Annual Report 2015

Northern Victoria Finances Limited

ABN 33 091 514 966

Nathalia **Community Bank**® Branch
Numurkah branch

Contents

Chairman's report

For year ending 30 June 2015

It is with great pleasure that I present my first Chairman's report for Northern Victoria Finances Limited. I must thank and congratulate Kaye Bernhardt for her role as Chairman for the past nine years and the help she has given me in this role.

A big thank you to Senior Manager Peter Halden and staff at Nathalia **Community Bank**® Branch and Numurkah branch for continued growth in another economically uncertain year.

The past 12 months have seen many changes within the banking industry with margins being tighter than ever and a variation to the franchise agreement with Bendigo and Adelaide Bank that we are about to move into which may present further challenges.

The new model will be challenging for staff and Directors to work with, but under the leadership of Peter Halden I am confident we will have a strong business moving forward.

The Nathalia Community Early Learning Centre, under the leadership of Natalie Watt, has experienced continual growth and providing a great service for our community.

The following table shows how much we have put back into our community since we opened 15 years ago.

	Community investment (grants)	Sponsorship	Major projects	Cents per share paid	Dividends paid to shareholders	Total funds returned to community & shareholders
2002/03				$0.0400	$15,650	$15,650
2003/04		$4,371		$0.0500	$19,563	$23,934
2004/05	$11,000	$2,657		$0.0525	$20,541	$34,198
2005/06	$20,300	$5,350		$0.0625	$24,454	$50,104
2006/07	$16,684	$4,679	$600,000	$0.0725	$28,366	$649,729
2007/08	$37,357	$8,372	$100,000	$0.0800	$31,300	$177,029
2008/09	$57,450	$7,780	$84,437	$0.0400	$15,650	$165,317
2009/10	$31,060	$11,588	$249,424	$0.0750	$29,344	$321,416
2010/11	$32,686	$16,246	$62,389	$0.0750	$29,344	$140,665
2011/12	$22,824	$23,579		$0.0750	$29,344	$75,747
2012/13	$32,595	$13,966	$1,050,000	$0.0650	$25,432	$1,121,993
2013/14	$33,008	$15,070	$89,546	$0.0600	$23,475	$161,099
2014/15	$37,144	$14,053	$212,878	$0.0500	$19,563	$283,638
Cumulative total	**$332,108**	**$127,712**	**$2,448,674**	**$0.7975**	**$312,026**	**$3,220,520**

Chairman's report (continued)

	2013/14	2014/15	Variance
Bank business held	$186,040,000	$186,418,000	Up $378,000
Number of accounts	7,583	7,658	Up 75

I was privileged to sit in on the interviews for new staff members at both branches and I must say I was very impressed with the quality of the candidates for the positions. They all had dealt with the Bendigo Bank in some way and they really wanted to be a part of our **Community Bank®** company. I am sure this enthusiasm will help our wonderful existing staff to **bigger** and better growth for our company.

I would like to thank every Board member for their time and effort in making our Board strong, stable and productive. Special thanks to our Company Secretary Lanie Pearce for her continued busy role in keeping us up to date and informed. Also a special thanks to Michael Tymensen for his role as Treasurer.

After 15 years, founding member Jim Liddell has decided to retire his position as long time Director for Northern Victoria Finances Limited. Jim served as the inaugural Chairman and has been a driving force and inspiration for our branches and also the wider community. Thank you Jim. On a sad note, I would like to acknowledge the loss of one of our founding Directors Pat Barry.

Pat was the first person to suggest we could have our own locally operated bank branch, after the Commonwealth Bank announced its closure. Pat spent hundreds of hours of his own time to help us gain a **Community Bank®** branch.

His forethought was invaluable to our community.

I can't imagine what our town would look like without a **Community Bank®** branch and people like Pat and Jim.

I would like to encourage everyone to talk to our staff about your banking and insurance needs.

We need everyone's support to grow so we can return even more to the community.

Mark Peterson
Chairman

Senior Manager's report

For year ending 30 June 2015

The 2014/15 financial year saw another year with low interest rate environment. A good number of loans have been written for investments properties however borrowers continue to reduce debt quickly, making balance sheet growth difficult.

Activity for both branches in loans was quite solid. Approvals steady at Nathalia at $7.7million, Numurkah up 27% to $5.8 million. Funding up at Nathalia 34% to just under $8 million and Numurkah up 43% to $6.2 million. Deposit activity was very strong in at call funds at both sites while some large institutional investors accounted for large deposit reductions of $12.5 million at Numurkah.

Overall balances at Nathalia up $6.69 million while Numurkah term deposit losses lead to an overall reduction of $6.3 million. Apart from Term Deposits, Numurkah has grown in other areas circa $6.2 million.

Any good business moves with the business environment, this has meant a restructure of our branches this year. Some staffing changes have had to be made with the difficult decision not to replace the resigning Manager at Numurkah and some reduction in counter staffing levels. This was done after much consideration of many factors, including reviewing back office tasks which could be consolidated into one job at Nathalia, changing over the counter transaction habits of our customers and a less than expected business growth result. Our team in Numurkah is now lead by Customer Relationship Manager Julia Arho, who has stepped up from an existing role in Numurkah and we look forward to an increase in business activity at that site.

Nathalia Community Early Learning Centre

A copy of the disclosure wording from the 2013/14 report is as follows;

> **Events subsequent to reporting date**
>
> In order to avert the business closing at our 20 Bromley Street, 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.

NVF Ltd is now the Approved Provider of long day care and associated services at the Nathalia Early Learning Centre. Changing the name to Nathalia Community Early Learning Centre was not by accident as we demonstrate again our commitment to maintaining services for our town.

We appointed Natalie Watt to position as Director and have seen some pleasing trends over the past year. With Long Day places filled as at first week of the 2014/15 financial year at 105, we have seen growth on that basis to same time this year to 127. In addition, there has been significant growth in recent times of before and after school care. Natalie has taken care to keep a tight budget and we encourage all of our parents and grandparents to come and try the service whether it be for school vacation care, out of school hours care, long day care or kindergarten services. We also provide casual long day care if parents need a break for shopping, appointments etc.

Senior Manager’s report (continued)

Some banking statistics

	2013/14	2014/15	Variance
Bank business held	$186,040,000	$186,418,000	Up $378,000
Number of accounts	7,583	7,658	Up 75

As shareholders, I encourage you all again to consider your **Community Bank**® branch when you need to invest, borrow or when your insurance is due next. With some challenging issues behind us and others such as low interest rates seemingly the new business landscape, we look forward to a positive year ahead in 2015/16.

Peter Halden
Senior Manager

Directors' report

For the financial year ended 30 June 2015

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

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 Director Board member since 2002	Administrator	
Mark Peterson Chairman Board member since 2007	Dairy Farmer	
Helen Ginnivan Director Board member since 2002	Assistant Principal	
Michael Tymensen Director Board member since 2012	Accountant	
Kristy Limbrick Director Board member since 2014	Small business operator	
Sherelle Smith Director Board member since 2014	Dairy Farmer	
Neroli Eddy Director Board member since 2014	School administrator	

Directors

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 $150,062 (2014: $258,428).

The net assets of the company have increased to $1,487,935 (2014: $1,375,043).

During the year, the company took over the operation of the childcare centre.

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:	5.0	19,563
Dividends declared during the year:	4.5	17,607

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

Other than as noted above, no other significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to the end of the reporting period

There are 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 was 11. Attendances by each Director during the year were as follows:

Director	Board meetings #
James Liddell	7 (11)
Jim Brereton	5 (11)
Raelene Pearce	11 (11)
Kaye Bernhardt	10 (11)
Mark Peterson	10 (11)
Helen Ginnivan	11 (11)
Michael Tymensen	9 (11)
Kristy Limbrick	9 (11)
Sherelle Smith	8 (11)
Neroli Eddy	6 (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.

Directors' report (continued)

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

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.

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 10 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 30 September 2015.

Kaye . C . Bernhardt

Kaye Bernhardt
Director

Auditor's independence declaration

Richmond
Sinnott &
Delahunty
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Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the Directors of Northern Victoria Finances 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

P. P. Delahunty
Partner
Bendigo
Dated at Bendigo, 30 September 2015

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2015

	Note	2015 $	2014 $
Revenue	2	2,033,345	1,786,825
Employee benefits expense	3	(1,049,645)	(649,877)
Depreciation and amortisation expense	3	(93,617)	(111,020)
Finance costs	3	(595)	(56,271)
Bad and doubtful debts expense	3	(2,118)	(796)
Other expenses		(559,017)	(394,103)
Operating profit before charitable donations & sponsorships		**328,353**	**574,758**
Charitable donations and sponsorships		(78,144)	(93,673)
Profit before income tax		**250,209**	**481,085**
Tax expense	4	100,147	222,657
Profit for the year		**150,062**	**258,428**
Other comprehensive income			
Revaluation of land and buildings	17	-	(174,994)
Total comprehensive income for the year		**150,062**	**83,434**
Profit attributable to members of the company		150,062	258,428
Total comprehensive income attributable to members of the company		**150,062**	**83,434**
Earnings per share (cents per share)			
- basic earnings per share	24	38.35	66.05

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2015

	Note	2015 $	2014 $
Assets			
Current assets			
Cash and cash equivalents	6	157,102	193,828
Trade and other receivables	7	153,833	137,656
Total current assets		**310,935**	**331,484**
Non-current assets			
Property, plant and equipment	8	1,978,822	1,856,996
Intangible assets	9	215,757	78,386
Investments	10	-	29,840
Deferred tax assets	12	27,928	22,064
Total non-current assets		**2,222,507**	**1,987,286**
Total assets		**2,533,442**	**2,318,770**
Liabilities			
Current liabilities			
Trade and other payables	11	223,571	64,158
Borrowings	13	341,608	341,001
Provisions	14	110,701	73,548
Current tax liabilities	12	59,723	113,151
Total current liabilities		**735,603**	**591,858**
Non current liabilities			
Borrowings	13	212,450	254,415
Deferred tax liability	12	97,454	97,454
Total non current liabilities		**309,904**	**351,869**
Total liabilities		**1,045,507**	**943,727**
Net assets		**1,487,935**	**1,375,043**
Equity			
Issued capital	15	391,256	391,256
Retained earnings	16	771,832	658,940
Asset revaluation reserve	17	324,847	324,847
Total equity		**1,487,935**	**1,375,043**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the year ended 30 June 2015

	Note	Issued capital $	Retained earnings $	Revaluation reserve $	Total equity $
Balance at 1 July 2013		391,256	423,987	499,841	1,315,084
Profit for the year		-	258,428	-	258,428
Other comprehensive income for the year					
Revaluation of land and buildings	17	-	-	(174,994)	(174,994)
Total comprehensive income for the year		**-**	**258,428**	**(174,994)**	**83,434**
Transactions with owners, in their capacity as owners					
Dividends paid or provided	25	-	(23,475)	-	(23,475)
Balance at 30 June 2014		**391,256**	**658,940**	**324,847**	**1,375,043**
Balance at 1 July 2014		391,256	658,940	324,847	1,375,043
Profit for the year		-	150,062	-	150,062
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		**-**	**150,062**	**-**	**150,062**
Transactions with owners, in their capacity as owners					
Dividends paid or provided	25	-	(37,170)	-	(37,170)
Balance at 30 June 2015		**391,256**	**771,832**	**324,847**	**1,487,935**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2015

	Note	2015 $	2014 $
Cash flows from operating activities			
Receipts from clients		2,068,690	1,536,501
Payments to suppliers and employees		(1,543,453)	(1,243,244)
Borrowing costs		(595)	(56,271)
Income tax paid		(129,805)	(64,612)
Interest received		17	624
Net cash flows from operating activities	**18**	**394,854**	**172,998**
Cash flows from investing activities			
Purchase of property, plant & equipment		(221,840)	(439,031)
Proceeds from sale of property, plant and equipment		20,909	868,809
Loans to private company		-	(10,000)
Purchase of intangible assets		(152,121)	-
Net cash flows from/(used in) investing activities		**(353,052)**	**419,778**
Cash flows from financing activities			
Dividends paid		(37,170)	(23,475)
Proceeds (repayments) of borrowings		(41,358)	(436,635)
Net cash flows used in financing activities		**(78,528)**	**(460,110)**
Net increase/(decrease) in cash held		**(36,726)**	**132,666**
Cash and cash equivalents at start of year		193,828	61,161
Cash and cash equivalents at end of year	**6**	**157,102**	**193,828**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2015

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 30 September 2015.

Note 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.

<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:

- 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;

Note 1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic dependency (continued)

- 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.

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 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).

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.

Notes to the financial statements (continued)

Note 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.

Property

Freehold land and buildings are carried at their fair value (refer note 1 (c)), 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.

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.

The companies property at 71 Blake Street was sold during the financial by Burgess Rawson estate agents via auction. The bank purchased a property at 27 Melville street Numurkah in November 2013, this property is used by the company to undertake banking operations of the Numurkah **Community Bank** branch.

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 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.

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

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

Note 1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Depreciation (continued)

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.

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.

Note 1. Summary of significant accounting policies (continued)

(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 obligation 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.

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).

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 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.

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);

1. Summary of significant accounting policies (continued)

(o) 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)

- 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.

(p) 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.

(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.

(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:

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

(u) Critical accounting estimates and judgements (continued)

Estimation of useful lives of assets

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

Fair value assessment of non-current physical assets

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.

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.

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.

1. Summary of significant accounting policies (continued)

(v) Financial instruments (continued)

Classification and subsequent measurement (continued)

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.

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.

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.

1. Summary of significant accounting policies (continued)

(v) Financial instruments (continued)

Impairment (continued)

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

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 $
Note 2. Revenue and other income		
Revenue		
- services commissions	1,408,442	1,329,155
- fee income for childcare services	513,196	-
- rental income	100,000	113,851
- unearned income	11,690	-
	2,033,328	**1,443,006**
Other revenue		
- interest received	17	625
- gain on disposal of property, plant and equipment	-	343,194
	17	**343,819**
Total Revenue	**2,033,345**	**1,786,825**
Note 3. Expenses		
Employee benefits expense		
- wages and salaries	972,772	578,518
- superannuation costs	96,299	54,258
- workers compensation	-	1,719
- payroll tax	2,626	5,405
- other costs	(22,052)	9,977
	1,049,645	**649,877**

Notes to the financial statements (continued)

	2015 $	2014 $
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- plant and equipment	16,989	16,662
- motor vehicles	19,018	12,334
- buildings	42,860	56,024
Amortisation of non-current assets:		
- intangible assets	14,750	26,000
	93,617	**111,020**
Finance Costs:		
- Interest paid	595	56,271
Bad debts	2,118	796

Note 4. Tax expense

a. The components of tax expense/(income) comprise		
- current tax expense/(income)	100,147	222,657
- deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-
- recoupment of prior year tax losses	-	-
- adjustments for under/(over)-provision of current income tax of previous years	-	-
	100,147	**222,657**
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%)	75,062	144,325
Add tax effect of:		
- Prior year over provision for tax	-	-
-Recognition of deferred tax assets and liabilities	5,864	75,390
- Non-deductible expenses	19,221	2,942
Current income tax expense	**100,147**	**222,657**
Income tax attributable to the entity	**100,147**	**222,657**
The applicable weighted average effective tax rate is	40.03%	46.28%

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

	2015 $	2014 $

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

	2015 $	2014 $
- Audit or review of the financial report	5,400	5,250
- Share registry services	3,863	3,538
	9,263	**8,788**

Note 6. Cash and cash equivalents

	2015 $	2014 $
Cash at bank and on hand	**157,102**	**193,828**

Note 7. Trade and other receivables

Current

	2015 $	2014 $
Trade receivables	144,980	125,035
Prepayments	8,853	12,621
	153,833	**137,656**

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			Not past due
			< 30 days	31-60 days	> 60 days	
2015						
Trade receivables	144,980	-	-	-	-	144,980
Total	**144,980**	**-**	**-**	**-**	**-**	**144,980**
2014						
Trade receivables	125,035	-	-	-	-	125,035
Total	**125,035**	**-**	**-**	**-**	**-**	**125,035**

Notes to the financial statements (continued)

Note 8. Property, plant and equipment

	2015 $	2014 $
Land		
At fair value	361,785	210,000
Buildings		
At fair value	1,596,275	1,596,275
Less accumulated depreciation	(144,439)	(101,579)
	1,451,836	**1,494,696**
Fixtures and fittings		
At cost	41,746	41,746
Less accumulated depreciation	(16,763)	(14,735)
	24,983	**27,011**
Plant and equipment		
At cost	261,492	257,591
Less accumulated depreciation	(199,998)	(185,738)
	61,494	**71,853**
Motor vehicles		
At cost	109,324	88,679
Less accumulated depreciation	(30,600)	(35,243)
	78,724	**53,436**
Total written down amount	**1,978,822**	**1,856,996**
Movements in carrying amounts		
Land - at fair value		
Balance at the beginning of the reporting period	210,000	180,000
Additions	151,785	112,000
Disposals	-	(74,012)
Revaluation	-	(7,988)
Balance at the end of the reporting period	**361,785**	**210,000**
Buildings - at fair value		
Balance at the beginning of the reporting period	1,494,696	1,865,465
Additions	-	303,863
Disposals	-	(660,000)
Revaluation	-	41,392
Depreciation expense	(42,860)	(56,024)
Balance at the end of the reporting period	**1,451,836**	**1,494,696**

	2015 $	2014 $
Note 8. Property, plant and equipment (continued)		
Fixture and fittings		
Balance at the beginning of the reporting period	27,011	29,346
Additions	-	-
Disposals	-	-
Depreciation expense	(2,028)	(2,335)
Balance at the end of the reporting period	**24,983**	**27,011**
Plant and equipment		
Balance at the beginning of the reporting period	71,854	63,013
Additions	15,510	23,168
Disposals	-	-
Transfer between classes of asset	(10,909)	-
Depreciation expense	(14,961)	(14,327)
Balance at the end of the reporting period	**61,494**	**71,854**
Motor vehicles		
Balance at the beginning of the reporting period	53,436	65,770
Additions	54,545	-
Disposals	(21,148)	-
Transfer between classes of asset	10,909	-
Depreciation expense	(19,018)	(12,334)
Balance at the end of the reporting period	**78,724**	**53,436**

Note 9. Intangible assets

	2015 $	2014 $
Goodwill		
At cost	74,603	63,636
Franchise and establishment fee		
At cost	-	130,000
Less accumulated amortisation	-	(115,250)
	-	**14,750**
Franchise renewal fee - Numurkah		
At cost	72,548	-
Less accumulated amortisation	-	-
	72,548	**-**

Notes to the financial statements (continued)

	2015 $	2014 $
Note 9. Intangible assets (continued)		
Franchise renewal fee - Nathalia		
At cost	68,606	-
Less accumulated amortisation	-	-
	68,606	**-**
Total written down amount	**215,757**	**78,386**
Movements in carrying amounts		
Goodwill		
Balance at the beginning of the reporting period	63,636	63,636
Additions	10,967	-
Disposals	-	-
Amortisation expense	-	-
Balance at the end of the reporting period	**74,603**	**63,636**
Franchise and establishment fee		
Balance at the beginning of the reporting period	14,750	40,750
Additions	-	-
Disposals	-	-
Amortisation expense	(14,750)	(26,000)
Balance at the end of the reporting period	**-**	**14,750**
Franchise renewal fee - Numurkah		
Balance at the beginning of the reporting period	-	-
Additions	72,548	-
Disposals	-	-
Amortisation expense	-	-
Balance at the end of the reporting period	**72,548**	**-**
Franchise renewal fee - Nathalia		
Balance at the beginning of the reporting period	-	-
Additions	68,606	-
Disposals	-	-
Amortisation expense	-	-
Balance at the end of the reporting period	**68,606**	**-**

	2015 $	2014 $

Note 10. Investments

Non current

Loan to private company	-	29,840
	-	**29,840**

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.

	2015 $	2014 $

Note 11. Trade and other payables

Current

Unsecured liabilities:		
Trade payables	192,004	18,784
Other creditors and accruals	31,567	45,374
	223,571	**64,158**

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

Note 12. Tax balances

(a) Tax assets

Non-current		
Deferred tax asset comprises:		
- Provisions	27,928	22,064
	27,928	**22,064**
(b) Tax liabilities		
Current		
Income tax payable	59,723	113,151
	59,723	**113,151**
Non-current		
Deferred tax asset comprises:		
- Asset revaluation Reserve	97,454	97,454
	97,454	**97,454**

	2015 $	2014 $

Note 13. Borrowings

	2015 $	2014 $
Current		
Motor vehicle finance chattel Mortgage	27,696	27,696
Loan - CW & KM Stone	51,958	51,958
Loan - Bendigo Bank (former DSE)	79,980	75,555
Loan - Childcare	181,974	185,792
	341,608	**341,001**
Non current		
Motor vehicle finance chattel Mortgage	20,345	12,309
Loan - CW & KM Stone	192,105	242,106
	212,450	**254,415**

The company has a mortgage, Loan - Childcare which is subject to normal terms and conditions. The current interest rate is 5.8%. This loan has been created to fund the construction of the Nathalia Community Early Learning Centre and is secured by 20 Bromley Street.

The company has a mortgage interest only Loan - CW & KM Stone. The current interest rate is 5%. This loan was for the acquisition of 27 Melville Street, Numurkah and is secured by this property.

The company has a mortgage, Loan - Bendigo Bank (DSE) which is subject to normal terms and conditions. The current interest rate is 5.36%. This loan is secured by 42 Blake Street and 20 Bromley Street and a registered mortgage debenture over the company. This amount is to be fully repaid by 2020.

Note 14. Provisions

	2015 $	2014 $
Employee benefits	80,857	65,230
Provision for dividends	24,416	6,151
Other provisions	5,428	2,167
	110,701	**73,548**
Movement in employee benefits		
Opening balance	65,230	67,429
Amounts (utilised)/ provided for during the year	25,625	(2,199)
Closing balance	**90,855**	**65,230**

	2015 $	2014 $

Note 14. Provisions (continued)

Current		
Annual Leave	49,952	37,293
Long-service leave	30,905	27,937
Total employee provisions	**80,857**	**65,230**

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.

	2015 $	2014 $

Note 15. Share capital

391,256 Ordinary Shares fully paid	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.

Note 15. Share capital (continued)

Capital management (continued)

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 $
Note 16. Retained earnings		
Balance at the beginning of the reporting period	658,940	423,987
Dividends payable	(37,170)	(23,475)
Profit after income tax	150,062	258,428
Balance at the end of the reporting period	**771,832**	**658,940**
Note 17. Asset revaluation reserve		
Land and Buildings		
Balance at the beginning of the financial year	324,847	499,841
Gain on revaluation of land and buildings during year	-	33,404
Transfer revaluation amount relating to sale of land and buildings	-	(208,398)
Balance at the end of the financial year	**324,847**	**324,847**

Note 18. Statement of cash flows

	2015 $	2014 $
Reconciliation of cash flow from operations with profit after income tax		
Profit after income tax	150,062	258,428
Non cash flows in profit		
- Depreciation	78,867	85,020
- Amortisation	14,750	26,000
- Net (profit)/loss from sale of property, plant and equipment	239	(343,194)
Changes in assets and liabilities		
- (Increase) decrease in receivables	13,662	10,783
- (Increase) decrease in deferred tax asset	(5,864)	(22,077)
- (Decrease) / increase in current tax payable	(53,428)	-
- Increase (decrease) in payables	159,413	159,488
- Increase (decrease) in provisions	37,153	(1,450)
Net cash flows from operating activities	**394,854**	**172,998**

Note 19. 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.

Notes to the financial statements (continued)

Note 19. Related party transactions (continued)

(c) Transactions with key management personnel and related parties (continued)

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:

	2015	2014
James Liddell	4,001	4,001
Jim Brereton	500	500
Raelene Pearce	500	500
Kaye Bernhardt	500	500
Mark Peterson	400	400
Helen Ginnivan	300	300
Michael Tymensen	-	-
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.

(d) Other key management transactions

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

Note 20. 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 21. Contingent liabilities and contingent assets

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

Note 22. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. It has recently commenced to provide Childcare services. Segment reports have not been prepared because the company considers both the Financial Services and the Childcare Services to be one segment “Community Services”.
The company operates in one geographic areas Nathalia and Numurkah, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2014: 100%).

Note 23. Company details

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

Note 24. 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 / (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:

	2015 $	2014 $
Profit after income tax expense	**150,062**	**258,428**
Weighted average number of ordinary shares for basic and diluted earnings per share	**391,256**	**391,256**

Note 25. Dividends paid or provided for on ordinary shares

(a) Dividends provided for during the year

Current year final		
Franked dividend paid - 5 cents per share (2014: 6.5c)	19,563	23,475
Franked dividend declared - 4.5 cents per share	17,607	-
	37,170	**23,475**

Note 26. 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 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:

Note 26. Fair value measurements (continued)

a. Fair value hierarchy (continued)

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.

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 26. Fair value measurements (continued)

a. Fair value hierarchy (continued)

Valuation techniques (continued)

	Note	30 June 2015			
		Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements					
Non-financial assets					
Freehold land and buildings		-	1,813,621	-	1,813,621
Total non-financial assets recognised at fair value on a recurring basis		**-**	**1,813,621**	**-**	**1,813,621**

	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**

There were no transfers between Level 1 and Level 2 for assets measured at fair value on a recurring basis during the reporting period (2014: no transfers).

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

Description	Fair value at 30 June 2015 $	Description of valuation techniques	Inputs used
Land and buildings	$1,813,621	Valuation of land and buildings were undertaken by a qualified independent valuer. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions.	Registered valuer

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

Note 27. 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 detailed in the accounting policies are as follows:

	Note	2015 $	2014 $
Financial assets			
Cash & cash equivalents	6	157,102	193,828
Trade and other receivables	7	153,833	137,656
Total financial assets		**310,935**	**331,484**
Financial liabilities			
Trade and other payables	11	223,571	64,158
Loans and borrowings	13	554,058	595,416
Total financial liabilities		**777,629**	**659,574**

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

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 enduring, 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.

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.

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.

Note 27. Financial risk management (continued)

(a) Credit risk (continued)

Credit risk exposures (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.

	2015 $	2014 $
Cash and cash equivalents:		
A rated	157,102	193,828

(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 2015	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due for payment					
Trade and other payables	11	223,571	223,571	-	-
Loans and borrowings	13	554,058	-	-	-
Total expected outflows		**777,629**	**223,571**	**-**	**-**
Financial assets - cash flows realisable					
Cash & cash equivalents	6	157,102	157,102	-	-
Trade and other receivables	7	153,833	153,833	-	-
Total anticipated inflows		**310,935**	**310,935**	**-**	**-**
Net (Outflow)/Inflow on financial instruments		**(466,694)**	**87,364**	**-**	**-**

Note 27. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2014	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due for payment					
Trade and other payables	11	64,158	64,158	-	-
Loans and borrowings	13	595,416	79,654	515,762	-
Total expected outflows		**659,574**	**143,812**	**515,762**	**-**
Financial Assets - cash flows 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)**	**-**

(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 fixed interest securities, 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.

Note 27. 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 2015		
+/- 1% in interest rates (interest income)	(3,970)	(3,970)
	(3,970)	**(3,970)**
Year ended 30 June 2014		
+/- 1% in interest rates (interest income)	(4,016)	(4,016)
	(4,016)	**(4,016)**

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

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 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, as set out on pages 11 to 42 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.

Kaye . C . Bernhardt

Kaye Bernhardt
Director

Signed at Nathalia, Victoria on 30 September 2015.

Independent audit report

Richmond
Sinnott &
Delahunty
Chartered Accountants

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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 2015, 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.

Richmond Sinnott Delahunty Pty Ltd
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners: Kathie Teasdale, David Richmond, Philip Delahunty, Cara Hall, Brett Andrews

Independent audit report (continued)

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 2015 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, 30 September 2015

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Phone: (03) 5866 3159 Fax: (03) 5866 2964
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27 Melville Street, Numurkah VIC 3636
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Franchisee: Northern Victoria Finances Limited
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