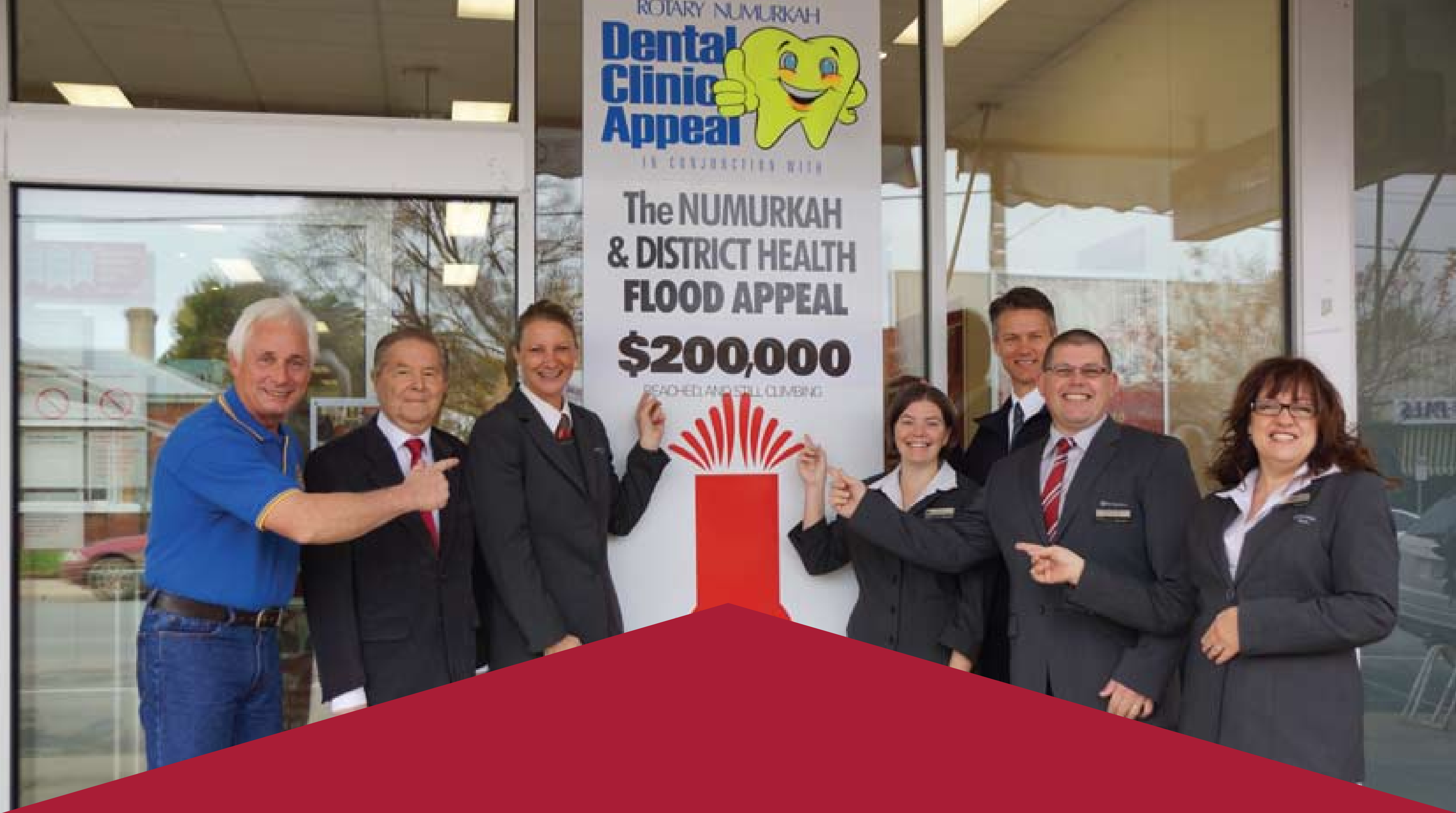

Annual Report 2014

Northern Victoria Finances Limited

ABN 33 091 514 966

Nathalia **Community Bank**® Branch
Numurkah branch

Contents

Chairman’s report

For year ending 30 June 2014

It is with great pleasure that I present my ninth Chairperson’s report. Writing this report allows me stop, evaluate and reflect on another busy year for our branches. It has indeed been a successful year and I continue to contemplate the progressive, bright future ahead of us.

Growth for the last financial year is over $22 million. This is a wonderful result for Nathalia **Community Bank**® Branch and Numurkah branch, especially given the turbulent economic climate that we have experienced. Heartfelt congratulations must be awarded to our Senior Manager Peter Halden, Numurkah Branch Manager Michael Laino and our dedicated staff members at both branches. Without doubt, they are a professional team. This significant growth achievement is proof of their effort, of which we can all reap the rewards.

Since inception the grants and sponsorship program has distributed in the vicinity of $387,423 back into our community. The funds granted kick start or give assistance to many worthwhile organisations for projects taking place, right here, right now, within our communities. The key financial information for our business for this year can be summarized as:

- Total business under management as at 30 June 2014 of $186 million (increased from $166.894 million last year)
- Number of accounts 7,583 (increased from 7,285 last year)
- Net profit before interest, taxes and extraordinary items $631,028
- Dividend paid of 6 cents per share
- Distribution to community groups $93,673
- Total income 2013/14 financial year $1.787 million (increased from $1.493 million)
- Total expenses excluding tax, 2013/14 financial year $1.212 million (decreased from $1.277 million).

As we plan for the future, we are thrilled to welcome three new Directors onto the Board. Sherelle Smith and Kristy Limbrick are both from the Nathalia district. Neroli Eddy will be joining us from the Numurkah area. These women bring to the Board many and varied business management skills. I hope they enjoy being a part of the Board and I am confident that their input will contribute to the ongoing success of our business.

Once again, I would like to thank every Board member for their continued efforts. I am proud to say that our Board members give freely of their time to the **Community Bank**® branches. By doing so, they are providing a tremendous service for this community. Special thanks to our Secretary Lanie Pearce and our Treasurer Mike Tymenson. Both these positions require many extra hours of work and attention each month, which they do with a minimum of fuss, but a great deal of commitment.

I would like to encourage everyone to come into the branches and discuss your banking needs with our Managers Peter and Michael or any staff member. The **Community Bank**® branches offer a complete range of banking products and services. Our rates are always competitive in the broader market place. Banking with the **Community Bank**® branches ensures strong and profitable branches, able to fund larger projects, benefiting the whole community.

As a **Community Bank**® company Board, we realise that the strength of our branches relies upon the strength of our community. It is the Boards’ vision to keep moving forward into the future, continue to build upon past successes and reinvest in these important communities.

Kaye . C . Bernhardt

Kaye Bernhardt
Chairperson

Senior Manager's report

For year ending 30 June 2014

This financial year saw total growth of $22.76 million in business under management, which was another very solid year. Nathalia **Community Bank**® Branch continues to post sound balance growth and Numurkah branch has well exceeded its 2013/14 targets, mainly through higher than expected deposit performance.

The income of the business continues to be relatively flat, despite footings growth. We have operated in a challenging environment of continual cost increases and have been able to add sufficient balances to maintain steady income. Income as a ratio of business has been trending downward since mid 2011.

Our Numurkah branch welcomed a new Manager, Michael Laino in March 2014. Michael brings over 20 years experience in banking, including a long history of branch management. The hospital appeal (incorporating dental clinic) at Numurkah continues to grow, with a very healthy $202,749 raised as at 30 June 2014.

At Nathalia **Community Bank**® Branch we have seen the sale of our Parks Victoria building for a very good price. The building continues to operate unaffected by the sale. We have been able to reduce our interest costs by paying down debt, as well as now having the ability again to be able to consider some larger projects.

The business operators at Nathalia Early Learning Centre have reported that usage of this magnificent facility has not been strong. As a result of this, rental paid to Northern Victoria Finances has been much less than expected. As at June 2014, we are exploring options to return the business to local ownership.

Our community grants continue to be well patronised and the 2013/14 information sessions were very popular with well over 100 people in attendance. This shows a growing acknowledgement of our ability to engage the community in both Nathalia and Numurkah. These groups are all better served by having a strong local **Community Bank**® branch and we are proud to be able to maintain our commitment to helping local not-for-profit entitities.

I thank all the staff at both sites for their commitment to continuous improvement. I believe that we offer top notch service at both of our branches. Thanks also to our volunteer Board of Directors who give up their time to support the staff and communities.

Finally, as we approach our 15-year anniversary, I call on the reader once again to consider their own banking facilities. Can we take a look at these for you? A big thank you to the customers who make it possible for us to help our communities. We are **Bigger than a bank** and the challenge is to continue growing and giving back to our local economy.

Peter Halden
Senior Manager

Directors' report

For the financial year ended 30 June 2014

Your Directors submit their report of the company for the financial year ended 30 June 2014.

Directors

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

Name and position held	Qualifications	Experience and other Directorships
James Liddell Director Board member since 2000	Retired Retailer	Director of Private companies
Jim Brereton Director Board member since 2003	Pastry Cook	Small business operator
Raelene Pearce Company Secretary Board member since 2004	Farmer	
Kaye Bernhardt Chairperson Board member since 2002	Administrator	
Mark Peterson Director Board member since 2007	Dairy Farmer	
Helen Ginnivan Director Board member since 2002	Assistant Principal	
John Sheehan Director Board member since 2006	Teacher	Resigned at AGM in 2013
Michael Tymensen Director Board member since 2012	Accountant	
Kristy Limbrick Director Board member since 2014 Appointed 17 Feb 2014		

Directors (continued)

Name and position held	Qualifications	Experience and other Directorships
Sherelle Smith Director Board member since 2014 Appointed 17 Feb 2014		
Neroli Eddy Director Board member since 2014 Appointed 17 Feb 2014		

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**® services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Review of operations

The profit of the company for the financial year after provision for income tax was $258,428 (2013: $132,652).

The net assets of the company have increased to $1,375,043 (2013: $1,315,082).

Dividends

	Year ended 30 June 2014	
	Cents per share	$
Dividends paid in the year - final dividend:	6.00	23,475

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 reporting date

In order to avert the business closing at our 20 Bromley St, Nathalia site, on the 1st of August the operations and responsibility for the childcare facility was officially assumed by the company. At the same time the previous operator/tenant was released from the remaining lease term. This was to maintain an important service for the community and to protect the asset.

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

There has been no remuneration policy developed as Director positions are held on a voluntary basis and Directors are not remunerated for their services.

Remuneration report (continued)

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.

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 held during the year were 11. Attendances by each Director during the year were as follows:

Director	Board meetings #
James Liddell	8 (11)
Jim Brereton	9 (11)
Raelene Pearce	10 (11)
Kaye Bernhardt	11 (11)
Mark Peterson	11 (11)
Helen Ginnivan	11 (11)
John Sheehan	2 (4)
Michael Tymensen	9 (11)
Kristy Limbrick	5 (11)
Sherelle Smith	5 (11)
Neroli Eddy	5 (11)

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation. However, the Board believes that the company has adequate systems in place for the management of its environment requirements and is not aware of any breach of these environmental requirements as they apply to the company.

Proceedings on behalf of company

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

Company Secretary

Raelene Pearce has been the Company Secretary of Northern Victoria Finances Limited since 2004. Her experience includes participation in a Company Secretary workshop, and during recent years as an office-holder on various local committees.

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 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.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 8 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Nathalia, Victoria on 9 October 2014.

Kaye. C. Bernhardt

Kaye Bernhardt
Director

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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

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

9 October 2014

The Directors
Northern Victoria Finances Limited
42 Blake Street
NATHALIA VIC 3638

Dear Directors,

To the Directors of Northern Victoria Finances Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2014 there has been:

(i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) No contraventions of any applicable code of professional conduct in relation to the audit.

Philip Delahunty
Partner
Richmond Sinnott & Delahunty

Financial statements

Statement of profit or loss and Other Comprehensive Income for the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue	2	1,786,825	1,492,729
Employee benefits expense	3	(649,877)	(649,063)
Depreciation and amortisation expense	3	(111,020)	(129,712)
Finance costs	3	(56,271)	(78,913)
Bad and doubtful debts expense	3	(796)	(1,509)
Other expenses		(394,104)	(418,413)
Operating profit before charitable donations & sponsorships		**574,757**	**215,119**
Charitable donations and sponsorships		(93,673)	(18,483)
Profit before income tax expense		**481,085**	**196,636**
Tax expense	4	222,657	63,984
Profit for the year		**258,428**	**132,652**
Other comprehensive income			
Revaluation of land and buildings	16	(174,994)	19,085
Total comprehensive income		**83,434**	**151,737**
Profit attributable to members of the company		258,428	132,652
Total comprehensive income attributable to members of the company		**83,434**	**151,737**
Earnings per share (cents per share)			
- basic for profit for the year	23	66.05	33.90
- diluted for profit for the year	23	66.05	33.90

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2014

	Note	2014 $	2013 $
Assets			
Current assets			
Cash and cash equivalents	6	193,828	61,161
Trade and other receivables	7	137,656	148,439
Total current assets		**331,484**	**209,600**
Non-current assets			
Property, plant and equipment	8	1,856,996	2,203,594
Intangible assets	9	78,386	104,386
Investments	10	29,839	19,839
Deferred tax asset	4	22,064	-
Total non-current assets		**1,987,286**	**2,327,819**
Total assets		**2,318,770**	**2,537,419**
Liabilities			
Current liabilities			
Trade and other payables	11	64,158	84,791
Borrowings	12	79,654	101,277
Provisions	13	73,548	74,997
Current tax liabilities	4	113,151	30,496
Total current liabilities		**330,511**	**291,561**
Non current liabilities			
Borrowings	12	515,762	930,774
Deferred tax liability	4	97,454	-
Total non current liabilities		**613,216**	**930,774**
Total liabilities		**943,727**	**1,222,335**
Net assets		**1,375,043**	**1,315,084**
Equity			
Issued capital	14	391,256	391,256
Retained earnings	15	658,940	423,987
Asset revaluation reserve	16	324,847	499,841
Total equity		**1,375,043**	**1,315,084**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2014

	Note	Issued capital $	Retained earnings $	Revaluation reserve $	Total equity $
Balance at 1 July 2012		391,256	316,767	480,755	1,188,778
Total comprehensive income for the year		-	132,652	-	132,652
Transactions with owners, in their capacity as owners					
Revaluation of land and buildings	16	-	-	19,086	19,086
Dividends paid or provided	24	-	(25,432)	-	(25,432)
Balance at 30 June 2013		**391,256**	**423,987**	**499,841**	**1,315,084**
Balance at 1 July 2013		391,256	423,987	499,841	1,315,084
Total comprehensive income for the year		-	258,428	-	258,428
Transactions with owners, in their capacity as owners					
Revaluation of land and buildings	16	-	-	(174,994)	(174,994)
Dividends paid or provided	24	-	(23,475)	-	(23,475)
Balance at 30 June 2014		**391,256**	**658,940**	**324,847**	**1,375,043**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Receipts from clients		1,536,501	1,597,340
Payments to suppliers and employees		(1,243,244)	(1,157,712)
Borrowing costs		(56,271)	(78,913)
Income tax paid		(64,612)	(83,241)
Interest received		624	6
Net cash flows from operating activities	**17**	**172,998**	**277,480**
Cash flows from investing activities			
Purchase of property, plant & equipment		(439,031)	(60,616)
Proceeds from sale of property, plant and equipment		868,809	-
Loans to private company		(10,000)	-
Net cash flows from/(used in) investing activities		**419,778**	**(60,616)**
Cash flows from financing activities			
Dividends paid		(23,475)	(25,432)
Proceeds (Repayments) of borrowings		(436,635)	(228,852)
Net cash flows used in financing activities		**(460,110)**	**(254,284)**
Net increase/(decrease) in cash held		**132,666**	**(37,420)**
Cash and cash equivalents at start of year		61,161	98,581
Cash and cash equivalents at end of year	**6**	**193,828**	**61,161**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2014

The financial statements and notes represent those of Northern Victoria Finances Limited.

Northern Victoria Finances 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 9 October 2014.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board 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 Australian Accounting Standards Board 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 (IFRS). Material accounting policies adopted in the preparation of the 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.

<u>Economic dependency</u>

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

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency (continued)

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

(b) Income tax

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

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

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

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

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

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

(c) Fair value of assets and liabilities

The company measures 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 closes 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.

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).

Note 1. Summary of significant accounting policies (continued)

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

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.

The fair value of the liabilities and the entity's own equity instruments may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted, and where significant, are detailed in the respective note to the financial statements.

(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.

<u>Property</u>

Freehold land and buildings are carried at their fair value (being the amount for which an asset could be exchanged between knowledgably, willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss. 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.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

<u>Plant and equipment</u>

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 either in profit or loss or as a revaluation decrease if the impairment losses related to a revalued asset. 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.

<u>Depreciation</u>

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are 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.

Note 1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Depreciation (continued)

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

Class of asset	Depreciation rate
Buildings	2.5%
Plant & equipment	10 - 30%

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

An assets' carrying amount is written down immediately to its recoverable amount if the assets' 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 entities in the company, are classified as finance leases.

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

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

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

(f) Impairment of assets

At each reporting period, the company assesses whether there is any indication that an asset may be impaired. 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.

Note 1. Summary of significant accounting policies (continued)

(g) Goods and services tax (GST) (continued)

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.

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.

The company's obligation 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) Intangibles

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 per 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

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade 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).

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(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.

(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 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 commencing on or after 1 January 2017).

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.

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 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the company's financial statements.

(iii) AASB 2013-3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the company's financial statements.

Note 1. Summary of significant accounting policies (continued)

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

Employee benefits

The company adopted AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) from the mandatory application date of 1 January 2013. The company has applied these Standards retrospectively in accordance with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors and the transitional provisions of AASB 119 (September 2011).

For the purpose of measurement, AASB 119 (September 2011) defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. In accordance with AASB 119 (September 2011), provisions for short-term employee benefits are measured at the (undiscounted) amounts expected to be paid to employees when the obligation is settled, whereas provisions that do not meet the criteria for classification as short-term (other long-term employee benefits) are measured at the present value of the expected future payments to be made to employees.

As the company expects that all of its employees would use all of their annual leave entitlements earned during a reporting period before 12 months after the end of the reporting period, adoption of AASB 119 (September 2011) did not have a material impact on the amounts recognised in respect of the company's employee provisions. Note also that adoption of AASB 119 (September 2011) did not impact the classification of leave entitlements between current and non-current liabilities in the company's financial statements.

AASB 119 (September 2011) also introduced changes to the recognition and measurement requirements applicable to termination benefits and defined benefit plans. As the company did not have any of these types of obligations in the current or previous reporting periods, these changes did not impact the company's financial statements.

Fair value measurement

The company has applied AASB 13: Fair Value Measurement and the relevant consequential amendments arising from the related Amending Standards prospectively from the mandatory application date of 1 January 2013 and in accordance with AASB 108 and the specific transitional requirements in AASB 13.

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

No material adjustments to the carrying amounts of any of the company's assets or liabilities were required as a consequence of applying AASB 13. Nevertheless, AASB 13 requires enhanced disclosures regarding assets and liabilities that are measured at fair value and fair values disclosed in the company's financial statements.

The disclosure requirements in AASB 13 need not be applied by the company in the comparative information provided for periods before initial application of AASB 13 (that is, periods beginning before 1 January 2013). However, as some of the disclosures now required under AASB 13 were previously required under other Australian Accounting Standards, such as AASB 7: Financial Instruments: Disclosures, the company has provided this previously provided information as comparatives in the current reporting period.

(q) Loans and borrowings

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

Note 1. Summary of significant accounting policies (continued)

(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.

(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:

<u>Estimation of useful lives of assets</u>

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.

<u>Fair value assessment of non-current physical assets</u>

The new AASB 13 Fair Value standard requires fair value assessments that may involved both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

<u>Employee benefits provision</u>

Assumptions required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. Treatment of leave under updated AASB 119 standard.

<u>Income tax</u>

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

Note 1. Summary of significant accounting policies (continued)

(u) Critical accounting estimates and judgements (continued)

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.

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.

(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.

Note 1. Summary of significant accounting policies (continued)

(v) Financial instruments (continued)

Impairment (continued)

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.

Derecognition of financial instruments

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.

Note 2. Revenue and other income

	2014 $	**2013 $**
Revenue		
- services commissions	1,329,155	1,352,712
- rental income	113,851	140,011
	1,443,007	**1,492,723**
Other revenue		
- interest received	624	6
- gain on disposal of property, plant and equipment	343,194	-
	343,818	**6**
Total revenue	**1,786,825**	**1,492,729**

	2014 $	2013 $

Note 3. Expenses

	2014 $	2013 $
Employee benefits expense		
- wages and salaries	578,518	568,946
- superannuation costs	54,258	50,220
- workers compensation	1,719	1,139
- payroll tax	5,405	1,667
- other costs	9,976	27,091
	649,877	**649,063**
Depreciation of non-current assets:		
- plant and equipment	16,662	18,893
- motor vehicles	12,334	15,175
- buildings	56,024	69,644
Amortisation of non-current assets:		
- intangible assets	26,000	26,000
	111,020	**129,712**
Finance costs:		
- Interest paid	56,271	78,913
Bad debts	796	1,509

Note 4. Tax expense

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

	2014 $	2013 $
Prima facie tax on profit before income tax at 30% (2013: 30%)	144,325	58,991
Add tax effect of:		
- Prior year over provision for tax	-	(3,490)
-Recognition of deferred tax assets and liabilities	75,390	-
- Non-deductible expenses	2,942	8,483
Current income tax expense	**222,657**	**63,984**
Income tax attributable to the entity	**222,657**	**63,984**
The applicable weighted average effective tax rate is	46.28%	32.54%
Income tax payable		
Current tax liability	**113,151**	**30,496**

	2014 $	2013 $

Note 4. Tax expense (continued)

Deferred tax asset		
- relating to provisions held	**22,064**	**-**
Deferred tax liabilities		
- relating to asset revaluation reserve	**97,454**	**-**

The applicable income tax rate is the Australian Federal tax rate of 30% (2013: 30%) applicable to Australian resident companies.

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

	2014 $	2013 $
- Audit or review of the financial report	5,250	4,700
- Share registry services	3,538	3,122
	8,788	**7,822**

Note 6. Cash and cash equivalents

	2014 $	2013 $
Cash at bank and on hand	**193,828**	**61,161**

Note 7. Trade and other receivables

	2014 $	2013 $
Current		
Trade debtors	125,035	133,624
Prepayments	12,621	14,815
	137,656	**148,439**

Credit risk

The company has no significant concentration of credit risk with respect to any single group or company of counterparties.

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.

Note 7. Trade and other receivables (continued)

Credit risk (continued)

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
2014						
Trade receivables	125,035	-	-	-	-	125,035
Total	**125,035**	**-**	**-**	**-**	**-**	**125,035**
2013						
Trade receivables	133,624	-	-	-	-	133,624
Total	**133,624**	**-**	**-**	**-**	**-**	**133,624**

Note 8. Property, plant and equipment

	2014 $	2013 $
Land		
At fair value	**210,000**	**180,000**
Buildings		
At fair value	1,596,275	1,916,024
Less accumulated depreciation	(101,579)	(50,559)
	1,494,696	**1,865,465**
Fixtures & fittings		
At cost	41,746	41,746
Less accumulated depreciation	(14,735)	(12,400)
	27,011	**29,346**
Plant and equipment		
At cost	257,591	234,423
Less accumulated depreciation	(185,738)	(171,410)
	71,853	**63,013**
Motor vehicles		
At cost	88,679	88,679
Less accumulated depreciation	(35,243)	(22,909)
	53,436	**65,770**
Total written down amount	**1,856,996**	**2,203,594**

Note 8. Property, plant and equipment (continued)

	2014 $	2013 $
Movements in carrying amounts		
Land - at fair value		
Balance at the beginning of the reporting period	180,000	180,000
Additions	112,000	-
Disposals	(74,012)	-
Revaluation	(7,988)	-
Balance at the end of the reporting period	**210,000**	**180,000**
Buildings - at fair value		
Balance at the beginning of the reporting period	1,865,465	1,856,389
Additions	303,863	59,635
Disposals	(660,000)	-
Revaluation	41,392	19,085
Depreciation expense	(56,024)	(69,644)
Balance at the end of the reporting period	**1,494,696**	**1,865,465**
Fixture & fittings		
Balance at the beginning of the reporting period	29,346	32,036
Additions	-	-
Disposals	-	-
Depreciation expense	(2,335)	(2,690)
Balance at the end of the reporting period	**27,011**	**29,346**
Plant and equipment		
Balance at the beginning of the reporting period	63,013	78,234
Additions	23,168	981
Disposals	-	-
Depreciation expense	(14,327)	(16,203)
Balance at the end of the reporting period	**71,854**	**63,013**
Motor vehicles		
Balance at the beginning of the reporting period	65,770	80,945
Additions	-	-
Disposals	-	-
Depreciation expense	(12,334)	(15,175)
Balance at the end of the reporting period	**53,436**	**65,770**

	2014 $	2013 $

Note 9. Intangible assets

	2014 $	2013 $
Franchise & establishment fee		
At cost	193,636	193,636
Less accumulated amortisation	(115,250)	(89,250)
	78,386	**104,386**
Movements in carrying amounts		
Franchise & establishment fee		
Balance at the beginning of the reporting period	104,386	130,386
Additions	-	-
Disposals	-	-
Amortisation expense	(26,000)	(26,000)
Balance at the end of the reporting period	**78,386**	**104,386**

Note 10. Investments

	2014 $	2013 $
Non current		
Loan to private company	29,839	19,839
	29,839	**19,839**

The purpose of this loan is to fund Tunnel Developments Pty Ltd to investigate the possibility of completing a residential development in Nathalia. This development would be a community based project to assist with the shortage of residential building blocks in Nathalia. If the project moves to the next stage, Northern Victoria Finances Ltd would convert this loan to equity. The project would be undertaken with the intention of making a profit. If the project does not proceed, the loan will be written off.

Note 11. Trade and other payables

	2014 $	2013 $
Current		
Unsecured liabilities:		
Trade creditors	18,784	35,743
Other creditors and accruals	45,374	49,048
	64,158	**84,791**

	2014 $	2013 $

Note 12. Borrowings

	2014 $	2013 $
Current		
Motor vehicle finance chattel Mortgage	27,696	27,696
Loan	51,958	73,581
	79,654	**101,277**
Non current		
Motor vehicle finance chattel Mortgage	12,309	35,927
Loan	503,453	894,847
	515,762	**930,774**

The company has entered into two finance chattel mortgage loans for two vehicles. The company also has secured commercial mortgage loans which are held on normal commercial terms and conditions, and are secured against the properties owned by the company.

Note 13. Provisions

	2014 $	2013 $
Employee benefits	65,230	67,429
Provision for dividends	6,151	5,401
Other provisions	2,167	2,167
	73,548	**74,997**
Movement in employee benefits		
Opening balance	67,429	42,005
Amounts (utilised)/ provided for during the year	(2,199)	25,424
Closing balance	**65,230**	**67,429**
Current		
Annual Leave	37,293	43,307
Long-service leave	27,937	24,122
Total employee provisions	**65,230**	**67,429**

Note 13. Provisions (continued)

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.

	2014 $	2013 $
Note 14. Share capital		
391,256 Ordinary shares fully paid of $1 each	391,256	391,256
Less: Equity raising costs	-	-
	391,256	**391,256**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	391,256	391,256
Shares issued during the year	-	-
At the end of the reporting period	**391,256**	**391,256**

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 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

Note 14. Share capital (continued)

Capital management (continued)

(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 2013 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.

	2014 $	2013 $

Note 15. Retained earnings

	2014 $	2013 $
Balance at the beginning of the reporting period	423,987	316,767
Dividends payable	(23,475)	(25,432)
Profit after income tax	258,428	132,652
Balance at the end of the reporting period	**658,940**	**423,987**

Note 16. Asset revaluation reserve

	2014 $	2013 $
Land and Buildings		
Balance at the beginning of the financial year	499,841	480,755
Gain / (loss) on revaluation of land and buildings during year	33,404	19,086
Transfer revaluation amount relating to sale of land and buildings	(208,398)	-
Balance at the end of the financial year	**324,847**	**499,841**

Note 17. Statement of cash flows

	2014 $	2013 $
Reconciliation of profit after tax to net cash provided from/(used in) operating activities		
Profit after income tax	258,428	132,652
Non cash items		
- Depreciation	85,020	103,712
- Amortisation	26,000	26,000
- Net (profit)/loss from sale of property, plant and equipment	(343,194)	-

	2014 $	2013 $
Note 17. Statement of cash flows (continued)		
Changes in assets and liabilities		
- (Increase) decrease in receivables	10,783	(22,599)
- (Increase) decrease in tax asset	(22,077)	-
- Increase (decrease) in payables	159,488	12,667
- Increase (decrease) in provisions	(1,450)	25,048
Net cash flows from/(used in) operating activities	**172,998**	**277,480**

Note 18. 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.

(d) Key management personnel shareholdings

The number of ordinary shares in Northern Victoria Finances Limited held by each key management personnel of the company during the financial year is as follows:

	2014	2013
James Liddell	2,001	2,001
Jim Brereton	500	500
Raelene Pearce	500	500
Kaye Bernhardt	500	500
Mark Peterson	400	400
Helen Ginnivan	300	300
John Sheehan	-	-
Michael Tymensen	-	-

Note 18. Related party transactions (continued)

(d) Key management personnel shareholdings (continued)

	2014	2013
Kristy Limbrick	-	-
Sherelle Smith	-	-
Neroli Eddy	-	-

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.

Note 19. Events after the reporting period

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

Note 20. Contingent liabilities and assets

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

Note 21. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Nathalia, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2013: 100%).

Note 22. Company details

The registered office & principle place of business is: 42 Blake Street, Nathalia VIC 3638

Note 23. Earnings per share

Basic earnings per share amounts are calculated by dividing profit 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 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).

	2014 $	2013 $

Note 23. Earnings per share (continued)

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

	2014 $	2013 $
Profit after income tax expense	**258,428**	**132,652**
Weighted average number of ordinary shares for basic and diluted earnings per share	**391,256**	**391,256**

Note 24. Dividends paid or provided for on ordinary shares

(a) Dividends provided for during the year

	2014 $	2013 $
Current year final		
Franked dividend - 6 cents per share (2013: 6.5c)	**23,475**	**25,432**

(b) Franking credit balance

	2014 $	2013 $
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	325,022	255,942
- Franking credits that will arise from the payment / (refund) of income tax payable as at the end of the financial year	113,151	33,514
	438,173	**289,456**

Note 25. Fair value measurements

The company measures and recognises the following assets at fair value on a recurring basis after initial recognition:

- freehold land and buildings

The company subsequently measures some items of freehold land and buildings at fair value on a non-recurring basis.

The company does not subsequently measure any liabilities at fair value on a non-recurring basis.

a. Fair value hierarchy

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

Note 25. Fair value measurements (continued)

a. Fair value hierarchy (continued)

Fair values 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. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the company are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following tables provide the fair values of the company's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

	Note	30 June 2014			
		Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements					
Non-financial assets					
Freehold land and buildings		-	1,704,696	-	1,704,696
Total non-financial assets recognised at fair value on a recurring basis		**-**	**1,704,696**	**-**	**1,704,696**
Non-recurring fair value measurements		**-**	**-**	**-**	**-**

Note 25. Fair value measurements (continued)

a. Fair value hierarchy (continued)

Valuation techniques (continued)

	Note	30 June 2013			
		Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements					
Non-financial assets					
Freehold land and buildings		-	2,045,465	-	2,045,465
Total non-financial assets recognised at fair value on a recurring basis		**-**	**2,045,465**	**-**	**2,045,465**
Non-recurring fair value measurements		**-**	**-**	**-**	**-**

There were no transfers between Level 1 and Level 2 for assets measured at fair value on a recurring basis during the reporting period (2013: no transfers).

b. Valuation techniques and inputs used to measure Level 2 fair values

Description	Fair value at 30 June 2014 $	Description of valuation techniques	Inputs used
42 Blake Street, Nathalia	295,338	Market value approach using valuation of land and buildings at 21 March 2011.	Registered valuer
27 Melville Street, Numurkah	416,325	Cost approach using contract of sale at 15 November 2013.	Contact of sale
20 Bromley Street, Numurkah	993,033	Market value approach using valuation of land and buildings at 5 July 2011.	Registered valuer

(i) The fair value of freehold land and buildings is determined at least every three years based on valuations by an independent valuer. At the end of each intervening period, the Directors review the independent valuation and, when appropriate, update the fair value measurement to reflect current market conditions using a range of valuation techniques, including recent observable market data and discounted cash flow methodologies.

There were no changes during the period in the valuation techniques used by the company to determine Level 2 fair values.

Note 26. 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 as detailed in the accounting policies are as follows:

	Note	2014 $	2013 $
Financial assets			
Cash & cash equivalents	6	193,828	61,161
Trade and other receivables	7	137,656	148,439
Total financial assets		**331,484**	**209,600**
Financial liabilities			
Trade and other payables	11	64,158	84,791
Loans and borrowings	12	595,416	1,032,051
Total financial liabilities		**659,574**	**1,116,842**

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.

Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness and their financial stability is monitored and assessed on a regular basis. 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.

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'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 (2012: 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.

Note 26. Financial risk management (continued)

(a) Credit risk (continued)

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.

	2014 $	2013 $
Cash and cash equivalents:		
A rated	**193,828**	**61,161**

(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 2014	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due					
Trade and other payables	11	64,158	64,158	-	-
Loans and borrowings	12	595,416	79,654	515,762	-
Total expected outflows		**659,574**	**143,812**	**515,762**	**-**
Financial Assets - realisable					
Cash & cash equivalents	6	193,828	193,828	-	-
Trade and other receivables	7	137,656	137,656	-	-
Total anticipated inflows		**331,484**	**331,484**	**-**	**-**
Net (Outflow)/Inflow on financial instruments		**(328,090)**	**187,672**	**(515,762)**	**-**

Note 26. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2013	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due					
Trade and other payables	11	84,791	84,791	-	-
Loans and borrowings	12	1,032,051	101,277	930,774	-
Total expected outflows		**1,116,842**	**186,068**	**930,774**	**-**
Financial Assets - realisable					
Cash & cash equivalents	6	61,161	61,161	-	-
Trade and other receivables	7	148,439	148,439	-	-
Total anticipated inflows		**209,600**	**209,600**	**-**	**-**
Net (Outflow)/Inflow on financial instruments		**(907,242)**	**23,532**	**(930,774)**	**-**

(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 the risk 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.

The weighted average interest rates of the company's interest-bearing financial assets are as follows:

	2014 %	2013 %
Financial assets		
Cash and cash equivalents (net of bank overdrafts)	6.14%	6.62%

<u>Sensitivity analysis</u>

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.

Note 26. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

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

	Profit $	**Equity $**
Year ended 30 June 2014		
+/- 1% in interest rates (interest income)	(4,016)	(4,016)
	(4,016)	**(4,016)**
Year ended 30 June 2012		
+/- 1% in interest rates (interest income)	(9,709)	(9,709)
	(9,709)	**(9,709)**

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.

Directors' declaration

In accordance with a resolution of the Directors of Northern Victoria Finances Limited, the Directors of the company declare that:

1 the financial statements and notes of the company as set out on pages 9 to 39 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 2014 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.

Kaye. C. Bernhardt

Kaye Bernhardt
Director

Signed at Nathalia, Victoria on 9 October 2014.

Richmond Sinnott & Delahunty
Chartered Accountants
Level 2, 10-16 Forest Street
Bendigo, VICTORIA
PO Box 30, Bendigo VICTORIA 3552
Ph: (03) 5445 4200
Fax: (03) 5444 4344
rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF NORTHERN VICTORIA FINANCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Northern Victoria Finances Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company at the year's end.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Northern Victoria Finances Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of Northern Victoria Finances Limited is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Philip Delahunty
Partner

Dated at Bendigo, 9 October 2014

Nathalia **Community Bank®** Branch
42 Blake Street, Nathalia VIC 3638
Phone: (03) 5866 3159 Fax: (03) 5866 2964
www.bendigobank.com.au/nathalia

Numurkah branch
27 Melville Street, Numurkah VIC 3636
Phone: (03) 5862 3135 Fax: (03) 5862 2149
www.bendigobank.com.au/numurkah

Franchisee: Northern Victoria Finances Limited
42 Blake Street, Nathalia VIC 3638
ABN: 33 091 514 966

www.bendigobank.com.au
(BMPAR14127) (09/14)

Bendigo Bank
Bigger than a bank™

bendigobank.com.au