VALLEY COMMUNITY FINANCIAL SERVICES LIMITED

Financial Statements

as at 30 June 2012

Valley Community Financial Services Ltd
ABN 86 092 399 730
Directors' Report

Your Directors submit the financial report of the company for the financial year ended 30 June 2012.

Directors

The names and details of the company's directors who held office during or since the end of the financial year are:

Barry Henwood
Chairman
Occupation: Newsagent Proprietor
Interests in shares: 11,000
Board member since November 2001

Malcolm Hackett
Vice Chairman
Occupation: Retired
Interests in shares: 20,000
Board member since February 2008

David Wheeler
Treasurer (resigned 24 April 2012
Occupation: Vending Machine Proprietor
Interests in shares: 18,000
Board member since April 2000

Ingrid Crichton
Company Secretary
Occupation: Retired
Interests in shares: 5,000
Board member since February 2008

Stephen Bennett
Director
Occupation: Winery Proprietor
Interests in shares: Nil
Board member since February 2008

Daryl Brooke
Treasurer (appointed 23 May 2012)
Occupation: Consultant
Interests in shares: 7,000
Board member since May 2010

Hugh Stubley
Director
Occupation: IT Consulting Proprietor
Interests in shares: 4,000
Board member since February 2005

Philip Marendaz
Director
Occupation: Public Accountant
Interests in shares: 5,000
Board member since February 2009

Carole Bury
Director
Occupation: Events Co-ordinator
Interests in shares: 5,000
Board member since January 2011

Julie Reid
Director (resigned 27 July 2011)
Occupation: Consultant
Interests in shares: 17,000
Board member since November 2003

Carol Jenkinson
Director (appointed 27 June 2012)
Occupation: Community Volunteer
Interests in shares: Nil
Board member since June 2012

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

No Directors have material interests in contracts or proposed contracts with the company except as disclosed below.

Principal activities

The principal activities of the company during the course of the financial year were in providing community banking 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 company reported a profit for the financial year after provision for income tax of $174,789 (2011: $55,280 loss). The profit gain reflects the improved performance, particularly in the second half, from our newly established branches of Eltham and Doreen together with another strong performance from our Hurstbridge branch.

	Year Ended 30 June 2012	
Dividends	**Cents Per Share**	**$**
Dividends paid in the year:	4	162,076

Significant changes in the state of affairs

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

Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There are no other matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company, in future years.

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

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

Remuneration Report

The Board is responsible for the determination of remuneration packages and policies applicable to the Branch Managers and all the staff.

The Branch Managers do not participate in decision making that affects the whole or a substantial part of the business, nor do they have the capacity to affect significantly the Company's financial standing. On a rotational basis and by invitation, the Branch Managers attend Board meetings to provide Directors with an overview of their Branch's performance.

Both the Group Senior Manager, Michael Maloney and Senior Banking Manager, Dion Shirley attend and participate in decision making that affects the whole or substantial part of the business.

As at 30 June 2012 total remuneration paid to both managers including allowances was $220,500 (plus 9% SGC).

Office supplies and equipment expenses were paid to Blackburn South Newsagency - an associated entity of Director Barry Henwood. During the year an amount of $6,464 (2011: $7,754) was paid to Blackburn South Newsagency.

Office equipment expenses were paid to Trinity Digital Pty Ltd (now known as Virage IT) - an associated entity of Director Hugh Stubley. During the year an amount of $3,289 (2011: $1,170) was paid to Trinity Digital Pty. Ltd.

Accounting Services expenses were paid to Marendaz Pty Ltd - an associate entity of Director Phil Marendaz. During the year $60,670 (2011: 54,923) was paid to Marendaz Pty Ltd.

All payments to Directors were properly disclosed, and were made strictly on a commercial basis.

Director Remuneration for the year ended 30 June 2012	**Primary Benefits Salary & Fees 2012 $**	**Primary Benefits Salary & Fees 2011 $**
Barry Henwood	15,000	15,000
Malcolm Hackett	7,000	7,000
David Wheeler (resigned 24 April 2012)	8,333	10,000
Ingrid Crichton	7,000	7,000
Stephen Bennett	4,000	4,000
Daryl Brooke	7,000	4,000
Hugh Stubley	4,000	4,000
Philip Marendaz	4,000	4,000
Julie Reid (resigned 27 July 2011)	333	7,000
Carole Bury	7,000	2,000
Carol Jenkinson (appointed 27 June 2012)	-	-

Other than stated above, a contribution of 9% superannuation guarantee payment was made to each directors' superannuation plan in accordance with Government legislation. Apart from this, no director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest.

Indemnifying officers or auditor

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

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

Directors meetings

The number of Directors meetings attended during the year were:

Director	Board Meetings #	Audit Committee Meetings #
Barry Henwood	12 (13)	N/A
Malcolm Hackett	13 (13)	N/A
David Wheeler (resigned 24 April 2012)	10 (13)	02 (02)
Ingrid Crichton	12 (13)	N/A
Stephen Bennett	11 (13)	02 (02)
Daryl Brooke	13 (13)	00 (00)
Hugh Stubley	10 (13)	N/A
Philip Marendaz	11 (13)	N/A
Julie Reid (resigned 27 July 2011)	03 (03)	N/A
Carole Bury	12 (13)	N/A
Carol Jenkinson (appointed 27 June 2012)	01 (01)	N/A

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

Company Treasurer

David Wheeler resigned as Treasurer in April 2012 after many years of effective service. The Board acknowledges David's strong contribution to the growth of our Company. Daryl Brooke was appointed as Treasurer in May 2012. Daryl has a strong background in business and business planning. He operates his own Business Consulting Practice.

Corporate Governance

The Company places a high emphasis on corporate governance practices, which include:

(a) Twice yearly audit committee meetings. Members of the audit committee are Daryl Brooke and Stephen Bennett;
(b) Director approval of operating budgets and monitoring of progress against these budgets;
(c) Ongoing Director training;
(d) Monthly Director meetings to discuss business performance, policies and procedures and other matters;
(e) Comprehensive review of policy & procedures; and
(f) The completion of a Strategic Plan.

Non audit services

The Directors in accordance with advice from the audit committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed in Note 5 did not compromise the external auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect integrity and objectivity of the auditor; and

- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor independence declaration

The auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 6 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Diamond Creek on 7 September 2012.

Barry Henwood
Director

Richmond
Sinnott &
Delahunty

Chartered Accountants

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Bendigo, Victoria
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7th September 2012

The Directors
Valley Community Financial Services Ltd
808 Main Road
HURSTBRIDGE VIC 3099

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Valley Community Financial Services Ltd for the year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Philip Delahunty
Partner
Richmond Sinnott & Delahunty

Valley Community Financial Services Ltd
ABN 86 092 399 730
Statement of Comprehensive Income
for the year ended 30 June 2012

	Notes	2012 $	2011 $
Revenues from continuing operations	2	3,626,530	3,078,134
Employee benefits expense	3	(1,816,269)	(1,660,742)
Charitable donations and sponsorship		(179,945)	(249,193)
Depreciation and amortisation expense	3	(162,067)	(113,490)
Advertising and marketing		(77,569)	(86,809)
Other expenses		(1,130,152)	(1,043,686)
Profit / (loss) before income tax expense		260,528	(75,786)
Income tax (expense) / benefit	4	(85,739)	20,506
Profit / (loss) after income tax expense		174,789	(55,280)
Other comprehensive income		-	-
Total comprehensive income		174,789	(55,280)
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	22	4.31	(1.49)
- diluted for profit / (loss) for the year	22	4.31	(1.49)

The accompanying notes form part of these financial statements

Valley Community Financial Services Ltd
ABN 86 092 399 730
Statement of Financial Position
As at 30 June 2012

	Notes	2012 $	2011 $
Assets			
Current Assets			
Cash and cash equivalents	6	676,104	603,754
Receivables	7	295,765	209,895
Other assets	8	-	302,514
Total Current Assets		971,869	1,116,163
Non-Current Assets			
Property, plant and equipment	9	804,242	820,687
Intangible assets	10	908,564	239,538
Deferred tax assets	4	40,736	40,736
Total Non-Current Assets		1,753,542	1,100,961
Total Assets		2,725,411	2,217,124
Liabilities			
Current Liabilities			
Payables	11	523,071	96,050
Provisions	12	125,630	115,162
Loans & Borrowings	13	8,580	-
Total Current Liabilities		657,281	211,212
Non Current Liabilities			
Loans & Borrowings	13	49,505	-
Total Non Current Liabilities		49,505	-
Total Liabilities		706,786	211,212
Net Assets		2,018,625	2,005,912
Equity			
Issued capital	14	2,055,876	2,055,876
Retained earnings	15	(37,251)	(49,964)
Total Equity		2,018,625	2,005,912

The accompanying notes form part of these financial statements

Valley Community Financial Services Ltd
ABN 86 092 399 730
Statement of Cash Flows
For the year ended 30 June 2012

	Notes	2012 $	2011 $
Cash Flows From Operating Activities			
Cash receipts in the course of operations		2,977,733	2,999,438
Cash payments in the course of operations		(2,528,138)	(3,268,993)
Interest received		29,458	37,112
Income tax refund / (paid)		(85,739)	846
Borrowing Costs		(2,325)	-
Net cash flows from / (used in) operating activities	15b	390,989	(231,597)
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(64,648)	(495,293)
Payments for franchise and renewal fees		-	(278,770)
Community Bank Stadium Naming Rights		(150,000)	-
Net cash flows used in investing activities		(214,648)	(774,063)
Cash Flows From Financing Activities			
Dividends paid		(162,076)	(158,464)
Shares issued		-	1,390,538
Proceeds from Borrowings		58,085	-
Net cash flows from / (used in) financing activities		(103,991)	1,232,074
Net increase / (decrease) in cash held		72,350	226,414
Cash and cash equivalents at start of year		603,754	377,340
Cash and cash equivalents at end of year	15a	676,104	603,754

The accompanying notes form part of these financial statements

Valley Community Financial Services Ltd
ABN 86 092 399 730
Statement of Changes in Equity
For the year ended 30 June 2012

	Notes	2012 $	2011 $
ISSUED CAPITAL			
Balance at start of year		2,055,876	665,338
Issue of share capital		-	1,390,538
Balance at end of year		2,055,876	2,055,876
RETAINED EARNINGS			
Balance at start of year		(49,964)	163,780
Profit / (loss) after income tax expense		174,789	(55,280)
Dividends paid	21	(162,076)	(158,464)
Balance at end of year		(37,251)	(49,964)

The accompanying notes form part of these financial statements

1. Summary of significant accounting policies

(a) Basis of preparation

Valley Community Financial Services Ltd ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2012 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing community banking services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authorative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. 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 have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement of fair value of selected non current assets, financial assets and financial liabilities.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 7 September 2012.

(b) Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income 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 income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value. Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Class of Asset	*Depreciation Rate*
Buildings	2.5%-15%
Computers	40%
Plant & Equipment	5%-37.5%

Impairment
The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Revaluations
Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

(d) Impairment of assets

At each reporting date, the company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

1. Summary of significant accounting policies (continued)

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not 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 expense.

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. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(f) Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the company has a present obligation to pay resulting from employees' services provided up to the reporting date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

(g) Intangibles

Intangible assets have been initially recorded at cost and amortised on a straight line basis. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.
a) Establishment costs, such as franchise fees, are amortised at the rate of 20%, reflecting the term of the franchise; and
b) Stadium naming rights, which are amortised at the rate of 10%, reflecting the term of the stadium naming rights agreement. These rights have a total cost of $300,000 payable, $150,000 due by 1 December 2012 and the balance by 1 June 2013.

(h) Cash

Cash on hand and in banks are stated at nominal value.

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

(i) Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

(j) Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

1. Summary of significant accounting policies (continued)

(k) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

(l) Borrowings

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

(m) Provisions

Provisions are recognised when the company has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

(n) Share capital

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

(o) Comparative figures

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

(p) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

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

1. Summary of significant accounting policies (continued)

(p) Critical accounting estimates and judgements (continued)

Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

The company assesses impairment at the end of each reporting period by calculating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(q) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(i) Loans and receivables
Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(ii) Financial liabilities
Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtors are experiencing significant financial difficulty or changes in economic conditions.

	2012	2011
2. Revenue	$	$
Operating activities		
- services commissions	3,597,072	3,041,022
- other revenue	-	-
	3,597,072	3,041,022
Non-operating activities:		
- interest received	29,458	37,112
	29,458	37,112
	3,626,530	3,078,134

3. Expenses

Employee benefits expense		
- wages and salaries	1,481,486	1,333,600
- superannuation costs	129,884	115,792
- workers' compensation costs	1,209	3,408
- other costs	203,690	207,942
	1,816,269	1,660,742
Depreciation of non-current assets:		
- plant and equipment	64,979	56,162
- leasehold improvements	16,114	11,256
Amortisation of non-current assets:		
- franchise fee / start up costs	55,906	46,072
- stadium naming rights	25,068	-
	162,067	113,490
Bad debts	2,722	2,576

4. Income tax expense

The prima facie tax on profit / (loss) before income tax is reconciled to the income tax expense as follows:

Prima facie tax on profit / (loss) from ordinary activities at 30%	78,158	(22,736)
Add / (less) tax effect of:		
- Non deductible / (other deductible) expenses	7,581	2,230
- Movement in deferred tax asset	-	14,318
Current income tax expense / (benefit)	85,739	(6,188)
Movement in deferred tax asset	-	(14,318)
Income tax expense / (benefit)	85,739	(20,506)
Deferred tax assets		
Future income tax benefits are recognised at reporting date as realisation of the benefit is regarded as probable.	40,736	40,736

5. Auditors' remuneration

Remuneration of the auditor for:

- Audit or review of the financial report	3,900	3,900
- Share registry and printing services	6,044	6,835
	9,944	10,735

	2012 $	2011 $
6. Cash and cash equivalents		
Cash at bank and on hand	676,104	603,754
7. Receivables		
Commission receivable	295,765	209,895
Sundry debtors	-	-
	295,765	209,895
8. Other assets		
Prepayments	-	302,514
Current tax refundable	-	-
	-	302,514
9. Property, plant and equipment		
Leasehold improvements		
At cost	658,963	616,706
Less accumulated depreciation	(62,095)	(45,981)
	596,868	570,725
Plant and equipment		
At cost	504,981	482,590
Less accumulated depreciation	(297,607)	(232,628)
	207,374	249,962
Total written down amount	804,242	820,687
Movements in carrying amounts		
Leasehold improvements		
Carrying amount at beginning of year	570,725	236,775
Additions	42,257	345,206
Depreciation expense	(16,114)	(11,256)
Carrying amount at end of year	596,868	570,725
Plant and equipment		
Carrying amount at beginning of year	249,962	157,656
Additions	22,391	150,087
Disposals	-	(1,619)
Depreciation expense	(64,979)	(56,162)
Carrying amount at end of year	207,374	249,962

10. Intangible assets

	2012 $	2011 $
Franchise Fee / Start up Costs		
At cost	383,647	383,647
Less accumulated amortisation	(200,015)	(144,109)
	183,632	239,538
Community Bank Stadium Naming Rights		
At cost	750,000	-
Less accumulated amortisation	(25,068)	-
	724,932	-
Total written down amount	908,564	239,538

Stadium Naming Rights

A total of $450,000 has been paid over this and last year and the remaining $300,00 is included in the payables to be settled within the next twelve months.

11. Payables

	2012 $	2011 $
Trade creditors	206,350	82,927
Accrued other expenses	16,721	13,123
Stadium Naming Rights Payable	300,000	-
	523,071	96,050

12. Provisions

	2012 $	2011 $
Employee benefits	125,630	115,162
	125,630	115,162
Movement in employee benefits		
Opening balance	115,162	67,433
Additional provisions recognised	113,960	102,584
Amounts utilised during the year	(103,492)	(54,855)
Closing balance	125,630	115,162

13. Loans and Borrowings

	2012 $	2011 $
Current Liability		
Loan	8,580	-
	8,580	-
Non-Current Liability		
Loan	49,505	-
	58,085	-

14. Share Capital

	2012 $	2011 $
2,055,876 Ordinary Shares fully paid of $1.00 each	2,055,876	2,055,876

In May 2010 the prospectus was issued to raise capital for the opening of branches at Eltham and Doreen. During the 2010/11 financial year 1,390,538 shares were issued raising a total $1,390,538 and taking the total shares issued from 2,661,352 to 4,051,890.

15 Retained Earnings

	2011 $	2010 $
Balance at the beginning of the financial year	(49,964)	163,780
Profit after income tax	174,789	(55,280)
Dividends	(162,076)	(158,464)
Balance at the end of the financial year	(37,251)	(49,964)

16. Statement of cash flows

(a) *Cash and cash equivalents*

Cash assets	676,104	603,754

(b) *Reconciliation of profit / (loss) after tax to net cash from operating activities*

Profit / (loss) after income tax	174,789	(55,280)
Non cash items		
- Depreciation	81,093	67,418
- Amortisation	80,974	46,072
- Loss on disposal of fixed assets	-	1,619
Changes in assets and liabilities		
- (Increase) decrease in deferred tax asset	-	(20,506)
- (Increase) decrease in receivables / other assets	(83,356)	(285,599)
- Increase (decrease) in payables	127,021	(33,896)
- (Decrease) increase in income tax refundable	-	846
- Increase (decrease) in provisions	10,468	47,729
Net cashflows from / (used in) operating activities	390,989	(231,597)

17. Director and related party disclosures

The names of directors who have held office during the financial year are:

Barry Henwood
Malcolm Hackett
David Wheeler (resigned 24 April 2012)
Ingrid Crichton
Stephen Bennett
Daryl Brooke
Hugh Stubley
Philip Marendaz
Julie Reid (resigned 27 July 2011)
Carole Bury
Carol Jenkinson (appointed 27 June 2012)

Other than detailed below no director or related entity has entered into a material contract with the Company.

Office supplies and equipment expenses were paid to Blackburn South Newsagency - an associated entity of Director Barry Henwood. During the year an amount of $6,464 (2011: 7,754) was paid to Blackburn South Newsagency.

Office equipment expenses were paid to Virage IT- an associated entity of Director Hugh Stubley. During the year an amount of $3,289 (2011: $1,170) was paid to Virage IT.

17. Director and related party disclosures (continued)

Accounting Services expenses were paid to Marendaz Pty Ltd - an associate entity of Director Phil Marendaz. During the year $60,670 (2011: 54,923) was paid to Marendaz Pty Ltd.

Director Remuneration for the year ended 30 June 2012

	Primary Benefits	Primary Benefits
	Salary & Fees 2012 $	Salary & Fees 2011 $
Barry Henwood	15,000	15,000
Malcolm Hackett	7,000	7,000
David Wheeler (resigned 24 April 2012)	8,333	10,000
Ingrid Crichton	7,000	7,000
Stephen Bennett	4,000	4,000
Daryl Brooke	7,000	4,000
Hugh Stubley	4,000	4,000
Philip Marendaz	4,000	4,000
Julie Reid (resigned 27 July 2011)	333	7,000
Carole Bury	7,000	2,000
Carol Jenkinson (appointed 27 June 2012)	-	-

Directors shareholdings	**2012**	**2011**
Barry Henwood	11,000	11,000
Malcolm Hackett	20,000	20,000
David Wheeler (resigned 24 April 2012)	18,000	18,000
Ingrid Crichton	5,000	5,000
Stephen Bennett	-	-
Daryl Brooke	7,000	7,000
Hugh Stubley	4,000	4,000
Philip Marendaz	5,000	5,000
Julie Reid (resigned 27 July 2011)	17,000	17,000
Carole Bury	5,000	5,000
Carol Jenkinson (appointed 27 June 2012)	-	-

Each share is fully paid to $1. Additional shares were purchased during the year as shown above.

18. Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

19. Contingent liabilities and assets

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

20. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates within the Shires of Nillumbik, Whittlesea and Murrundindi, Victoria. The company has a franchise agreement in place with Bendigo & Adelaide Bank Limited who account for 100% of the revenue (2011: 100%).

21. Corporate information

Valley Community Financial Services Ltd is a Company limited by shares incorporated in Australia, whose shares are publicly traded on the National Stock Exchange of Australia.

The registered office of the Company is:

8B 75/77 Main Hurstbridge Road
Diamond Creek Vic 3089

The principal places of business are:

808 Main Road
Hurstbridge VIC 3099

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

1 Glenburn Road
Kinglake Vic 3763

Shop 3, 101 Hazel Glen Drive
Doreen VIC 3754

1036 Main Road
Eltham VIC 3095

22. Dividends paid or provided for on ordinary shares

	2012 $	2011 $
(a) Dividends paid during the year		
Franked dividends - 4.00 cents per share (2011: 4.00 cents per share)	162,076	158,464
(b) Dividends proposed and not recognised as a liability		
Franked dividends - 0.00 cents per share (2011: 0.00 cents per share)	-	-

(c) Franking credit balance
The amount of franking credits available for the subsequent financial year are:

	2012 $	2011 $
- Franking account balance as at the end of the financial year	106,820	143,186
- Franking credits that will arise from the payment/(refund) of income tax payable/(refundable) as at the end of the financial year	52,686	-
	159,506	143,186

The tax rate at which dividends have been franked is 30% (2011: 30%).

23. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

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

	2012 $	2011 $
Profit / (loss) after income tax expense	174,789	(55,280)
Weighted average number of ordinary shares for basic and diluted earnings per share	4,051,890	3,702,968

24. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.
The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012 $	2011 $
Financial Assets			
Cash & cash equivalents	6	676,104	603,754
Receivables	7	295,765	209,895
Total Financial Assets		971,869	813,649
Financial Liabilities			
Payables	11	523,071	96,050
Loans & Borrowings		49,505	-
Total Financial Liabilities		572,576	96,050

Financial Risk Management Policies

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

Specific Financial Risk Exposure and Management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(a) Credit Risk

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. For the company it arises from receivables and cash assets.

The maximum exposure to credit risk at reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements.
The company's maximum exposure to credit risk at reporting date was:

	Carrying Amount	
	2012 $	2011 $
Cash and cash equivalents	676,104	603,754
Receivables	295,765	209,895
	971,869	813,649

The company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables are due from Bendigo and Adelaide Bank Limited.

None of the assets of the company are past due (2011: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited.

(b) Liquidity risk

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

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

Financial liability and financial asset maturity analysis

30 June 2012	**Total $**	**Within 1 year $**	**1 to 5 years $**	**Over 5 years $**
Financial Liabilities due for payment				
Payables	(523,071)	(523,071)	-	-
Loans and borrowings	(49,505)	(4,585)	(21,100)	(32,400)
Total expected outflows	(572,576)	(527,656)	(21,100)	(32,400)
Financial Assets - cashflow realisable				
Cash & cash equivalents	676,104	676,104	-	-
Receivables	295,765	295,765	-	-
Total anticipated inflows	971,869	971,869	-	-
Net (Outflow)/Inflow on financial instruments	399,293	444,213	(21,100)	(32,400)

30 June 2011	**Total $**	**Within 1 year $**	**1 to 5 years $**	**Over 5 years $**
Financial Liabilities due for payment				
Payables	(96,050)	(96,050)	-	-
Loans and borrowings	-	-	-	-
Total expected outflows	(96,050)	(96,050)	-	-
Financial Assets - cashflow realisable				
Cash & cash equivalents	603,754	603,754		
Receivables	209,895	209,895		
Total anticipated inflows	813,649	813,649	-	-
Net (Outflow)/Inflow on financial instruments	717,599	717,599	-	-

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at June 30 2012 and June 30 2011.

The final payment of $300,000 for the Community Bank Stadium naming rights is included in the payables within 1 year figure.

The board approved in May a two year lease (with option for a further 5 years) for new premises in Kinglake. The board has also approved capital expenditure of $200,000 for the fitout of the new premises. It is expected the new premises will open in September 2012.

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company reviews the exposure to interest rate risk as part of the regular board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the company's interest bearing financial instruments was:

	Carrying Amount	
	2012	2011
Fixed rate instruments	$	$
Financial assets	430,000	233,284
Financial liabilities	-	-
	430,000	233,284
Floating rate instruments		
Financial assets	246,104	370,470
Financial liabilities	-	-
	246,104	370,470

Fair value sensitivity analysis for fixed rate instruments
The company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments
A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

(i) the Distribution Limit is the greater of:
  (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
  (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2012 can be seen in the Statement of Comprehensive Income.

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

Valley Community Financial Services Ltd
ABN 86 092 399 730
Directors Declaration

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

1 the financial statements and notes of the company as set out on pages 6 to 25 are in accordance with the Corporations Act 2001 and:

(i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and

(ii) give a true and fair view of the company's financial position as at 30 June 2012 and of the performance for the year ended on that date;

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

Barry Henwood
Director

Signed at Diamond Creek on 7 September 2012.

Richmond Sinnott & Delahunty
Chartered Accountants

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

Telephone: (03) 5445 4200
Fax: (03) 5444 4344
Email: rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF VALLEY COMMUNITY FINANCIAL SERVICES LTD

SCOPE

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Valley Community Financial Services Ltd, for the year ended 30 June 2012.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

INDEPENDENCE
We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION
In our opinion, the financial report of Valley Community Financial Services Ltd is in accordance with:

(a) the Corporations Act 2001 including:

(i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

(b) other mandatory professional reporting requirements in Australia.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Philip Delahunty
Partner
Bendigo

Date: 7th September 2012

Valley Community Financial Services Ltd

ABN 86 092 399 730

8b/75 Main Hurstbridge Road Diamond Creek VIC 3089

In accordance with the Corporations Act 2001, I declare the following

1 The entity's financial records for the financial year have been properly kept in accordance with section 286 of the Corporations Act;

2 The financial statements and notes referred to in section 295(3)(b) of the Act for the financial year comply with accounting standards;

3 The financial statements and notes for the financial year give a true and fair view; and

4 Compliance with any other matters required by the regulations

Declared this 7th day of September 2012

Barry Henwood
Director & Chairman
Valley Community Financial Services Ltd

Supplement to the Financial Report
For the financial year ended 30 June 2012

Details to be read in conjunction with the Financial Report attached herewith.

For announcement to the market

				$A,000
Revenue	up	17.8%	to	3,627
Profit (loss) for the period	up	416%	to	175
Profit (loss) for the period attributable to members of the parent	up	416%	to	175

Dividends Franking rate applicable: 100%	Current period	Previous corresponding period
Final dividend		
Record date: 14 October 2011 Payment date: 28 October 2011		
Amount per security	$0.04	$0.04
Franked amount per security	$0.04	$0.04
Interim dividend *(Half yearly report only)*		
Amount per security		
Franked amount per security	N/A	N/A

Short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

NIL

Ratios

	Current period	Previous corresponding period
Profit before tax / revenue Consolidated profit (loss) before tax as a percentage of revenue	**7.2%**	**(2.5%)**
Profit after tax / equity interests Consolidated profit (loss) after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	**8.7%**	**(2.7%)**

NTA Backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	$0.27	$0.47

Annual General Meeting

The Annual General Meeting will be held as follows:

Place	Bridges Restaurant, Hurstbridge
Date	14 November 2012
Time	6.30pm (to be confirmed)
Approximate date the annual report will be available	14 October 2012