all your support and the amazing work you continue to do for your community.

To the Board of Directors, thank you. Your support is very much appreciated as is your assistance throughout the year.

Our Administration Staff, Louise Danson, Melinda De Bolfo and Melissa Humphries, who recently left our company, and replaced by Carla Lewis – I could not do what I do without your support, and it is very much appreciated.

Another very challenging year lays ahead of us, but I am certain that we will prosper and succeed. We have the right people in the right roles and the drive to do better.

"The highest challenge inside organisations is to enable each person to contribute his or her unique talents and passion to accomplish the organisation's purpose" Stephen Covey

Tina Elmer
Senior Manager

Treasurer's report.

For year ending June 30 2021.

Shareholders and stakeholders, I am pleased to report a sound result in the face of continued challenging business conditions in 2021.

Counter intuitively the company performed exceptionally well this year. In recent years the Board considered business size growth in the range of 5% to 10% to be good. Our business size grew 14.9% during the financial year ended June 2021. This exceptional result is due to the hard work of our staff in a COVID-19 affected and competitive market.

Customer related revenue was up, however reduced Bendigo Bank Market Development Funding and lower interest income resulted in total revenue closing in line with 2020.

Operating expenditure included one off non-cash write downs of the Eltham and Mernda Branch fit outs ($232k). This resulted in the 2021 operating profit being lower than the 2020 operating profit ($673k V. $844k). The underlying surplus for 2021 was $905k.

During the year the Board continued to advance the strategy designed to strengthen shareholder value by purchasing an addition commercial property (our Hurstbridge Branch) and reducing the footprint of rented space. The Company's net asset value per share now approaching parity with the issue share price.

TOTAL ASSETS
$6.805M
increase of
$1.675M (32.6%)
from 2020

TOTAL LIABILITIES
$2.997M
increase of
$1.426M (90.7%)
from 2020

BUSINESS SIZE
$755.8M
increase of
$98.1M (14.9%)
from 2020

CUSTOMER REVENUE
$4.56M
increase of
$132.2K (2.98%)
from 2020

NET ASSETS
$3.808M
increase of
$249.2k (32.6%)
from 2020

2021
DIVIDENDS
7.00C
per share

CASH EARNINGS per share
9.15C

NET ASSETS per share
93.98C

OPERATING EXPENSES
Employees
$2.547M
$65.6k (2.64%)
from 2020
Non-emp
$1.501M *
$90k (6.4%)
from 2020
***includes $232k in one-off branch fitout write-offs**

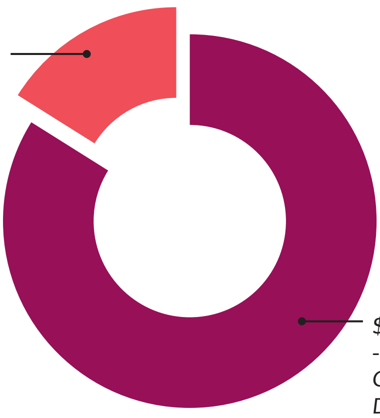
OPERATING PROFIT
before one-off expenses
$905k

OPERATING PROFIT
$673k

The strength of our cash position has allowed us to accelerate the retirement of debt associated with our Hurstbridge properties with a view to the loans being extinguished within 5 years.

This year we also continued to support community organisations and sporting clubs, making sponsorships and grants totaling $132,234 as well as depositing $25,000 in the Community Enterprise Foundation for future use.

Community Dividend



2021 Final Dividend

Good earnings during the year have allowed us to meet the commitment given at the 2020 AGM to issue an interim dividend of 3.00 cents per share ($121,557) early in 2021, and your Directors further recommend that a dividend of 4.00 cents per share be paid for the 2021 financial year. It is anticipated this will be paid in October 2021.

The summary financial data and performance graphics which accompany this report are drawn from the audited financial statements for 2021 that are presented in the body of the 2021 annual report. I encourage you to turn to the audited financial statements for further detailed information about the Company's financial performance.

Phillip Burtt CPA (ASA)
Treasurer

Director's report.

For year ending June 30 2021.

The Directors present their report of the company for the financial year ended 30 June 2021.

Directors

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

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 Engagement Committee, Chair of Policy & Procedure Committee, member of the Executive Committee, Human Resources Committee, Task Force Committee, Finance Committee, Strategy Committee, Audit Committee, Scoping 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, Strathewen Bushfire Relief Trust and Director of Bushfire Resilience Incorporated.

Barry Henwood (Executive Director).

Qualifications, experience and expertise: DipHort Sci, Grad Dip Acc. Newsagent and Licensed Post Office Operator, Barry has been in small business for over 30 years. He brings to the Board a demonstrated ability to run a business and a commitment to the local area in which he lives.

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

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

Phillip Burtt (Director / Treasurer).

Qualifications, experience and expertise: B.Economics, CPA (ASA). Phillip is a Quality and Risk specialist and QMS (ISO 9001:2015) certification services consultant with clients in Social Services and Employment Services. Prior to moving into consulting Phillip was Student Housing specialist at leading Victorian and International Universities (University of Melbourne, La Trobe University and Arcadia University).

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

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

Daryl Brooke (Deputy Chair).

Qualifications, experience and expertise: Professional Banking fundamentals – Chartered Banker Institute. NZ Certificate in Engineering Mechanical, GradDip Marketing Management, GradDip Industrial Production. Daryl works with business owners and farmers on response to and recovery from the impacts of extreme events.

Special responsibilities: Chair of Strategy Committee, Audit Committee and Community Engagement Committee, member of Executive Committee, Confident Job Seeker Committee, Scoping 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 Policy & Procedure Committee, Strategy Committee, Community Engagement Committee, Scoping 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 consulting 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 13 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 and Community Engagement 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: For the past 20 months Rob has worked as a Community Partnership and Engagement Officer with Sunbury and Cobaw Community Health facilitating local health and wellbeing programs such as RU Ok, Sunbury Men's Shed and Sunbury Sons of the West auspiced through the Western Bulldogs Community Foundation. Rob's prior role was as a 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. Rob retired in July 2021.

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

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

Heidi Crundwell (Director / Company Secretary). Appointed May 2021

Qualifications, experience and expertise: Bachelor of Business (Marketing). Heidi has worked as a Marketing and Centre Manager for the Diamond Creek Traders Association for over 14 years, and in her marketing consulting capacity has also worked for trader groups such as the Nillumbik Tourism Association, Yarra Valley and the Dandenongs Marketing Board, Yarra Glen and Macleod Village Traders. Heidi is also an active member of the Mainstreet Australia committee and Treasurer of Research Lower Plenty Baseball Club.

Special responsibilities: Member of the Executive Committee and Task Force Committee.

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

Directors were in office for this entire year unless stated otherwise.

Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board Meeting	Audit	Policy	Human Resources	Community Strengthening	Task Force	Finance
Malcolm Hackett OAM	12(12)	1(1)	3(3)	8(8)	1(1)	9(9)	9(9)
Barry Henwood	10(12)	n/a	2(3)	8(8)	0(1)	9(9)	9(9)
Phillip Burtt	12(12)	1(1)	3(3)	n/a	0(1)	9(9)	9(9)
Daryl Brooke	11(12)	1(1)	n/a	n/a	1(1)	6(9)	n/a
Philip Marendaz	11(12)	n/a	n/a	n/a	n/a	8(9)	9(9)
Carol Jenkinson	12(12)	n/a	3(3)	n/a	n/a	9(9)	n/a
Heidi Crundwell	5(5)	n/a	n/a	n/a	n/a	2(2)	n/a
Rob Charlesworth	12(12)	n/a	n/a	n/a	0(1)	7(8)	n/a
Michael McBrien	9(12)	1(1)	n/a	8(8)	0(1)	7(8)	n/a
Gill Di Pasquale	11(12)	n/a	n/a	n/a	1(1)	5(9)	n/a
Greg Paull	12(12)	n/a	n/a	n/a	n/a	9(9)	9(9)

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.

Company Secretary

Melissa Humphries (resigned 26 May 2021) had 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. Heidi Crundwell was appointed as the Company Secretary on 26 May 2021. Heidi's qualifications include Bachelor of Business (Marketing), and has had over 14 years working in the community. Heidi has completed the sessions, Low Volume Market by Bendigo Bank and Accidental Company Secretary by the Governance Institute of Australia.

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.

Operating Results

The profit of the company for the financial year after provision for income tax was:

	30 June 2021 ($)	31 June 2020 ($)	Movement
Profit After Tax	370,801	538,377	-31%

Director's Interests

Director	Fully Paid Ordinary Shares		
	Balance at July 1 2020	Changes During the Year	Balance at 30 June 2021
Malcolm Hackett - OAM	20,000	-	20,000
Daryl Brooke	-	-	-
Phillip Burrt	-	-	-
Barry Henwood	11,000	-	11,000
Carol Jenkinson	-	-	-
Greg Paull	5,000	-	5,000
Philip Marendaz	5,000	-	5,000
Gill Di Pasquale	-	-	-
Michael McBrien	-	-	-
Rob Charlesworth	-	-	-
Heidi Crundwell	30,000	-	30,000

Director's report. (continued)

For year ending June 30 2021.

Dividends

During the financial year, the following dividends were provided for and paid. The dividends have been provided for in the financial statements.

	30 June 2021 ($)	31 June 2020 ($)
Final fully franked dividend	3.00	121,556
Total Amount	3.00	121,556

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

During the financial year, the Australian economy was greatly impacted by COVID-19. Bendigo Bank, as franchisor, announced a suite of measures aimed at providing relief to customers affected by the COVID-19 pandemic. The uncertain economic conditions has not materially impacted the company's earnings for the financial year. As the pandemic continues to affect the economic environment, uncertainty remains on the future impact of COVID-19 to the company's operations.

In the opinion of the directors there were no other significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Events Since the end of the Financial Year

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

Likely Developments

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

Environmental Regulations

The company is not subject to any significant environmental regulation.

Indemnification & Insurance of Directors & Officers

The company has indemnified all directors and the managers in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or managers of the company except where the liability arises out of conduct involving the lack of good faith.

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 or a related body corporate.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Non-audit Services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (RSD Audit) for audit and non-audit services provided during the year are set out in Note 29 to the accounts.

The Board of Directors has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

Auditor's Independence Declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Diamond Creek on 30th Sep 2021

Malcolm Hackett OAM
Chair

rsd Audit

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

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

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

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Valley Community Financial Services Limited. As the lead audit partner for the audit of the financial report for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, 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: 28 September 2021

Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 85 619 186 908
Liability limited by a scheme approved under Professional Standards Legislation

Fiancial statements.

For year ending June 30 2021.

Statement of profit or loss and other comprehensive Income.

	Note	2021 $	2020 $
Revenue			
Revenue from contracts with customers	7	4,556,162	4,423,934
Other revenue	8	163,787	293,875
Finance income	9	1,347	18,869
		4,721,296	**4,736,678**
Expenses			
Employee benefits expense	10	(2,546,723)	(2,481,142)
Depreciation and amortisation	10	(485,351)	(548,322)
Finance costs	10	(10,795)	(152)
Administration and general costs		(335,931)	(358,274)
Occupancy expenses		(193,393)	(212,891)
IT expenses		(165,072)	(164,331)
Auditor remuneration		(11,732)	(11,604)
Marketing & Promotion		(37,048)	(59,936)
Other expenses	10	(262,171)	(56,017)
		(4,048,216)	**(3,892,669)**
Operating profit before charitable donations and sponsorship		**673,080**	**844,009**
Charitable donations and sponsorship	10	(158,550)	(127,994)
Profit before income tax		**514,530**	**716,015**
Income tax expense	11	(143,729)	(177,638)
Profit for the year after income tax		**370,801**	**538,377**
Profit attributable to the ordinary shareholders of the company		370,801	538,377
Total comprehensive income attributable to ordinary shareholders of the company		**370,801**	**538,377**
Earnings per share		¢	¢
- basic and diluted earnings per share	31	9.15	13.29

Statement of Financial Position

	Note	2021 $	2020 $
Assets			
Current assets			
Cash and cash equivalents	12	730,393	1,313,834
Trade and other receivables	13	378,055	355,254
Financial assets	14	13,941	113,270
Current tax asset	19	22,744	-
Other assets	15	42,940	57,163
Total current assets		**1,188,073**	**1,839,521**
Non-current assets			
Property, plant and equipment	16	2,068,505	723,431
Right-of-use assets	17	771,880	1,029,423
Investment property	17a	2,395,368	1,322,041
Intangible assets	18	325,585	142,004
Deferred tax assets	19	55,652	73,494
Total non-current assets		**5,616,990**	**3,290,393**
Total assets		**6,805,064**	**5,129,914**
Liabilities			
Current liabilities			
Trade and other payables	20	289,248	148,299
Current tax liability	19	-	93,366
Borrowings	21	114,302	-
Lease liabilities	22	238,098	256,721
Employee benefits	23	266,267	265,386
Total current liabilities		**907,915**	**763,772**
Non-current liabilities			
Trade and other payables	20	229,815	-
Borrowings	21	1,241,001	-
Lease liabilities	22	552,610	752,678
Employee benefits	23	65,617	54,603
Total non-current liabilities		**2,089,043**	**807,281**
Total liabilities		**2,996,958**	**1,571,053**
Net assets		**3,808,105**	**3,558,861**
Equity			
Issued capital	24	2,055,876	2,055,876
Retained earnings	25	1,752,229	1,502,985
Total equity		**3,808,105**	**3,558,861**

Statement of Changes in Equity

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2019		**2,055,876**	**1,227,981**	**3,283,857**
Comprehensive income for the year				
Profit for the year		-	538,377	538,377
Transactions with owners in their capacity as owners				
Dividends paid or provided	30	-	(263,373)	(263,373)
Balance at 30 June 2020		2,055,876	1,502,985	3,558,861

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2020		**2,055,876**	**1,502,985**	**3,558,861**
Comprehensive income for the year				
Profit for the year		-	370,801	370,801
Transactions with owners in their capacity as owners				
Dividends paid or provided	30	-	(121,557)	(121,557)
Balance at 30 June 2021		2,055,876	1,752,229	3,808,105

Statement of Cash Flows

	Note	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		5,181,207	5,190,790
Transfer from Investments to short term deposit			465,592
Payments to suppliers and employees		(3,980,985)	(4,258,383)
Dividends / distribution received		-	18,169
Interest paid		(22,815)	(153)
Interest received		1,667	700
Income tax paid		(125,887)	(209,619)
Net cash flows provided by operating activities	**26b**	**1,053,187**	**1,207,096**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	7,182
Transfer of Investment to short term deposit		119,329	465,592
Purchase of property, plant and equipment		(1,627,383)	(18,480)
Purchase of investments		(1,093,327)	(20,000)
Purchase of intangible assets		(17,859)	(72,225)
Net cash flows from/(used in) investing activities		**(2,619,240)**	**362,069**
Cash flows from financing activities			
Proceeds from borrowings		1,606,055	-
Repayment of borrowings		(250,752)	-
Repayment of lease liabilities		(251,135)	(357,631)
Dividends paid		(121,556)	(263,373)
Net cash flows from/(used in) financing activities		**982,612**	**(621,004)**
Net increase/(decrease) in cash held		**(583,441)**	**948,161**
Cash and cash equivalents at beginning of financial year		1,313,834	365,673
Cash and cash equivalents at end of financial year	**26a**	**730,393**	**1,313,834**

Notes to the fiancial statements.

For year ending June 30 2021.

NOTE 1. CORPORATE INFORMATION

These financial statements and notes represent those of Valley Community Financial Services Ltd as an individual entity. Valley Community Financial Services Ltd is a company limited by shares, incorporated and domiciled in Australia. The financial statements were authorised for issue by the Directors on 30th September 2021.

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 28.

NOTE 2. 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 (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). 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 financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise.

(a) Economic Dependency

The Company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the following Community Banks branches:

- Hurstbridge & Districts Community Bank
- Diamond Creek Community Bank
- Eltham & District Community Bank
- Doreen & Mernda Community Bank
- Kinglake Bendigo Bank

The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry.

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

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, 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 Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo Bank entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

Bendigo Bank provides significant assistance in establishing and maintaining the Community Bank 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 and assistance in relation to:

- the design, layout and fit out of the Community Bank premises
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

Notes to the fiancial statements. (continued)

For year ending June 30 2021.

Note 3. Summary of Significant Accounting Policies (continued)

(b) Revenue From Contracts With Customers

The company has entered into a franchise agreement with Bendigo Bank. The company delivers banking and financial services of Bendigo Bank to its community. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the company. Interest margin share is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the company's right to receive the payment is established.

The company acts as an agent under the franchise agreement and revenue arises from the rendering of services through its franchise agreement.

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement. Under AASB 15 *Revenue from Contracts with Customers* (AASB 15), revenue recognition for the company's revenue stream is as follows:

Revenue
Franchise agreement profit share
Includes
Margin, commission and fee income
Performance Obligation
When the company satisfies its obligation to arrange the servies to be provided to the customer by the supplier (Bendigo & Adelaide Bank)
Timing of Recognition
On completion of the provision of the relevant service. Revenue is accrued monthly and paid within 10 business days of month end.

All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue Calculation

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo Bank decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Margin

Margin is arrived at through the following calculation:

Interest paid by customers on loans,
less interest paid to customers on deposits

PLUS

Deposit returns
(i.e. interest return applied by BABL on deposits)

MINUS

Any costs of funds
(i.e. interest applied by BABL to fund a loan)

The company is entitled to a share of the margin earned by Bendigo and Adelaide Bank. If this reflects a loss, the company incurs a share of that loss.

Commission

Commission revenue is in the form of commission generated for products and services sold. This commission is recognised at a point in time which reflects when the company has fulfilled its performance obligation.

The company receives trailing commission for products and services sold. Ongoing trailing commission payments are recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission income is outside the control of the company, and is a significant judgement area.

Fee Income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo and Adelaide Bank entities including fees for loan applications and account transactions.

Core Banking Products

Bendigo Bank has identified some products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

Ability to Change Financial Return

Under the franchise agreement, Bendigo and Adelaide Bank may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

Bendigo and Adelaide Bank must not reduce the margin and commission the company receives on core banking products and services to less than 50% (on an aggregate basis) of Bendigo and Adelaide Bank's margin at that time. For other products and services, there is no restriction on the change Bendigo and Adelaide Bank may make.

(c) Other Revenue

The company's activities include the generation of income from sources other than the core products under the franchise agreement. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured.

Revenue	Revenue Recognition Policy
"Discretionary financial contributions (also ""Market Development Fund"" or ""MDF"" income)"	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

All revenue is stated net of the amount of Goods and Services Tax (GST).

Discretionary Financial Contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo Bank has also made MDF payments to the company.

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and grants. It is for the board to decide how to use the MDF.

The payments from Bendigo Bank are discretionary and may change the amount or stop making them at any time. The company retains control over the funds, the funds are not refundable to Bendigo Bank.

Cash Flow Boost

During the financial year, in response to the COVID-19 outbreak, *Boosting Cash Flow for Employers (Coronavirus Economic Response Package) Act 2020* (CFB Act) was enacted. The purpose was to provide temporary cash flow to small and medium businesses that employ staff and have been affected by the economic downturn associated with COVID-19.

The amounts received or receivable is in relation to amounts withheld as withholding tax reported in the activity statement. This essentially subsidises the company's obligation to remit withholding tax to the Australian Taxation Office. For reporting purposes, the amounts subsidised are recognised as revenue.

The amounts are not assessable for tax purposes and there is no obligation to repay the amounts when the cash flow of the company improves.

Note 3. Summary of Significant Accounting Policies (continued)

(d) Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages (including non-monetary benefits), annual leave, and sick leave which are expected to be wholly settled within 12 months of the reporting date.

They are measured at amounts expected to be paid when the liabilities are settled, plus related on-costs. Expenses for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

An annual leave liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

Other Long-term Employee Benefits

The company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods.

That benefit is discounted to determine its present value. Consideration is given to expected future wage and salary levels plus related on-costs, experience of employee departures, and years of service achieved. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimate future cash outflows.

Remeasurements are recognised in profit or loss in the period in which they arise.

(e) Tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current Income Tax

Current tax assets and liabilities are measured at amounts expected to be recovered from or paid to the taxation authorities. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for all deductible temporary differences, carried-forward tax losses, and unused tax credits to the extent that it is probable that future taxable profits will be available against which they can be used.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the entity intends to settle its tax assets and liabilities on a net basis.

Goods & Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except:

- when the amount of GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue or expense item.
- when receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

(f) Cash & Cash Equivalents

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise: cash on hand, deposits held with banks, and short-term, highly liquid investments (mainly money market funds) that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

(g) Property, Plant & Equipment

Recognition & Measurement

Items of property, plant and equipment are measured at cost or fair value as applicable, which includes capitalised borrowings costs, less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent Expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the company.

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using diminishing value method over their estimated useful lives, and is recognised in profit or loss.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

Asset Class	Method	Rate
Buildings / Property	Not Applicable	n/a
Leasehold improvements	Straight Line and Diminishing Value	4 to 5%
Plant & equipment	Straight Line and Diminishing Value	25 -75%
Motor vehicles	Diminishing value	25%
Investment Property	Not Applicable	n/a

Depreciation methods, useful life, and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Intangible Assets

Intangible assets of the company include the franchise fees paid to Bendigo Bank conveying the right to operate the Community Bank franchise.

Recognition & Measurement

Intangible assets acquired separately are measured on initial recognition at cost.

Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

Amortisation

Intangible assets are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

The estimated useful life and amortisation method for the current and comparative periods are as follows:

Asset Class	Method	Useful Life
Community Bank Stadium naming rights	Straight line	10 years
Establishment fee	Straight line	Franchise term (5 years)
Franchise fee	Straight line	Franchise term (5 years)

Amortisation methods, useful life, and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade debtors and creditors, cash and cash equivalents, leases.

Sub-note (i) and (j) refer to the following acronyms:

Acronym	Meaning
FVTPL	Fair value through profit or loss
FVTOCI	Fair value through other comprehensive income
SPPI	Solely payments of principal and interest
ECL	Expected credit loss
CGU	Cash-generating unit

Recognition & Initial Measurement

Trade receivables are initially recognised when they originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to the acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification & Subsequent Measurement

Financial Assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVTOCI - debt investment; FVTOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. On initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial Assets - Business Model Assessment

The company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed.

Financial Assets - Subsequent Measurement, Gains & Losses

For financial assets at amortised cost, these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial Liabilities - Classification, Subsequent Measurement, Gains & Losses

Borrowings and other financial liabilities (including trade payables) are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial Assets

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Where the company enters into transactions where it transfers assets recognised in the statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred asset, the transferred assets are not derecognised.

Financial Liabilities

The company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. The company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(j) Impairment

Non-derivative Financial Instruments

The company recognises a loss allowance for estimated credit losses (ECL)'s on its trade receivables.

ECL's are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received.

In measuring the ECL, a provision matrix for trade receivables is used, taking into consideration various data to get to an ECL, (i.e. diversity of its customer base, appropriate groupings of its historical loss experience etc.).

Recognition of ECL in Financial Statements

At each reporting date, the entity recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The company's trade receivables are limited to the monthly profit share distribution from Bendigo and Adelaide Bank, which is received 14 days post month end. Due to the reliance on Bendigo and Adelaide Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo and Adelaide Bank and found no instances of default. As a result no impairment loss allowance has been made in relation to trade receivables as at 30 June 2021.

Non-financial Assets

At each reporting date, the company reviews the carrying amount of its non-financial assets (other than investment property, contracts assets, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The company has assessed for impairment indicators and noted no material impacts on the carrying amount of non-financial assets

(k) Issued Capital

Ordinary Shares

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(l) Leases

As Lessee

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of property the company has elected not to separate lease and non-lease components and account for the lease and non-lease components as a single lease component.

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term or the costs of the right-of-use asset reflects that the company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate.

The company determines its incremental borrowing rate by obtaining interest rates from funding sources and where necessary makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual guarantee; and
- the exercise price under a purchase option the company is reasonable certain to exercise, lease payments in an option renewal period if the company is reasonably certain to exercise that option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term Leases & Leases of Low-value Assets

The company has elected not to recognise right-of-use assets and lease liabilities for leases of short-term leases and low-value assets, including IT equipment. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

A short-term lease is a lease that, at commencement date, has a lease term of 12 months or less.

As Lessor

The company has two investment properties and have an arrangement where it is a lessor.

(m) Standards Issued But Not Yet Effective

There are no new standards effective for annual reporting periods beginning after 1 January 2020 that are expected to have a significant impact on the company's financial statements.

(n) Comparative Figures

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

NOTE 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES & ASSUMPTIONS

During preparation of the financial statements, management has made judgements and estimates that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual outcomes and balances may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Any revisions to these estimates are recognised prospectively.

(a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Note	Judgement
Note 7 - Revenue	Whether revenue is recognised over time or at a point in time.
Note 22 - Leases:	
(a) Control	"Whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset."
(b) Lease term	Whether the company is reasonably certain to exercise extension options, termination periods, and purchase options.
(c) Discount rates	"Judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including: • the amount • the lease term • economic environment • any other relevant factors."

(b) Assumptions & Estimation Uncertainty

Information about assumptions and estimation uncertainties at 30 June 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note	Assumption
Note 19 - Recognition of deferred tax assets	"Availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised."
Note 3(g) & (h) - Estimation of asset useful lives	Key assumptions on historical experience and the condition of the asset.
Note 23 - Long service leave provision	Key assumptions on attrition rate of staff and expected pay increases though promotion and inflation.

NOTE 5. FINANCIAL RISK MANAGEMENT

The company has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company does not utilise any derivative instruments.

Risk management is carried out directly by the Board of Directors.

(a) Credit Risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank.

Notes to the financial statements. (continued)

For year ending June 30 2021.

Note 5. Financial Risk Management (continued)

(b) Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

30 June 2021		Contractual Cash Flows		
Non-derivative Financial Liability	Carrying Amount	< 12 Months	1 - 5 Years	> 5 Years
Lease liabilities	790,708	227,372	228,336	335,000

(c) Market Risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

Price Risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. There is no exposure to the company in regard to commodity price risk.

Cash Flow & Fair Values Interest Rate Risk

Interest-bearing assets are held with Bendigo and Adelaide Bank and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk.

The company held cash and cash equivalents of $730,393 at 30 June 2021 (2020: $1,313,834). The cash and cash equivalents are held with Bendigo & Adelaide Bank, which are rated BBB on Standard & Poor's credit ratings.

NOTE 6. 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 distributions 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.

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 company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2021 can be seen in the statement of profit or loss and other comprehensive Income.

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

NOTE 7. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	2021 $	2020 $
Revenue		
- Revenue from contracts with customers	4,556,162	4,423,934
	4,556,162	**4,423,934**

Disaggregation of Revenue From Contracts With Customers		
- Margin income	4,072,145	3,905,439
- Fee income	280,196	311,455
- Commission income	203,821	207,040
	4,556,162	**4,423,934**

All revenue from contracts customers shown above was recognised at a point in time. There was no revenue from contracts with customers recognised over time during the financial year.

NOTE 8. OTHER REVENUE

The company generates other sources of revenue as outlined below.

	2021 $	2020 $
Other Revenue		
- Net Rental Income	81,287	58,875
- Market Development Fund	82,500	135,000
- Cash flow boost	-	100,000
	163,787	**293,875**

NOTE 9. FINANCE INCOME

The company holds financial instruments measured at amortised cost. Interest income is recognised at the effective interest rate.

Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

	2021 $	2020 $
Finance Income		
At amortised cost:		
- Distribution from Investments	1,284	18,169
- Interest from term deposits	63	700
	1,347	**18,869**

NOTE 10. EXPENSES

Profit before income tax from continuing operations includes the following specific expenses:

(a) Employee Benefits Expense

	2021 $	2020 $
Employee Benefits Expense		
- Wages & salaries	2,181,953	2,146,666
- other costs including Superannuation costs	364,770	334,476
	2,546,723	**2,481,142**

Bendigo Bank

Note 10. Expenses (continued)

(b) Depreciation & Amortisation Expense

	2021 $	2020 $
Depreciation of Non-current Assets		
- leasehold improvements	20,927	23,021
- plant and equipment	22,097	14,000
- motor vehicles	7,255	10,542
	50,279	**47,563**
Depreciation of Right-of-use Assets		
- leased buildings	294,374	357,788
	294,374	**357,788**
Amortisation of Intangible Assets		
- franchise fees	65,710	67,983
- establishment costs	74,988	74,988
	140,698	**142,971**
Total depreciation & amortisation expense	**485,351**	**548,322**

The noncurrent tangible and intangible assets listed above are depreciated and amortised in accordance with the company's accounting policy (see Note 3(g) and 3(h) for details).

(c) Finance Costs

	2021 $	2020 $
Finance Costs		
- Interest paid	10,795	152
	10,795	**152**

Finance costs are recognised as expenses when incurred using the effective interest rate.

(d) Community Investments & Sponsorship

The overarching philosophy of the Community Bank model, is to support the local community in which the company operates. This is achieved by circulating the flow of financial capital into the local economy through community contributions (such as donations and grants).

	Note	2021 $	2020 $
Community Investments & Sponsorship			
- Direct sponsorship and grant payments		132,234	127,994
- Contribution to the Community Enterprise Foundation™	10(e)	26,316	-
		158,550	**127,994**

The funds contributed are held by the Community Enterprise Foundation (CEF) and are available for distribution as grants to eligible applicants for a specific purpose in consultation with the directors. When the company pays a contribution in to the CEF, the company loses control over the funds at that point. While the directors are involved in the payment of grants, the funds are not refundable to the company.

(e) Community Enterprise Foundation™ Contributions

During the financial year the company contributed funds to the CEF, the philanthropic arm of the Bendigo Bank. These contributions paid in form part of community investments and sponsorship expenditure included in profit or loss.

	Note	2021 $	2020 $
Disaggregation of CEF Funds			
Opening balance		364,207	399,434
Contributions paid	10(d)	26,316	-
Grants refunded		13,810	-
Grants paid out		(5,000)	(42,000)
Interest received		2,450	4,773
GST		(1,256)	2,000
Management fees incurred		(1,316)	-
Balance available for distribution		**399,211**	**364,207**

(f) Other Expenses

	2021 $	2020 $
Other Expenses		
- Loss on disposal / write off assets	232,030	152
- ATM expenses, solar energy project and Other	30,141	55,865
	262,171	**56,017**

Other expense includes loss on disposal of assets and write off assets.

NOTE 11. INCOME TAX EXPENSE

Income tax expense comprises current and deferred tax. Attributable current and deferred tax expense is recognised in the other comprehensive income or directly in equity as appropriate.

(a) The Components of Tax Expense

	2021 $	2020 $
Current tax expense	125,887	209,618
Deferred tax expense	12,945	(31,980)
Under / (over) provision of prior years	4,897	-
	143,729	**177,638**

(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:

	2021 $	2020 $
Prima facie tax on profit before income tax at 26% (2020: 27.5%)	133,778	196,904
Add Tax Effect Of:		
- Utilisation of previously unrecognised carried forward tax losses		
- Under / (over) provision of prior years	4,897	(28,765)
- Non-deductible expenses	5,054	9,499
Income tax attributable to the entity	**143,729**	**177,638**
The applicable weighted average effective tax rate is:	**27.93%**	**24.81%**

NOTE 12. CASH & CASH EQUIVALENTS

	2021 $	2020 $
Cash at bank and on hand	243,309	727,745
Short-term bank deposits	487,084	586,089
	730,393	**1,313,834**

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. Any bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

NOTE 13. TRADE & OTHER RECEIVABLES

	2021 $	2020 $
Current		
Trade receivables	369,526	355,254
Other receivables	8,529	-
	378,055	**355,254**

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 within a reasonable timeframe each month. There are no items that require the application of the lifetime expected credit loss model.

Notes to the fiancial statements. (continued)

For year ending June 30 2021.

NOTE 14. FINANCIAL ASSETS

	2021 $	2020 $
At Amortised Cost		
Term deposits	7,881	7,827
Other Investments	6,060	105,443
	13,941	**113,270**

Term deposits classified as financial assets include only those with a maturity period greater than three months. Where maturity periods are less than three months, these investments are recorded as cash and cash equivalents.

NOTE 15. OTHER ASSETS

	2021 $	2020 $
Prepayments	34,898	51,300
Security bond	5,416	5,416
Other	2,626	447
	42,940	**57,163**

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.

NOTE 16. PROPERTY, PLANT & EQUIPMENT

(a) Carrying Amounts

	2021 $		
	At Cost / Valuation	Accumulated Depreciation	Written Down Value
Buildings	1,385,758	-	1,385,758
Leasehold improvements	827,073	(266,120)	560,953
Plant & equipment	624,645	(548,949)	75,696
Property Leases	1,424,042	(652,162)	771,880
Motor vehicles	90,412	(44,314)	46,098
	4,351,930	**(1,511,545)**	**2,840,385**

	2020 $		
	At Cost / Valuation	Accumulated Depreciation	Written Down Value
Buildings	-	-	-
Leasehold improvements	868,408	(245,193)	623,215
Plant & equipment	582,842	(510,531)	72,311
Property Leases	1,387,211	(357,788)	1,029,423
Motor vehicles	85,809	(57,904)	27,905
	2,924,270	**(1,171,416)**	**1,752,854**

(b) Movements in Carrying Amounts

2021	Buildings $	Leasehold Imp. $	Plant & Equipment $	Property Leases $	Motor Vehicles $
Opening carrying value	-	623,215	72,311	1,029,423	27,905
Additions	1,385,758	180,917	35,260	36,831	25,448
Disposals	-	(222,252)	(9,778)	-	-
Depreciation expense	-	(20,927)	(22,097)	(294,374)	(7,255)
Closing carrying value	1,385,758	560,953	75,696	771,880	46,098

2020	Buildings $	Leasehold Imp. $	Plant & Equipment $	Property Leases $	Motor Vehicles $
Opening carrying value	-	646,236	67,983	1,083,479	44,556
Additions	-	-	18,480	303,732	-
Disposals	-	-	(152)	-	(6,109)
Depreciation expense	-	(23,021)	(14,000)	(357,788)	(10,542)
Closing carrying value	-	623,215	72,311	1,029,423	27,905

(c) Capital Expenditure Commitments

The entity has capital expenditure commitments in relation to Doreen branch as at 30 June 2021 of $41,211 (2020: None).

(d) Changes in Estimates

During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods.

There were no changes in estimates for the current reporting period.

NOTE 17. RIGHT-OF-USE ASSETS

Right-of-use assets are measured at amounts equal to the present value of enforceable future payments on the adoption date, adjusted for lease incentives, make-good provisions, and initial direct costs.

The company derecognises right-of-use assets at the termination of the lease period or when no future economic benefits are expected to be derived from the use of the underlying asset.

The company's lease portfolio includes buildings

Options to Extend or Terminate

The option to extend or terminate are contained in the property lease 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.

Note 17. Right-of-use Assets (continued)

AASB 16 Amounts Recognised in the Statement of Financial Position

	Leased Buildings $	Total ROU Asset $
Leased asset	1,424,042	1,424,042
Accumulated depreciation	(652,162)	(652,162)
	771,880	**771,880**

Movements in carrying amounts:

	Leased Buildings $	Total ROU Asset $
Recognised on initial application of AASB 16		
- Opening Balance	1,029,420	1,029,420
Additions	36,834	36,834
Depreciation expense	(294,374)	(294,374)
Net carrying amount	**771,880**	**771,880**

AASB 16 Amounts Recognised in the Statement of Financial Position

	2021 $	2020 $
Depreciation expense related to right-of-use assets	294,374	357,788
Interest expense on lease liabilities	31,732	34,780

NOTE 17A. INVESTMENT PROPERTY

	2021 $	2020 $
Depreciation expense related to right-of-use assets	2,395,368	1,322,041
Interest expense on lease liabilities	2,395,368	1,322,041

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 Hurstbridge during 2021 FY as a long term investment to earn rental income and capital appreciation.

The property rental income from the company's investment properties, which are leased out under operating leases, amounted to $123,371. Direct operating expenses (including repairs and maintenance, interest) arising from the rental - generating investment properties amounted to $42,083. Net rental income of $81,286 included in the other revenue (note 8)

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

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

(a) Reconciliation of the carrying value of investment property

	2021 $	2020 $
Opening Balance	1,322,041	1,302,041
Additions	1,073,327	20,000
Closing Balance	**2,395,368**	**1,322,041**

(b) Capital expenditure commitments

The entity does not have any capital expenditure commitments as at 30 June 2021 (2020: None).

(c) Fair value of investment property

As the property was purchased recently and cost price is taken to be reasonable estimate of the fair value of the property as at 30th June 2021.

NOTE 18. INTANGIBLE ASSETS

(a) Carrying Amounts

2021	At Cost / Valuation	Accumulated Amortisation	Written Down Value
Franchise fees	546,992	(271,399)	275,593
Community Bank @ Stadium naming rights	750,000	(700,008)	49,992
	1,296,992	**(971,407)**	**325,585**

2020	At Cost / Valuation	Accumulated Amortisation	Written Down Value
Franchise fees	309,322	(292,298)	17,024
Community Bank @ Stadium naming rights	750,000	(625,020)	124,980
	1,059,322	**(917,318)**	**142,004**

(b) Movements in Carrying Amounts

2021	Franchise Fees $	Community Bank @ Stadium naming rights
Opening carrying value	17,024	124,980
Additions	324,279	-
Amortisation expense	(65,710)	(74,988)
Closing carrying value	**275,593**	**49,992**

2020	Franchise Fees $	Community Bank @ Stadium naming rights
Opening carrying value	85,007	199,968
Amortisation expense	(67,983)	(74,988)
Closing carrying value	**17,024**	**124,980**

NOTE 19. TAX ASSETS & LIABILITIES

(a) Current Tax

	2021 $	2020 $
Income tax payable/(refundable)	(22,744)	93,366

(b) Deferred Tax

Movement in the company's deferred tax balances for the year ended 30 June 2021:

	30 June 2020 $	Recognised in P & L $	Recognised in Equity $	30 June 2021 $
Deferred Tax Assets				
- Expense accruals	17,291	(4,485)	-	12,806
- Prepayments	(14,108)	5,383	-	(8,725)
- Employee provisions	87,997	(5,024)	-	82,973
Total deferred tax assets	**91,180**	**(4,126)**	**-**	**87,054**
Deferred Tax Liabilties				
- Right-of-use assets	-	4,707	-	4,707
- Accrued income	(123)	91	-	(32)
- Property, plant & equipment	(17,563)	(18,514)	-	(36,077)
Total deferred tax liabilities	**(17,686)**	**(13,716)**	**-**	**(31,402)**
Net deferred tax asset	**73,494**	**(17,842)**	**-**	**55,652**

Notes to the fiancial statements. (continued)

For year ending June 30 2021.

Note 19. Tax Assets & Liabilities (continued)

Movement in the company's deferred tax balances for the year ended 30 June 2020:

	30 June 2019 $	Recognised in P & L $	Recognised in Equity $	30 June 2020 $
Deferred Tax Assets				
- Expense accruals	8,660	8,631	-	17,291
- Prepayments	(17,944)	3,836	-	(14,108)
- Employee provisions	71,207	16,790	-	87,997
Total deferred tax assets	**61,923**	**29,257**	**-**	**91,180**
Deferred Tax Liabilties				
- Accrued income	(678)	555	-	(123)
- Property, plant & equipment	(19,731)	2,168	-	(17,563)
Total deferred tax liabilities	**(20,409)**	**2,723**	**-**	**(17,686)**
Net deferred tax asset	**41,514**	**31,980**	**-**	**73,494**

NOTE 20. TRADE & OTHER PAYABLES.

Current	2021 $	2020 $
Trade creditors	160,721	23,614
Other creditors and accruals	128,527	124,685
	289,248	**148,299**
Non-Current		
Other creditors and accruals	229,815	-
	229,815	**-**

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.

NOTE 21. BORROWINGS

Current	2021 $	2020 $
Secured Liabilities		
Bank Loan	114,302	-
	114,302	**-**
Non-Current		
Secured Liabilities		
Bank loan	1,241,001	-
	1,241,001	**-**
Total borrowings	**1,355,303**	**-**

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.

The company has a mortgage which is subject to normal terms and conditions. The current interest rate is 3%. This loan has been created to fund Lot 1, 808 Heidelberg-Kinglake Road, Hurstbridge Vic 3099 and 802 a Heidelberg - Kinglake Road, Hurstbridge Vic 3099 and is secured by 808 and 802 Heidelberg - Kinglake Road, Hurstbridge.

NOTE 22. LEASE LIABILITIES

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 4.50%.

Note 22. Lease Liabilities (continued)

The discount rate used in calculating the present value of enforceable future payments takes into account the particular circumstances applicable to the underlying leased assets (including the amount, lease term, economic environment, and other relevant factors).

The company has applied judgement in estimating the remaining lease term including the effects of any extension or termination options reasonably expected to be exercised, applying hindsight if appropriate.

(a) Lease Portfolio

The company's lease portfolio includes:

Lease	Details
Diamond Creek branch	The lease agreement is a non-cancellable lease with an initial term of five years which commenced in August 20019. options exercised with new lease started on Sep 2019. The lease has four further five year extension option available.
Eltham Branch	The lease agreement is a non-cancellable lease with an initial term of five years which commenced in August 2020. The lease has two further five year extension option available.
Kinglake Branch	The renewed lease agreement is a non-cancellable lease with an initial term of five years which commenced in August 2017. The lease has two further five year extension option available.
Doreen Branch	The renewed lease agreement is a non-cancellable lease with an initial term of three years which commenced in May 2021. The lease has one further 3 year extension option available.

The company assesses at the lease commencement date whether it is reasonably certain to exercise extension options. The company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

(b) Lease Liabilities

Lease liabilities are presented in the consolidated statement of financial position as follows:

	2021 $	2020 $
Current	238,098	256,721
Non-current	552,610	752,678

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 June 2021 were as follows:

30 June 2021	Minimum lease payments due				
	< 1 Year	1 - 2 Years	3 - 5 Years	> 5 years	Total
Lease payments	258,287	248,990	347,371	-	854,648
Finance charges	(30,915)	(20,653)	(12,372)	-	(63,940)
Net present values	227,372	228,337	334,999	-	790,708

30 June 2020	Minimum lease payments due				
	< 1 Year	1 - 2 Years	3 - 5 Years	> 5 years	Total
Lease payments	296,357	260,085	551,434	-	1,107,876
Finance charges	(39,470)	(29,209)	(29,798)	-	(98,477)
Net present values	256,887	230,876	521,636	-	1,009,399

(c) 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.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	2021 $	2020 $
Variable lease payments	75,423	67,320
	75,423	**67,320**

Note 22. Lease Liabilities - (c) Lease Payments Not Recognised as a Liability (continued)

Variable lease payments expensed on the basis that they are not recognised as a lease liability include rentals based on revenue from the use of the underlying asset and excess use charges on office equipment. Variable payment terms are used for a variety of reasons, including minimising costs for IT equipment with infrequent use. Variable lease payments are expensed in the period they are incurred.

Total cash outflows for leases for the year ended 30 June 2021 was $75,423 (2020: $67,319).

NOTE 23. EMPLOYEE BENEFITS

	2021 $	2020 $
Current		
Provision for annual leave	163,130	167,745
Provision for long service leave	103,137	97,640
	266,267	**265,386**
Non-Current		
Provision for long service leave	65,617	54,603
	65,617	**54,603**

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

Employee Attrition Rates

The company uses historical employee attrition rates in determining the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with long service leave legislation.

NOTE 24. ISSUED CAPITAL

(a) Issued Capital

	2021		2020	
	Number	$	Number	$
2,055,876 Ordinary shares - fully paid	4,051,890	2,055,876	4,051,890	2,055,876
1,996,014 (3:1) Bonus shares issued for no consideration				
	-	**2,055,876**	**4,051,890**	**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.

(b) Movements in share capital

	2021 $	2020 $
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.

NOTE 25. RETAINED EARNINGS

	Note	2021 $	2020 $
Balance at the beginning of the reporting period		1,502,985	1,227,981
Profit for the year after income tax		370,801	538,377
Dividends paid	30	(121,557)	(263,373)
Balance at the end of the reporting period		**1,752,229**	**1,502,985**

NOTE 26. CASH FLOW INFORMATION

(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:

	Note	2021 $	2020 $
Cash and cash equivalents	12	730,393	1,313,834
As per the Statement of Cash Flows		730,393	1,313,834

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

	2021 $	2020 $
Profit for the year after income tax	370,801	538,377
Non-cash flows in profit		
- Depreciation	344,653	548,322
- Amortisation	140,698	-
- Other items	(4,390)	-
- Bad debts	900	2,299
- Net loss on disposal of property, plant & equipment	**232,030**	**(921)**
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(23,383)	13,925
- Decrease in prepayments and other assets	13,905	10,551
- (Increase) / decrease in deferred tax asset	17,842	(31,980)
- Decrease in trade and other payables	(51,764)	(72,520)
- Increase in current tax liability	-	137,987
- Increase in provisions	11,895	61,056
Net cash flows from operating activities	**1,053,187**	**1,207,096**

NOTE 27. FINANCIAL INSTRUMENTS

The following shows the carrying amounts for all financial instruments at amortised costs. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	2021 $	2020 $
Financial Assets			
Trade and other receivables	13	378,055	355,254
Cash and cash equivalents	12	730,393	1,313,834
Term deposits	14	7,881	7,827
Investment in managed funds	14	6,060	105,443
		1,122,389	**1,782,358**
Financial Liabilities			
Trade and other payables	20	519,063	148,299
Borrowings	21	1,355,303	-
Lease liabilities	22	790,708	1,009,399
		2,665,074	**1,157,698**

NOTE 28. RELATED PARTIES

(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 only key management personnel identified for the company are the Board of Directors, the members of which are listed in the Directors' report.

Notes to the fiancial statements. (continued)

For year ending June 30 2021.

Note 28. Related Parties (continued)

(b) Key Management Personnel Compensation

	2021 $	2020 $
Short-term employee benefits	137,580	126,956
Post-employment benefits	18,545	17,536
Other long-term benefits	1,410	-
Total key management personnel compensation	**157,535**	**144,492**

Short-term Employee Benefits

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

Post-employment Benefits

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

Other Long-term Benefits

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

(c) 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.

(d) Transactions With Key Management Personnel & Related Parties

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 or Services Provided	Value $
Marendaz Pty Ltd- related party of director Philip Marendaz	Accounting Services	67,810
Bushfire Resilience Incorporated - related party of director Malcolm Hackett	Sponsorship	3,000
Panton Hill Football Club -related party of Carol Jenkinson	Sponsorship	5,000

(d) Key Management Personnel Shareholdings

The number of ordinary shares in the company held by each key management personnel during the financial year has been disclosed in the Director's Report.

	2021 $	2020 $
Malcolm Hackett OAM	20,000	20,000
Barry Henwood	11,000	11,000
Phillip Burtt	-	-
Daryl Brooke	-	-
Carol Jenkinson	-	-
Greg Paull	5,000	5,000
Philip Marendaz	5,000	5,000
Gill Di Pasquale	-	-
Michael McBrien	-	-
Rob Charlesworth	-	-
Heidi Crundwell	30,000	30,000
	71,000	**71,000**

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.

NOTE 29. AUDITOR'S REMUNERATION

The appointed auditor of Valley Community Financial Services Ltd for the year ended 30 June 2021 is RSD Audit. Amounts paid or due and payable to the auditor are outlined below.

	2021 $	2020 $
Audit & Review Services	-	-
Audit and review of financial statements (RSD Audit)	6,600	6,150
Total auditor's remuneration	6,600	6,150

NOTE 30. DIVIDENDS

The following dividends were provided for and paid to shareholders during the reporting period as presented in the statement of changes in equity and statement of cash flows.

	2021		2020	
	Number	$	Number	$
Fully franked dividend	4,051,890	121,557	4,051,890	263,373
Dividends provided for and paid during the year	4,051,890	121,557	4,051,890	263,373

The tax rate at which dividends have been franked is 26% (2020: 27.5%).

NOTE 31. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	2021 $	2020 $
Profit attributable to ordinary shareholders	370,801	538,377
	Number	Number
Weighted average number of ordinary shares	4,051,890	4,051,890
	¢	¢
Basic and diluted earnings per share	9.15	13.29

NOTE 32. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events after the end of the financial year that would have a material impact on the financial statements or the company's state of affairs.

NOTE 33. COMMITMENTS & CONTINGENCIES

Any commitments for future expenditure associated with leases are recorded in Note 22. Details about any capital commitments are detailed in Note 16(c).

The company has no other commitments requiring disclosure.

There were no contingent liabilities or assets at the date of this report that would have an impact on the financial statements.

NOTE 34. COMPANY DETAILS

The registered office of the company is:

Valley Community Financial Services Ltd
8B, 75-77 Main Hurstbridge Road, Diamond Creek, 3099

The principal places of the business are:

- Hurstbridge, Victoria: 808 Main Road, Hurstbridge, Vic 3099
- Diamond Creek, Victoria: Shop 8B, 75-77 Main Hurstbridge Road, Diamond Creek, Vic 3089
- Eltham, Victoria: Shop 3 , 958 Main Road, Eltham, Vic 3095
- Doreen Victoria: Shop 3a, 101 Hazel Glen Drive, Doreen, Vic 3754
- Kinglake, Victoria: Shop 4, 1 Victoria Road, Kinglake Vic 3763

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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 2021, 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 2021 and of its performance for the year then ended; and

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

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.

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.

Independent auditor's report. (continued)

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 2021 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 material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RSD Audit
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 28 September 2021

Director's decloration.

In accordance with a resolution of the directors of Valley Community Financial Services Ltd, we state that:

In the opinion of the directors:

(a) The financial statements and notes of the company are 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 2021 and of its performance for the financial year ended on that date; and

(ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) 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 declaration is made in accordance with a resolution of the board of directors.

Malcolm Hackett OAM
Chair

Dated this 30th day of September, 2021

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(BNPAR21076) (09/21)

Bendigo Bank

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