

Valley Community Financial Services Ltd
ACN: 092399730
Supplement to the Preliminary Final Report
For the year ended 30 June 2015

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

For announcement to the market

			\$A,000	
Revenue	up	0.83%	to	4,017
Profit (loss) after tax for the period	up	11.06%	to	231
Profit (loss) for the period attributable to members of the parent	up	11.06%	to	231
Dividends	Current period		Previous corresponding period	
Franking rate applicable: 100%				
Final dividend				
Record date: 23 October 2014 Payment date: 24 October 2014				
Amount per security	\$0.03		\$0.03	
Franked amount per security	\$0.03		\$0.03	
Interim dividend <i>(Half yearly report only)</i>				
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				
NTA Backing	Current period		Previous corresponding period	
Net tangible asset backing per ordinary security	\$0.45		\$0.39	

Annual meeting

(Preliminary final statement only)

The annual meeting will be held as follows:

Place

Bridges Restaurant, 1075 Heidelberg/Kinglake Road, Hurstbridge 3099

Date

11 November 2015

Time

6.30pm (registration) 7.00pm start

Approximate date the annual report will be available

28 September 2015

Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act* or other standards acceptable to the Exchange (see note 13).

Identify other standards used

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2. This statement, and the financial statements under the *Corporations Act* (if separate), use the same accounting policies.
3. This statement does give a true and fair view of the matters disclosed (see note 2).
4. This statement is based on financial statements to which one of the following applies:
- | | |
|--|---|
| <input type="checkbox"/> The financial statements have been audited. | <input type="checkbox"/> The financial statements have been subject to review by a registered auditor (or overseas equivalent). |
| <input checked="" type="checkbox"/> The financial statements are in the process of being audited or subject to review. | <input type="checkbox"/> The financial statements have <i>not</i> yet been audited or reviewed. |
5. If the accounts have been or are being audited or subject to review and the audit report is not attached, details of any qualifications will follow immediately they are available.
6. The *issuer* has a formally constituted audit committee.

Sign here:

M Vickrage
(Company Secretary)

Date:

11 September 2015

Print name:

MELISSA VICKRAGE

**Valley Community
Financial Services Limited**

Financial Statements

as at

30 June 2015

Valley Community Financial Services Limited
ACN 092 399 730
Directors' report

Your Directors present their report of the company for the financial year ended 30 June 2015.

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:

Name and position held	Qualifications	Experience, Directorships, Special Responsibilities
Barry Henwood Appointed 30 November 2001 Executive Chairman	Dip Hort. Sci, Grad Dip Acc Newsagent and Licensed Post Office	Member of all Committees with the exception of the Audit Committee
Malcolm Hackett OAM Appointed 6 February 2008 Deputy Chairman	BA Dip. Ed Retired	Chair of Community Strengthening Committee Chair of Policy & Procedures Committee Member of Strategy Committee Member of Audit Committee Member of Executive Committee
Stephen Bennett Appointed 6 February 2008 Treasurer	Winery Proprietor	Chair of Finance Committee Member of Audit Committee Member of Executive Committee
Ingrid Crichton Appointed 6 February 2008 Director	Retired	Chair of Human Resources Committee Member of Community Strengthening Committee Member of Audit Committee
Daryl Brooke Appointed 6 May 2010 Director	Consultant	Chair of Strategy Committee Member of Audit Committee Member of Finance Committee Member of Policy & Procedures Committee
Philip Marendaz Appointed 4 February 2009 Director	Public Accountant	Member of Finance Committee Member of Strategy Committee
Carole Bury Appointed 18 January 2011 Director	Personal Assistant	Chair of Events Committee Member of Community Strengthening Committee Member of Policy & Procedures Committee Member of Audit Committee
Carol Jenkinson Appointed 29 June 2012 Director	Community Volunteer	Chair of Marketing Committee Member of Strategy Committee Member of Community Strengthening Committee Member of Events
Phillip Burt Appointed 13 November 2013 Director		Chair of Audit Committee Member of Finance Committee

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

No Directors have material interests in contracts or proposed contracts with the company.

Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank®** branch services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

There have been no significant changes in the nature of these activities during the year.

Valley Community Financial Services Limited
ACN 092 399 730
Directors' report

Review of operations

The profit of the company for the financial year after provision for income tax was \$230,692 (2014 profit: \$208,434), which is a 10.8% increase as compared with the previous year.

The net assets of the company have increased to \$2,339,556 (2014: \$2,230,421). The increase is largely due to normal trading activities.

Dividends

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

	Year Ended 30 June 2015	
	cents per share	\$
Dividends paid in the year (final dividend):	3	121,557

Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to the end of the reporting period

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

Remuneration report

Remuneration policy

The remuneration policy of Valley Community Financial Services Limited has been designed to align Key Management Personnel (KMP) objectives with shareholder and business objectives. The Board believe the remuneration policy to be appropriate and effective.

Key management personnel remuneration

The Board is responsible for the determination of remuneration packages and policies applicable to the Branch Managers and all the staff and believes the remuneration policy to be appropriate and effective to attract and retain the best local Branch management personnel. Remuneration packages, including a performance based bonus package, are reviewed annually by the Human Resources Committee in conjunction with Bendigo and Adelaide Bank Limited through consultation with the Regional Manager. An annual recommendation is subsequently put to the full Board for approval of key management remuneration. The Board accepts that Bendigo and Adelaide Bank Limited is responsible for the determination of remuneration packages and policies applicable to seconded branch Managers and all seconded staff.

Valley Community Financial Services Limited
ACN 092 399 730
Directors' report

Remuneration report (continued)

Key management personnel remuneration (continued)

In 2013, the Board began a process of reviewing our corporate structure and as part of that process, the Board appointed Barry Henwood as Executive Chairman in a part time executive role to accommodate the increased requirements of the Company as it grew. The position is reviewed quarterly by the Executive Committee. The appointment of an Executive Chair signals a further step in the growth of community banking in our area – as the business has grown and community contributions have increased there is a need to move to the next level of service and professionalism as an organisation. The challenge is to improve all facets of the business and ensure the future is sustainable.

As required by sections 300A(1)(ba)(i), (ii), (iii) and (iv) of the Corporations Act 2001, the Business Development Manager and the Senior Banking Manager's role is to develop new and old customer and community relationships, with a primary focus on writing business to a minimum level agreed each year. The focus is on developing relationships with high value clients, both consumer and commercial, with the aim of building a highly profitable, diverse customer portfolio. The remuneration of the Business Development Manager has been split into two parts. The first is a base salary that is not contingent upon Company performance. The second is a bonus the quantum of which is determined by the Human Resources Committee after a review of the performance of the Company and various Key Performance Indicators (KPI). These KPI's are aligned to business growth indicators such as increase of loans, deposits and other business, taking into account the relative returns to the company of each product line. Other KPI's include community engagement and conversion of business from that engagement. The remuneration of the Executive Chairman has been determined by the Board. The remuneration is exclusively a base contract without any bonus component.

Director remuneration

Remuneration paid to the Directors is not based on Company performance but rather seen as a means to cover expenses incurred by the Directors as they carry out their duties to the Company. At the 2009 Annual General Meeting, shareholders resolved that the director remuneration allowance be increased to a collective value of \$75,000 per annum.

The determination of individual Board member payments were made by the Board after considering the relative workloads involved. Directors could elect to not receive any payments.

Remuneration benefits and payments

Other than detailed below, no Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Valley Community Financial Services Limited has elected not to participate in Bendigo and Adelaide Bank Limited's **Community Bank®** Directors' Privileges package. Directors have received no benefits based on their personal banking with the branches.

Valley Community Financial Services Limited
ACN 092 399 730
Directors' report

Remuneration report (continued)

Directors' remuneration for the year ended 30 June 2015:

	2015
	\$
Barry Henwood	5,000
Malcolm Hackett OAM	7,000
Stephen Bennett	7,000
Ingrid Crichton	5,000
Daryl Brooke	5,000
Philip Marendaz	5,000
Carole Bury	5,000
Carol Jenkinson	5,000
Phillip Burt	5,000
	<u>49,000</u>

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 incurred 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 held during the year was 12. Attendances by each Director during the year were as follows:

Director	Board Meetings #	Audit Committee Meetings #
Barry Henwood	10 (11)	N/A
Malcolm Hackett OAM	11 (11)	3 (3)
Stephen Bennett	10 (11)	3 (3)
Ingrid Crichton	10 (11)	3 (3)
Daryl Brooke	11 (11)	3 (3)
Philip Marendaz	11 (11)	N/A
Carole Bury	9 (11)	3 (3)
Carol Jenkinson	11 (11)	N/A
Phillip Burt	11 (11)	3 (3)

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.

Valley Community Financial Services Limited
ACN 092 399 730
Directors' report

Likely developments

The company will continue its policy of providing banking services to the community. Bendigo and Adelaide Bank have announced a new revenue model known as Funds Transfer Pricing which will commence on 1 July 2017. Initial indications are the impact on our revenue based on our banking book as at 31 December 2014 will be a loss of as much as \$90,000 per year. Two branches to suffer the most will be Hurstbridge and Kinglake. The change will put Kinglake branch into a loss and will impact on its long term viability. The Bendigo Bank has also announced changes to the way we use the Marketing Development Fund allocation. This change will remove approximately \$60,000 from our Community Grants and Sponsorship programs. Total impact is approximately \$160,000.

Environmental regulations

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.

Company Secretary

The Company Secretary is Melissa Vickrage who was appointed to the position on 24 May 2013. Melissa has a strong legal background and has worked for many years as a Legal Assistant/Paralegal with a major Melbourne law firm. In this varied role, Melissa's duties were company incorporations, running the firm's Company Registers, and being part of a team of lawyers including 3 Tax Partners. Melissa brings to the Company Secretary role her strong organisational skills and a wealth of knowledge relating to relevant legislation and corporate governance. Melissa Vickrage does not hold a Director position in the Company and has been employed by the Company since April 2010.

Non audit services

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

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

Valley Community Financial Services Limited

ACN 092 399 730

Directors' report

Auditor independence declaration

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

Signed in accordance with a resolution of the Board of Directors at Diamond Creek on
11 September 2015.

Barry Henwood
Director

Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the Directors of Valley Community Financial Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015 there has been no contraventions of:

- (i) the Auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated at Bendigo, xx September 2015

Valley Community Financial Services Limited
ACN 092 399 730
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2015

	<u>Notes</u>	2015 \$	2014 \$
Revenue	2	4,016,535	3,983,794
Employee benefits expense	3	(2,145,984)	(2,089,442)
Depreciation and amortisation expense	3	(190,287)	(199,069)
Finance costs	3	(8,965)	(10,448)
Bad and doubtful debts expense	3	(4,303)	(6,507)
Rental expense		(346,849)	(338,504)
Other expenses	3	<u>(812,525)</u>	<u>(866,353)</u>
Operating profit before charitable donations and sponsorships		507,622	473,471
Charitable donations and sponsorships		<u>(174,365)</u>	<u>(172,364)</u>
Profit/(loss) before income tax		333,257	301,107
Tax expense / (benefit)	4	<u>102,565</u>	<u>92,673</u>
Profit/(loss) for the year		230,692	208,434
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>230,692</u></u>	<u><u>208,434</u></u>
Total comprehensive income attributable to:			
Members of the company		<u>-</u>	<u>-</u>
Total		<u><u>230,692</u></u>	<u><u>208,434</u></u>
Earnings per share (cents per share)			
- basic earnings per share	23	5.69	5.14

The accompanying notes form part of these financial statements

Valley Community Financial Services Limited
ACN 092 399 730
Statement of Financial Position
As at 30 June 2015

	<u>Notes</u>	2015 \$	2014 \$
Assets			
Current assets			
Cash and cash equivalents	6	1,205,060	885,325
Trade and other receivables	7	338,216	324,679
Total current assets		<u>1,543,276</u>	<u>1,210,004</u>
Non-current assets			
Property, plant and equipment	8	814,458	825,037
Deferred tax assets	13	48,402	43,080
Intangible assets	9	516,302	647,056
Total non-current assets		<u>1,379,162</u>	<u>1,515,173</u>
Total assets		<u>2,922,438</u>	<u>2,725,177</u>
Liabilities			
Current liabilities			
Trade and other payables	10	163,448	109,929
Loans and borrowings	11	37,963	33,432
Provisions	12	108,990	91,894
Income tax payable	13	31,672	19,390
Total current liabilities		<u>342,073</u>	<u>254,645</u>
Non current liabilities			
Loans and borrowings	11	189,884	189,190
Provisions	12	50,925	50,921
Total non current liabilities		<u>240,809</u>	<u>240,111</u>
Total liabilities		<u>582,882</u>	<u>494,756</u>
Net assets		<u>2,339,556</u>	<u>2,230,421</u>
Equity			
Issued capital	14	2,055,876	2,055,876
Retained earnings	15	283,680	174,545
Total equity		<u>2,339,556</u>	<u>2,230,421</u>

The accompanying notes form part of these financial statements

Valley Community Financial Services Limited
ACN 092 399 730
Statement of Changes in Equity
for the year ended 30 June 2015

		Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2013		2,055,876	87,668	2,143,544
Profit for the year		-	208,434	208,434
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	208,434	208,434
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	24	-	(121,557)	(121,557)
Balance at 30 June 2014		2,055,876	174,545	2,230,421
Balance at 1 July 2014		2,055,876	174,545	2,230,421
Profit for the year		-	230,692	230,692
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	230,692	230,692
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	24	-	(121,557)	(121,557)
Balance at 30 June 2015		2,055,876	283,680	2,339,556

The accompanying notes form part of these financial statements

Valley Community Financial Services Limited
ACN 092 399 730
Statement of Cash Flows
For the year ended 30 June 2015

	<u>Notes</u>	2015 \$	2014 \$
Cash flows from operating activities			
Receipts from customers		4,391,687	3,962,291
Payments to suppliers and employees		(3,825,053)	(3,484,416)
Interest paid		(10,302)	(10,448)
Interest received		24,295	19,844
Income tax paid		(95,606)	(129,540)
Net cash provided by operating activities	16	<u>485,021</u>	<u>357,731</u>
Cash flows from investing activities			
Purchase of property, plant & equipment		(48,954)	(6,256)
Net cash flows from used in investing activities		<u>(48,954)</u>	<u>(6,256)</u>
Cash flows from financing activities			
Proceeds from borrowings		31,942	-
Repayment of borrowings		(26,717)	(22,940)
Dividends paid		(121,557)	(121,557)
Net cash used in financing activities		<u>(116,332)</u>	<u>(144,497)</u>
Net increase in cash held		319,735	206,978
Cash and cash equivalents at beginning of financial year		885,325	678,347
Cash and cash equivalents at end of financial year	6	<u><u>1,205,060</u></u>	<u><u>885,325</u></u>

The accompanying notes form part of these financial statements

Valley Community Financial Services Limited
ACN 092 399 730
Notes to the financial statements
For the year ended 30 June 2015

These financial statements and notes represent those of Valley Community Financial Services Limited.

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

The financial statements were authorised for issue by the Directors on 11 September 2015.

1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of **Community Bank®** branches.

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

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

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

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

Valley Community Financial Services Limited
ACN 092 399 730
Notes to the financial statements
For the year ended 30 June 2015

1. Summary of significant accounting policies (continued)

(b) Income tax

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities are measured at the amounts expected to be paid to the relevant taxation authority.

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

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

Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

(c) Fair value of assets and liabilities

The company may measure some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an assets or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

(c) Fair value of assets and liabilities (continued)

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

Valley Community Financial Services Limited
ACN 092 399 730
Notes to the financial statements
For the year ended 30 June 2015

1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

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

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

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

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

<i>Class of asset</i>	<i>Depreciation rate</i>
Leasehold improvements	4-5%
Plant and equipment	10-20%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(e) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset - but not the legal ownership - are transferred to the company, are classified as finance leases.

Valley Community Financial Services Limited
ACN 092 399 730
Notes to the financial statements
For the year ended 30 June 2015

1. Summary of significant accounting policies (continued)

(e) Leases (continued)

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

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

(f) Impairment of assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(g) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(h) Employee benefits

Short-term employee benefits

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

The company's obligations for short-term employee benefits such as wages and salaries are recognised as part of current trade and other payables in the statement of financial position. The company's obligation for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Valley Community Financial Services Limited
ACN 092 399 730
Notes to the financial statements
For the year ended 30 June 2015

1. Summary of significant accounting policies (continued)

(h) Employee benefits (continued)

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(i) Intangible assets and franchise fees

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

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

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.

(k) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

Interest, dividend and fee revenue is recognised when earned.

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

(l) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Valley Community Financial Services Limited
ACN 092 399 730
Notes to the financial statements
For the year ended 30 June 2015

1. Summary of significant accounting policies (continued)

(m) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(n) Borrowing costs

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

(o) New and amended accounting policies adopted by the company

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

(p) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

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

This Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the company on initial application include certain simplifications to the classification of financial assets.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impractical at this stage to provide a reasonable estimate of such impact.

(ii) AASB 15: *Revenue from Contracts with Customers* (applicable for annual reporting periods commencing on or after 1 January 2017).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

Valley Community Financial Services Limited
ACN 092 399 730
Notes to the financial statements
For the year ended 30 June 2015

1. Summary of significant accounting policies (continued)

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

(ii) AASB 15: *Revenue from Contracts with Customers* (applicable for annual reporting periods commencing on or after 1 January 2017) (continued)

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

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

Although the Directors anticipate that the adoption of AASB 15 may have an impact on the company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

(q) Loans and borrowings

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

(r) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which is probable that the outflow of economic benefits will result and the outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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.

(s) 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.

(t) Comparative figures

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

Valley Community Financial Services Limited
ACN 092 399 730
Notes to the financial statements
For the year ended 30 June 2015

1. Summary of significant accounting policies (continued)

(u) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

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

Employee benefits provision

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

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment

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

(v) 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.

Valley Community Financial Services Limited
ACN 092 399 730
Notes to the financial statements
For the year ended 30 June 2015

1. Summary of significant accounting policies (continued)

(v) Financial instruments (continued)

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

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in the profit or loss.

(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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

A financial asset (or group of financial assets) is deemed to be 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(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency on interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial asset is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Valley Community Financial Services Limited
ACN 092 399 730
Notes to the financial statements
For the year ended 30 June 2015

1. Summary of significant accounting policies (continued)

(v) Financial instruments (continued)

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

	2015 \$	2014 \$
2. Revenue and other income		
Revenue		
- services commissions	3,992,240	3,963,950
	<u>3,992,240</u>	<u>3,963,950</u>
Other revenue		
- interest received	24,295	19,844
- other revenue	-	-
	<u>24,295</u>	<u>19,844</u>
Total revenue	<u>4,016,535</u>	<u>3,983,794</u>
 3. Expenses		
Employee benefits expense		
- wages and salaries	1,775,951	1,738,084
- superannuation costs	164,969	155,452
- other costs	205,064	195,906
	<u>2,145,984</u>	<u>2,089,442</u>
Depreciation of non-current assets:		
- plant and equipment	36,468	44,496
- leasehold improvements	23,065	23,819
Amortisation of non-current assets:		
- intangible assets	130,754	130,754
	<u>190,287</u>	<u>199,069</u>
Finance costs:		
- Interest paid	8,965	10,448
Bad debts	4,303	6,507

Valley Community Financial Services Limited
ACN 092 399 730
Notes to the financial statements
For the year ended 30 June 2015

3. Expenses (continued)	2015 \$	2014 \$
Other expenses		
- accounting fees	62,100	60,500
- insurance	51,116	59,178
- printing and stationery	53,187	63,150
- IT equipment Lease	79,744	81,592
- IT running costs	44,877	46,206
- IT support costs	60,744	62,130
- cleaning	48,441	53,613
- electricity and gas	36,000	31,721
- repairs and maintenance	20,599	12,348
- rates	30,172	27,898
- telephone	37,563	38,830
- marketing	81,504	66,575
- other	206,478	262,612
	<u>812,525</u>	<u>866,353</u>
 4. Tax expense		
a. The components of tax expense comprise		
- current tax expense	107,887	92,895
- deferred tax income relating to the origination and reversal of temporary differences	(5,322)	(222)
- recoupment of prior year tax losses	-	-
- adjustments for under/(over)-provision of current income tax of previous years	-	-
	<u>102,565</u>	<u>92,673</u>
 b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 30% (2014: 30%)	99,977	90,332
Add tax effect of:		
- Adjustments in respect of current income tax of previous year	-	-
- Utilisation of previously unrecognised carried forward tax losses	-	-
- Non-deductible expenses	7,910	2,563
<i>Current income tax expense</i>	<u>107,887</u>	<u>92,895</u>
Income tax attributable to the entity	<u>102,565</u>	<u>92,673</u>
 The applicable weighted average effective tax rate is	30.78%	31.94%

The applicable income tax rate is the Australian Federal tax rate of 30% (2014: 30%) applicable to Australian resident companies.

Valley Community Financial Services Limited
ACN 092 399 730
Notes to the financial statements
For the year ended 30 June 2015

5. Auditors' remuneration

	2015	2014
	\$	\$
Remuneration of the Auditor for:		
- Audit or review of the financial report	4,430	6,448
- Share registry services	5,519	5,294
	<u>9,949</u>	<u>11,742</u>

6. Cash and cash equivalents

Cash at bank and on hand	321,594	283,771
Short-term bank deposits	883,466	601,554
	<u>1,205,060</u>	<u>885,325</u>

The effective interest rate on short-term bank deposits was 2.75% (2014: 3.30%); these deposits have an average maturity of 180 days.

7. Trade and other receivables

Current

Trade receivables	295,019	298,947
Other assets	43,197	25,732
	<u>338,216</u>	<u>324,679</u>

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

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

	Gross amount \$	Past due and impaired \$	Past due but not impaired < 30 days \$	31-60 days \$	> 60 days \$	Not past due \$
2015						
Trade receivables	295,019	-	-	-	-	295,019
Other receivables	-	-	-	-	-	-
Total	<u>295,019</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>295,019</u>
2014						
Trade receivables	298,947	-	-	-	-	298,947
Other receivables	-	-	-	-	-	-
Total	<u>298,947</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>298,947</u>

Valley Community Financial Services Limited

ACN 092 399 730

Notes to the financial statements

For the year ended 30 June 2015

	2015 \$	2014 \$
8. Property, plant and equipment		
<i>Leasehold improvements</i>		
At cost	789,610	789,610
Less accumulated depreciation	(129,352)	(106,287)
	<u>660,258</u>	<u>683,323</u>
<i>Plant and equipment</i>		
At cost	583,032	534,078
Less accumulated depreciation	(428,832)	(392,364)
	<u>154,200</u>	<u>141,714</u>
Total written down amount	<u>814,458</u>	<u>825,037</u>
Movements in carrying amounts		
<i>Leasehold improvements</i>		
Balance at the beginning of the reporting period	683,323	707,142
Additions	-	-
Disposals	-	-
Depreciation expense	(23,065)	(23,819)
Balance at the end of the reporting period	<u>660,258</u>	<u>683,323</u>
<i>Plant and equipment</i>		
Balance at the beginning of the reporting period	141,714	181,572
Additions	48,954	6,256
Disposals	-	(1,618)
Depreciation expense	(36,468)	(44,496)
Balance at the end of the reporting period	<u>154,200</u>	<u>141,714</u>
9. Intangible assets		
<i>Franchise fee / Start up costs</i>		
At cost	383,647	383,647
Less accumulated amortisation	(367,277)	(311,523)
	<u>16,370</u>	<u>72,124</u>
<i>Community Bank® Stadium naming rights</i>		
At cost	750,000	750,000
Less accumulated amortisation	(250,068)	(175,068)
	<u>499,932</u>	<u>574,932</u>
Total Intangible assets	<u>516,302</u>	<u>647,056</u>

Valley Community Financial Services Limited

ACN 092 399 730

Notes to the financial statements

For the year ended 30 June 2015

9. Intangible assets (continued)

Movements in carrying amounts

	2015 \$	2014 \$
<i>Franchise fee / Start up costs</i>		
Balance at the beginning of the reporting period	72,124	127,878
Additions	-	-
Disposals	-	-
Amortisation expense	(55,754)	(55,754)
Balance at the end of the reporting period	<u>16,370</u>	<u>72,124</u>

Community Bank® Stadium naming rights

Balance at the beginning of the reporting period	574,932	649,932
Additions	-	-
Disposals	-	-
Amortisation expense	(75,000)	(75,000)
Balance at the end of the reporting period	<u>499,932</u>	<u>574,932</u>

10. Trade and other payables

Current

Unsecured liabilities:

Trade payables	156,313	101,652
Other creditors and accruals	7,135	8,277
	<u>163,448</u>	<u>109,929</u>

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

11. Borrowings

Current

Unsecured liabilities

Bank loans	33,432	33,432
<i>Secured liabilities</i>		
Chattel mortgage	4,531	-
	<u>37,963</u>	<u>33,432</u>

Non-current

Unsecured liabilities

Bank loans	164,928	189,190
<i>Secured liabilities</i>		
Chattel mortgage	24,956	-
	<u>189,884</u>	<u>189,190</u>

The company has a chattel mortgage loan which is subject to normal terms and conditions. This loan is secured on the motor vehicle it was created to purchase.

Valley Community Financial Services Limited
ACN 092 399 730
Notes to the financial statements
For the year ended 30 June 2015

12. Provisions	2015	2014
	\$	\$
Employee benefits	<u>159,915</u>	<u>142,815</u>
Movement in employee benefits		
Opening balance	142,815	142,859
Additional provisions recognised	140,610	131,715
Amounts utilised during the year	<u>(123,510)</u>	<u>(131,759)</u>
Closing balance	<u>159,915</u>	<u>142,815</u>
Current		
Annual leave	<u>108,990</u>	<u>91,894</u>
	<u>108,990</u>	<u>91,894</u>
Non-current		
Long-service leave	<u>50,925</u>	<u>50,921</u>
	<u>50,925</u>	<u>50,921</u>
Total provisions	<u>159,915</u>	<u>142,815</u>

Provision for employee benefits

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

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

13. Tax balances	2015	2014
	\$	\$
(a) Tax assets		
Non-current		
Deferred tax asset comprises:		
- Provisions	<u>48,402</u>	<u>43,080</u>
	<u>48,402</u>	<u>43,080</u>
(b) Tax Liabilities		
Current		
Income tax payable	<u>31,672</u>	<u>19,390</u>
	<u>31,672</u>	<u>19,390</u>

14. Share capital

2,055,876 Ordinary shares fully paid	2,055,876	2,055,876
3:1 Bonus shares (1,996,014) issued for no consideration		
Less: Equity raising costs	<u>-</u>	<u>-</u>
	<u>2,055,876</u>	<u>2,055,876</u>

Valley Community Financial Services Limited
ACN 092 399 730
Notes to the financial statements
For the year ended 30 June 2015

14. Share capital (continued)

	2015	2014
	\$	\$
Movements in share capital		
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	<u>4,051,890</u>	<u>4,051,890</u>

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

Capital management

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

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

- (i) the Distribution Limit is the greater of:
 - (a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
 - (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and
- (ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

	2015	2014
	\$	\$
15. Retained earnings		
Balance at the beginning of the reporting period	174,545	87,668
Profit after income tax	230,692	208,434
Dividends paid	(121,557)	(121,557)
Balance at the end of the reporting period	<u>283,680</u>	<u>174,545</u>

Valley Community Financial Services Limited
ACN 092 399 730
Notes to the financial statements
For the year ended 30 June 2015

16. Statement of cash flows	2015	2014
	\$	\$
<i>Reconciliation of cash flow from operations with profit after income tax</i>		
Profit after income tax	230,692	208,434
Non cash flows in profit		
- Depreciation	59,533	68,315
- Amortisation	130,754	130,754
- Asset write offs	-	1,618
Changes in assets and liabilities		
- (Increase) decrease in receivables	(13,537)	(10,947)
- (Increase) decrease in deferred tax asset	(5,322)	(222)
- Increase (decrease) in payables	65,801	(40,177)
- Increase (decrease) in provisions	17,100	(44)
Net cash flows from operating activities	<u>485,021</u>	<u>357,731</u>

17. Related party transactions

The company's main related parties are as follows:

(a) Key management personnel

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

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No director fees have been paid as the positions are held on a voluntary basis.

Office supplies and equipment expenses were paid to Blackburn South Newsagency - an associated entity of Director Barry Henwood. During the year an amount of \$4,671 (2014: \$4,774) was paid to Blackburn South Newsagency.

Consultancy fees were paid to Director Barry Henwood in his role as Executive Chairman. During the year an amount of \$46,000 (2014: \$25,863) was paid to Barry Henwood.

Accounting services expenses were paid to Marendaz Pty Ltd - an associated entity of Director Philip Marendaz. During the year an amount of \$64,100 (2014: \$60,504) was paid to Marendaz Pty Ltd.

Staff amenities expenses were paid to Lovegrove Vineyard & Winery - an associated entity of Director Stephen Bennett. During the year an amount of \$544 (2014: 364) was paid to Lovegrove Vineyard & Winery.

Valley Community Financial Services Limited

ACN 092 399 730

Notes to the financial statements

For the year ended 30 June 2015

17. Related party transactions (continued)

Directors' remuneration for the year ended 30 June 2015:

	2015
Barry Henwood	5,000
Malcolm Hackett OAM	7,000
Stephen Bennett	7,000
Ingrid Crichton	5,000
Daryl Brooke	5,000
Philip Marendaz	5,000
Carole Bury	5,000
Carol Jenkinson	5,000
Phillip Burt	5,000
	<u>49,000</u>

The Valley Community Financial Services Limited has elected not to participate in Bendigo and Adelaide Bank Limited's **Community Bank®** Directors' Privileges package. Directors have received no benefits based on their personal banking with the branches.

(d) Key management personnel shareholdings

The number of ordinary shares in Valley Community Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	2015	2014
Barry Henwood	11,000	11,000
Malcolm Hackett OAM	20,000	20,000
Stephen Bennett	5,750	5,750
Ingrid Crichton	-	-
Daryl Brooke	7,000	7,000
Philip Marendaz	5,000	5,000
Carole Bury	5,000	5,000
Carol Jenkinson	-	-
Phillip Burt	-	-
	<u>53,750</u>	<u>53,750</u>

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid.

(e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

18. Events after the reporting period

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

19. Contingent liabilities and contingent assets

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

20. Operating segments

21. Leases

2014

SES

—

654.917

22. Company details

Shop 3 101 Hazel Glen Drive
Doreen VIC 3754

Valley Community Financial Services Limited
ACN 092 399 730
Notes to the financial statements
For the year ended 30 June 2015

	2015 £	2014 £
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). There were no options or preference shares on issue during the year.		
The following reflects the income and share data used in the basic and diluted earnings per share computations:		
Profit after income tax expense	<u>230,692</u>	<u>208,434</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>4,051,890</u>	<u>4,051,890</u>
24. Dividends paid or provided for on ordinary shares		
Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 3 cents per share (2014: 3 cents) franked at the tax rate of 30% (2014: 30%)	<u>121,557</u>	<u>121,557</u>

Valley Community Financial Services Limited
ACN 092 399 730
Notes to the financial statements
For the year ended 30 June 2015

25. Financial risk management

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* as detailed in the accounting policies are as follows:

	Note	2015 \$	2014 \$
Financial assets			
Cash and cash equivalents	6	1,205,060	885,325
Trade and other receivables	7	338,216	324,679
Total financial assets		<u>1,543,276</u>	<u>1,210,004</u>
Financial liabilities			
Trade and other payables	10	163,448	109,929
Borrowings	11	227,847	222,622
Total financial liabilities		<u>391,295</u>	<u>332,551</u>

Financial risk management policies

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

Specific financial risk exposure and management

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

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

Credit risk exposures

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

The company has no significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

Valley Community Financial Services Limited
ACN 092 399 730
Notes to the financial statements
For the year ended 30 June 2015

25. Financial risk management (continued)

(a) Credit risk (continued)

None of the assets of the company are past due (2014: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

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

	2015 \$	2014 \$
Cash and cash equivalents:		
A rated	1,205,060	885,325

(b) Liquidity risk

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

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

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

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

Financial liability and financial asset maturity analysis:

30 June 2015		Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial liabilities due for payment	Note				
Trade and other payables	10	163,448	163,448	-	-
Loans and borrowings	11	227,847	37,963	189,884	-
Total expected outflows		<u>391,295</u>	<u>201,411</u>	<u>189,884</u>	<u>-</u>
Financial assets - cash flows realisable					
Cash and cash equivalents	6	1,205,060	1,205,060	-	-
Trade and other receivables	7	338,216	338,216	-	-
Total anticipated inflows		<u>1,543,276</u>	<u>1,543,276</u>	<u>-</u>	<u>-</u>
Net (outflow)/inflow on financial instruments		<u>1,151,981</u>	<u>1,341,865</u>	<u>(189,884)</u>	<u>-</u>

Valley Community Financial Services Limited
ACN 092 399 730
Notes to the financial statements
For the year ended 30 June 2015

25. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2014		Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial liabilities due for payment					
Trade and other payables	10	109,929	109,929	-	-
Loans and borrowings	11	222,622	33,432	189,190	-
Total expected outflows		<u>332,551</u>	<u>143,361</u>	<u>189,190</u>	<u>-</u>
Financial assets - cash flows realisable					
Cash and cash equivalents	6	885,325	885,325	-	-
Trade and other receivables	7	324,679	324,679	-	-
Total anticipated inflows		<u>1,210,004</u>	<u>1,210,004</u>	<u>-</u>	<u>-</u>
Net (outflow)/inflow on financial instruments		<u>877,453</u>	<u>1,066,643</u>	<u>(189,190)</u>	<u>-</u>

(c) Market risk

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

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

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

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit \$	Equity \$
Year ended 30 June 2015		
+/- 1% in interest rates (interest income)	12,051	12,051
+/- 1% in interest rates (interest expense)	-	-
	<u>12,051</u>	<u>12,051</u>
Year ended 30 June 2014		
+/- 1% in interest rates (interest income)	8,853	8,853
+/- 1% in interest rates (interest expense)	-	-
	<u>8,853</u>	<u>8,853</u>

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

Valley Community Financial Services Limited
ACN 092 399 730
Notes to the financial statements
For the year ended 30 June 2015

25. Financial risk management (continued)

(c) Market risk (continued)

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

Fair value estimation

The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Differences between fair values and the carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied to the market since their initial recognition by the company.

Note	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents (i)	1,205,060	1,205,060	885,325	885,325
Trade and other receivables (i)	338,216	338,216	324,679	324,679
Total financial assets	<u>1,543,276</u>	<u>1,543,276</u>	<u>1,210,004</u>	<u>1,210,004</u>
Financial liabilities				
Trade and other payables (i)	163,448	163,448	109,929	109,929
Loans and borrowings	227,847	227,847	222,622	222,622
Total financial liabilities	<u>391,295</u>	<u>391,295</u>	<u>332,551</u>	<u>332,551</u>

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

Valley Community Financial Services Limited
ACN 092 399 730
Directors' declaration

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

1. The financial statements and notes, as set out on pages 8 to 35 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 2015 and of the performance for the year ended on that date;
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Barry Henwood
Director

Signed at Diamond Creek on 11 September 2015.