Annual Report 2016

Northern Victoria Finances Limited

ABN 33 091 514 966

Nathalia **Community Bank**® Branch
Numurkah branch

Contents

Chairman's report

For year ending 30 June 2016

It is with great pleasure that I present my second Chairman's report.

We have had a challenging year for banking profits but we have some wonderful news regarding the Bourke Road residential development that Northern Victorian Finances Limited has been working on for some time now.

This development will see 23 house blocks being offered to people to build new homes in Nathalia over the next few of years. Construction of the road and services should commence in the new year. This will be great for our town and the families that are desperate to build new homes in Nathalia.

The Nathalia Community Early Learning Centre under the leadership of Natalie Watt and along with her wonderful staff of educators have grown the business and it is contributing to the profitability of NVF as well as providing a wonderful service to the community.

Our branches in Nathalia and Numurkah continue to provide wonderful banking products and service, and they have access to an insurance specialist who has saved many business and farmers thousands of dollars off their insurance premiums. A big thank you to our Senior Manager Peter Halden and his wonderful staff at Numurkah and Nathalia for contributing so much to our communities through the banking business.

Our sponsorship and grants (community investment) programs are currently being reviewed, as we need to ensure we are getting good value out of every dollar we put back into the community.

We have focused on supporting the youth in our communities with the Greenlight program giving Learner drivers a good opportunity to gain an understanding of the responsibility of driving a car and Camp Awakenings is giving some kids a chance to learn new social skills. So the next time your group or club ask your branch for a donation or grant ask yourself how can you help the branch and your community so we can all grow together.

On behalf of the Board, I would like to thank Jim Liddell for his dedication and tireless work contributed to the community through his 17 years as a founding Board member for Northern Victorian Finances Limited.

I would like to thank all the Board members who volunteer their time for the benefit of our communities. To our long serving secretary, Lanie Pearce, thank you for the countless hours you put in to ensure things run smoothly. To Michael Tymensen, thank you for the work you do as our Treasurer.

	Community Investment	Sponsorship	Major Projects	Cents Per Share Paid	Dividends Paid to Shareholders	Total Funds Returned to Community &
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
2015/16	$38,800	$15,861	$18,689	$0.0450	$17,607	$90,957
Cumulative Total	**$332,108**	**$143,573**	**$2,467,363**	**$0.8425**	**$312,026**	**$3,311,477**

Mark Peterson
Chairman

Senior Manager's report

For year ending 30 June 2016

Dear Shareholder,

This past financial year has seen some re-shaping of the business to reset for what appears to be the 'new norm'.

With industry wide issues affecting our business it is necessary to continue working on what is the best delivery of branch banking we can offer.

Overall challenges

Electronic banking - The banking industry continues to move toward remote/electronic banking. With internet banking features growing all the time and the spread of the smartphone, customers continue to migrate away from face to face banking. With less and less customers coming to our branches (and even ATM usage dropping), we have been forced reduced some staffing levels to maintain a reasonable cost base. Our challenge and that of the industry is the changing demands from the customers around how they access the services they choose to use. With a less traditional view of what service looks like, our branches' offering of fantastic face to face relationship banking is becoming harder to promote and with interest rates at the click of your phone it's never been more difficult to satisfy the prices people are looking for.

Shrinking margins – Over the course of 2015/16 we have seen a second year of trading on margins much reduced from what was considered normal leading up to that. With more profitable products such as home loans being harder to source in smaller towns, it is important our teams continue to offer customer solutions in other areas where income growth is still possible, such as insurances.

Low interest rates – Investment rates are at historically low levels and therefore income continues to be modest from this part of the book. With an ageing population making up a good portion of our towns, many of these self-funded retirees are struggling with low interest income and this makes the competition for deposit funds very robust indeed.

Localised outcomes

Nathalia **Community Bank**® Branch – We have made reasonable balance growth over the year at Nathalia after a particularly poor 1st half. Very pleasing to see home loan growth at solid levels with customers investing in rental properties in higher priced areas allowing us to meet our business targets in this area. Our branch is now 16 years old and what we term a 'mature' book. This means that many of the loans written around the time our branch opened are in the final years and with very low interest rates our customers are paying off loans very quickly.

Numurkah branch – After reaching profitability this business has not grown in line with plans. A big thank you to Julia Arho, Customer Relationship Manager, for leading the team over the past year. We have since restructured this business in an effort to improve service and reduce costs at Numurkah and look forward to a much better 2016/17.

Highlights - We have some new staff building up experience and these guys have proved to be very good for our business. Welcome Elyse McKenzie and Brayden Carey. Both of these young staff have local connections and are community minded and the network of new prospects they are bringing to our business is welcome. In December 2015 we launched a new offering for our rural customers with a specialised Farm insurance broker being available through your **Community Bank**® branch. This has proved a great success at both our sites and has given us a new income stream with commissions from policies now being returned locally to our communities. Well done to our team in promoting this exciting new service and we encourage you all to give us a chance to compare your policy.

The Nathalia Community Early Learning Centre has had strong growth in numbers over the year, particularly in out of school hours care. The business has been well managed by Natalie Watt who has done a great job in making parents and staff happy. Financially the centre is now paying it's own way including rental on the building and we look forward to continued improvement there as well.

Senior Manager's report (continued)

Our community project for residential land at Bourke Rd has progressed methodically and while these projects always take longer than we hope to deliver, we expect to be moving into the next phase before Christmas 2016. We have evidence of a number of people buying older homes to knock down which shows at this point what a shortage of building blocks the town has.

A pleasure again to able to return funds to the community in excess of $90,000 for the year. A big thankyou to all those making that possible, firstly our fantastic staff who continue to adapt and improve, the Bendigo Bank support staff and to our volunteer Board who give so many hours in a complex business. It would be remiss of me not to mention the retirement of our founding Chairman Jim Liddell. Jim has been enormous for our bank and we all wish him well in retiring from the Board after around 17 years committed service to the cause.

Finally as always I would love to see shareholders sending in their friends and relatives to bank with our bank and yes we can do business with your contacts who don't live locally. As a team we absolutely love what we do and always pride ourselves on looking after our customers better than anyone else.

	2014/15	**2015/16**	**Variance**	
Bank business held	$186,418,000	$189,977,000	Up	$3,559,000
Number of accounts	7,658	7,693	Up	35

Peter Halden
Senior Manager – Northern Victorian Finances Limited

Directors' report

For the financial year ended 30 June 2016

The Directors present their report of the company for the financial year ended 30 June 2016.

Directors

The following persons were Directors of Northern Victoria Finances Limited during or since the end of the financial year up to the date of this report:

Mark Peterson

Experience, expertise and special responsibilities	Chairman, Dairy Farmer.
Director since 2007.	

James Liddell - Retired 9 November 2015

Experience, expertise and special responsibilities	Retired retailer, Director of several private companies.
Board member since 2000.	

Raelene Pearce

Experience, expertise and special responsibilities	Farmer, company secretary.
Board member since 2004.	

Kaye Bernhardt

Experience, expertise and special responsibilities	Administrator.
Board member since 2002	

Helen Ginnivan

Experience, expertise and special responsibilities	Assistant Principal.
Board member since 2002.	

David Liddell - Appointed 16 May 2016

Experience, expertise and special responsibilities	Qualified accountant with 10 years experience in public practise. 8 years of hardware retail experience as proprietor of Daves home timber and hardware. Currently a Director of Retail property development company, Dellcorp Developments Pty Ltd.

Michael Tymensen

Experience, expertise and special responsibilities	Accountant.
Board member since 2012.	

Kristy Limbrick

Experience, expertise and special responsibilities	Small Business Operator.
Board member since 2014.	

Sherelle Smith

Experience, expertise and special responsibilities	Dairy Farmer.
Director since 2014.	

Ian James Brereton

Experience, expertise and special responsibilities	Pastry Cook, Small Business Operator.
Board member since 2003.	

Directors' report (continued)

Directors (continued)

Neroli Eddy

Experience, expertise and special responsibilities School Administrator.

Board member since 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.

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings	
Director	**A**	**B**
Mark Peterson	11	11
James Liddell	5	3
Raelene Pearce	11	10
Kaye Bernhardt	11	10
Helen Ginnivan	11	11
David Liddell	2	1
Michael Tymensen	11	10
Kristy Limbrick	11	9
Sherelle Smith	11	9
Ian James Brereton	11	7
Neroli Eddy	2	1

A - The number of meetings eligible to attend.
B - The number of meetings attended.

Company Secretary

Raelene Pearce has been the Company Secretary of Northern Victoria Finances Limited since 2004.

Raelene's experience includes participationin a company secretary workshop, and during recent years as an office-holder on various local committees.

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $152,739 (2015: $150,062).

Dividends

A fully franked final dividend of 4.0 cents per share was declared for the year ended 30 June 2016.

Options

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

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

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

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.

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.

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.

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 2 November 2016.

Mark Peterson
Director

Auditor's independence declaration

RSD
Chartered Accountants

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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 2016 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: 2 November 2016

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	Notes	2016 $	2015 $
Revenue	2	2,112,177	1,933,345
Expenses			
Employee benefits expense	3	1,289,954	1,081,891
Depreciation and amortisation	3	111,256	93,617
Finance costs	3	25,448	36,428
Bad and doubtful debts expense	3	2,531	2,118
Occupancy expenses		46,886	51,437
IT costs		35,325	35,207
Other expenses		338,310	304,294
		1,849,710	**1,604,992**
Operating profit before charitable donations and sponsorships		**262,467**	**328,353**
Charitable donations and sponsorships		68,016	78,144
Profit before income tax		**194,451**	**250,209**
Income tax expense	4	65,684	100,147
Profit for the year		**128,767**	**150,062**
Other comprehensive income		-	-
Total comprehensive income for the year		**128,767**	**150,062**
Profit attributable to members of the company		128,767	150,062
Total comprehensive income attributable to members of the company		**128,767**	**150,062**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share		32.91	38.35

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2016

	Notes	2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents	5	185,905	157,102
Trade and other receivables	6	141,291	144,980
Other assets	7	-	8,853
Total current assets		**327,196**	**310,935**
Non-current assets			
Property, plant and equipment	8	1,901,025	1,978,822
Intangible assets	9	194,835	215,757
Total non-current assets		**2,095,860**	**2,194,579**
Total assets		**2,423,056**	**2,505,514**
Liabilities			
Current liabilities			
Trade and other payables	10	130,114	223,571
Current tax liability	4	22,443	59,723
Borrowings	11	141,558	158,530
Provisions	12	117,367	110,701
Total current liabilities		**411,482**	**552,525**
Non-current liabilities			
Borrowings	11	352,370	395,528
Deferred tax liability	4	58,152	69,526
Total non-current liabilities		**410,522**	**465,054**
Total liabilities		**822,004**	**1,017,579**
Net assets		**1,601,052**	**1,487,935**
Equity			
Issued capital	13	391,256	391,256
Retained earnings	14	982,403	771,832
Reserves	15	227,393	324,847
Total equity		**1,601,052**	**1,487,935**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the year ended 30 June 2016

	Note	Issued capital $	Retained earnings $	Reserves $	Total equity $
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	24	-	(37,170)	-	(37,170)
Balance at 30 June 2015		**391,256**	**771,832**	**324,847**	**1,487,935**
Balance at 1 July 2015		391,256	771,832	324,847	1,487,935
Profit for the year		-	128,767	-	128,767
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		**-**	**128,767**	**-**	**128,767**
Transactions with owners in their capacity as owners					
Transfers		-	97,454	(97,454)	-
Dividends paid or provided	24	-	(15,650)	-	(15,650)
Balance at 30 June 2016		**391,256**	**982,403**	**227,393**	**1,601,052**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		2,327,083	2,068,690
Payments to suppliers and employees		(1,922,921)	(1,654,236)
Interest paid		(25,448)	(36,428)
Interest received		-	17
Income tax paid		(114,338)	(153,575)
Net cash provided by operating activities	**16b**	**264,376**	**224,468**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	20,909
Purchase of property, plant and equipment		(17,579)	(221,840)
Purchase of intangible assets		(141,155)	-
Net cash flows used in investing activities		**(158,734)**	**(200,931)**
Cash flows from financing activities			
Repayment of borrowings		(60,130)	(41,358)
Dividends paid		(16,709)	(18,905)
Net cash used in financing activities		**(76,839)**	**(60,263)**
Net increase / (decrease) in cash held		**28,803**	**(36,726)**
Cash and cash equivalents at beginning of financial year		157,102	193,828
Cash and cash equivalents at end of financial year	**16a**	**185,905**	**157,102**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

These 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 2 November 2016.

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, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

Economic dependency

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

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic dependency (continued)

- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

(b) Income tax

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

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

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

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

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

(c) Fair value of assets and liabilities

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

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

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

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.

(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.

Note 1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Property

Freehold land and buildings are carried at their fair value (refer note 1 (c)) less accumulated depreciation for buildings. Valuations are performed by external independent valuers on a periodic basis, but at least once every 5 years.

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.

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, but excluding freehold land, is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use.>

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

Class of asset	Rate	Method
Buildings	2.5%	SL
Fixtures and fittings	5 - 15%	DV
Plant and equipment	5 - 50%	SL & DV
Motor vehicles	18.75%	DV

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.

Note 1. Summary of significant accounting policies (continued)

(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.

(h) Employee benefits

<u>Short-term employee benefits</u>

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 liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

<u>Other long-term employee benefits</u>

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.

Note 1. Summary of significant accounting policies (continued)

(h) Employee benefits (continued)

Other long-term employee benefits (continued)

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

Establishment costs and franchise fees 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 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.

(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 revenue is recognised on a time proportional basis that taken into account the effective yield on the financial asset.

Other income is recognised when the right to the income has been established.

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

(l) Investments and other financial assets

(i) Classification

The company classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held to maturity investments, and
- available for sale assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(i) Classification (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term with the intention of making a profit. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The company has not designated any financial assets at fair value through profit or loss.

Loans and receivables

This category is the most relevant to the company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the period end, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Held to maturity investments

The group classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the group intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Available for sale financial asset

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(ii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(I) Investments and other financial assets (continued)

(ii) Measurement (continued)

- for 'financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

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

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

(iii) Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(iii) Impairment (continued)

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(iv) 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.

(m) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

(n) 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.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measures at amortised cost. Any diference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings as classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(p) Borrowing costs

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

(q) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(r) Dividends

Provision is made for the amount of any dividends declared being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year, but not distributed at balance date.

(s) 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.

(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) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servcing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issues during the year.

(v) 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)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a) Financial assets that are debt instruments will be classified based on:

   (i) the objective of the entity's business model for managing the financial assets; and

   (ii) the characteristics of the contractual cash flows.

b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

Note 1. Summary of significant accounting policies (continued)

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

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

e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
- the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018)

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);
- 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."

In May 2015, the AASB issued ED 260 Income of Not-forProfit Entities, proposing to replace the income recognition requirements of AASB 1004 Contributions and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016.

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

When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

Note 1. Summary of significant accounting policies (continued)

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

(iii) AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019)

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

(w) 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 charges for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

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

The 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 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.

<u>Income tax</u>

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.

<u>Impairment</u>

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.

Notes to the financial statements (continued)

	2016 $	2015 $

Note 2. Revenue

Revenue		
- services commissions	1,387,533	1,402,706
- fee income for childcare services	724,644	518,932
	2,112,177	**1,921,638**
Other revenue		
- interest received	-	17
- other income	-	11,690
	-	**11,707**
Total revenue	**2,112,177**	**1,933,345**

Note 3. Expenses

Profit before income tax includes the following specific expenses:

Employee benefits expense		
- wages and salaries	1,110,908	972,772
- superannuation costs	114,604	96,299
- payroll tax - 2015	26,640	2,626
- payroll tax - 2016	34,246	-
- workers compensation	1,930	1,520
- other costs	1,626	8,674
	1,289,954	**1,081,891**
Depreciation and amortisation		
Depreciation		
- buildings	65,867	42,860
- fixtures & fittings	1,760	2,028
- plant & equipment	12,945	14,961
- motor vehicle	14,804	19,018
	95,376	**78,867**
Amortisation		
- franchise fees	15,880	14,750
Total depreciation and amortisation	**111,256**	**93,617**
Finance costs		
- Interest paid	25,448	36,428
Bad and doubtful debts expenses	2,531	2,118

Notes to the financial statements (continued)

	2016 $	2015 $
Note 3. Expenses (continued)		
Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	6,500	5,400
- Share registry services	3,632	3,863
	10,132	**9,263**

Note 4. Income tax

	2016 $	2015 $
a. The components of tax expense comprise:		
Current tax expense	71,193	100,147
Deferred tax expense	(12,858)	-
Under / (over) provision of prior years	7,349	-
	65,684	**100,147**
b. Prima facie tax payable		
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% (2015: 30%)	58,335	75,062
Add tax effect of:		
- recognition of deferred tax assets and liabilities	-	5,864
- non-deductible expenses	-	19,221
- under / (over) provision of prior years	7,349	-
Income tax attributable to the entity	**65,684**	**100,147**
The applicable weighted average effective tax rate is:	33.78%	40.03%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities		
Opening balance	59,723	113,151
Income tax paid	(114,338)	(153,575)
Current tax	71,193	100,147
Under / (over) provision prior years	5,865	-
	22,443	**59,723**

	2016 $	2015 $
Note 4. Income tax (continued)		
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Accruals	2,815	-
Employee provisions	28,291	27,928
	31,106	**27,928**
Deferred tax liabilities balance comprises:		
Property, plant & equipment	89,258	97,454
Net deferred tax asset	**(58,152)**	**(69,526)**
e. Deferred income tax expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(4,662)	(5,864)
(Decrease) / increase in deferred tax liabilities	(8,196)	-
Under / (over) provision prior years	1,484	-
	(11,374)	**(5,864)**

Note 5. Cash and cash equivalents

Cash at bank and on hand	185,905	157,102
	185,905	**157,102**

Note 6. Trade and other receivables

Current

Trade receivables	141,291	144,980
	141,291	**144,980**

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.

Note 6. Trade and other receivables (continued)

Credit risk (continued)

			Past due but not impaired			
	Gross amount $	**Not past due $**	**< 30 days $**	**31-60 days $**	**> 60 days $**	**Past due and impaired $**
2016						
Trade receivables	141,291	141,291	-	-	-	-
Total	**141,291**	**141,291**	**-**	**-**	**-**	**-**
2015						
Trade receivables	144,980	144,980	-	-	-	-
Total	**144,980**	**144,980**	**-**	**-**	**-**	**-**

	2016 $	**2015 $**

Note 7. Other assets

Prepayments	-	8,853
	-	**8,853**

Note 8. Property, plant and equipment

Land		
At fair value	361,785	361,785
Buildings		
At fair value	1,603,096	1,596,275
Less accumulated depreciation	(210,306)	(144,439)
	1,392,790	**1,451,836**
Fixtures & Fittings		
At cost	41,746	41,746
Less accumulated depreciation	(18,523)	(16,763)
	23,223	**24,983**
Plant and equipment		
At cost	272,250	261,492
Less accumulated depreciation	(212,943)	(199,998)
	59,307	**61,494**

	2016 $	2015 $

Note 8. Property, plant and equipment (continued)

	2016 $	2015 $
Motor Vehicle		
At cost	109,324	109,324
Less accumulated depreciation	(45,404)	(30,600)
	63,920	**78,724**
Total property, plant and equipment	**1,901,025**	**1,978,822**
(a) Movements in carrying amounts		
Land		
Balance at the beginning of the reporting period	361,785	210,000
Additions	-	151,785
Balance at the end of the reporting period	**361,785**	**361,785**
Buildings		
Balance at the beginning of the reporting period	1,451,836	1,494,696
Additions	6,821	-
Depreciation expense	(65,867)	(42,860)
Balance at the end of the reporting period	**1,392,790**	**1,451,836**
Fixture & Fittings		
Balance at the beginning of the reporting period	24,983	27,011
Depreciation expense	(1,760)	(2,028)
Balance at the end of the reporting period	**23,223**	**24,983**
Plant and equipment		
Balance at the beginning of the reporting period	61,494	71,854
Additions	10,758	15,510
Transfer between class of asset	-	(10,909)
Depreciation expense	(12,945)	(14,961)
Balance at the end of the reporting period	**59,307**	**61,494**
Motor Vehicle		
Balance at the beginning of the reporting period	78,724	53,436
Additions	-	54,545
Disposals	-	(21,148)
Transfer between class of asset	-	10,909
Depreciation expense	(14,804)	(19,018)
Balance at the end of the reporting period	**63,920**	**78,724**

	2016 $	2015 $

Note 8. Property, plant and equipment (continued)

Total property, plant and equipment		
Balance at the beginning of the reporting period	1,978,822	1,856,997
Additions	17,579	221,840
Disposals	-	(21,148)
Depreciation expense	(95,376)	(78,867)
Balance at the end of the reporting period	**1,901,025**	**1,978,822**

Note 9. Intangible assets

Goodwill		
At cost	74,603	74,603
Franchise Renewal Fee - Numurkah		
At cost	68,056	72,548
Less accumulated amortisation	(7,940)	-
	60,116	**72,548**
Franchise Renewal Fee - Nathalia		
At cost	68,056	68,606
Less accumulated amortisation	(7,940)	-
	60,116	**68,606**
Total intangible assets	**194,835**	**215,757**
(a) Movements in carrying amounts		
Goodwill		
Balance at the beginning of the reporting period	74,603	63,636
Additions	-	10,967
Balance at the end of the reporting period	**74,603**	**74,603**
Franchise Renewal Fee - Numurkah		
Balance at the beginning of the reporting period	72,548	7,375
Additions	-	72,548
Disposals	(4,492)	-
Amortisation expense	(7,940)	(7,375)
Balance at the end of the reporting period	**60,116**	**72,548**

	2016 $	2015 $

Note 9. Intangible assets (continued)

Franchise Renewal Fee - Nathalia		
Balance at the beginning of the reporting period	68,606	7,375
Additions	-	68,606
Disposals	(550)	-
Amortisation expense	(7,940)	(7,375)
Balance at the end of the reporting period	**60,116**	**68,606**
Total intangible assets		
Balance at the beginning of the reporting period	215,757	78,386
Additions	-	152,121
Disposals	(5,042)	-
Amortisation expense	(15,880)	(14,750)
Balance at the end of the reporting period	**194,835**	**215,757**

Note 10. Trade and other payables

Current		
Unsecured liabilities:		
Trade creditors	24,039	50,849
Franchise fee payable	-	141,155
Other creditors and accruals	106,075	31,567
	130,114	**223,571**

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

Note 11. Borrowings

Current		
Secured liabilities		
Motor vehicle finance chattel mortgage	14,026	27,696
Loan - CW & KM Stone	50,000	51,958
Loan - Childcare	48,432	36,000
Loan - Bendigo Bank (former DSE)	29,100	42,876
	141,558	**158,530**

	2016 $	2015 $

Note 11. Borrowings (continued)

	2016 $	2015 $
Non-current		
Secured liabilities		
Motor vehicle finance chattel mortgage	19,898	20,345
Loan - CW & KM Stone	144,063	192,105
Loan - Childcare	16,312	43,980
Loan - Bendigo Bank (former DSE)	172,097	139,098
	352,370	**395,528**
Total borrowings	**493,928**	**554,058**

(a) Bank loans

The company a mortgage loan over the child care centre which is subject to normal terms and conditions. The current interest rate on this loan if is 6.3%pa. This loan has been created to fund the construction of the Nathalia Community Early Learning Centre and is secured by th eland and buildings at 20 Bromley Street.

The company has a mortgage loan with CW & KM Stone. The current interest rate is 5%pa. This loan was for the acquisition of 27 Melville Street, Numurkah and is secured by this property. This loan is to be repaid by November 2019.

The company also has a mortage loan with the Bendigo Bank (DSE) which is subject to normal terms and conditions. The current interest rate is 5.46%pa. This loan is secured by both 42 Blake Street and 20 Bromley Street, and a registered mortgage debenture over the company.

(b) Lease liabilities

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Note 12. Provisions

	2016 $	2015 $
Current		
Employee benefits	94,010	80,857
Provision for dividends	23,357	24,416
Other provisions	-	5,428
Total provisions	**117,367**	**110,701**
(a) Movements in provisions		
Employee benefits		
Balance at the beginning of the reporting period	80,857	65,230
Provision utilised	(47,920)	(40,732)
Additional provisions recognised	61,073	56,359
Balance at the end of the reporting period	**94,010**	**80,857**

	2016 $	2015 $
Note 12. Provisions (continued)		
Provision for dividends		
Balance at the beginning of the reporting period	24,416	6,151
Dividends paid	(16,709)	(18,905)
Dividends declared	15,650	37,170
Balance at the end of the reporting period	**23,357**	**24,416**
Other provisions		
Balance at the beginning of the reporting period	5,428	2,167
Provision utilised	(12,488)	(10,397)
Additional provisions recognised	7,060	13,658
Balance at the end of the reporting period	**-**	**5,428**

Note 13. Share capital

391,256 Ordinary shares fully paid	391,256	391,256
Less: Equity raising costs	-	-
	391,256	**391,256**
(a) 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.

(b) Capital management

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

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

(i) the Distribution Limit is the greater of:

  (a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and

  (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

Note 13. Share capital (continued)

(b) 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 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.

	2016 $	2015 $

Note 14. Retained earnings

	2016 $	2015 $
Balance at the beginning of the reporting period	771,832	658,940
Profit after income tax	128,767	150,062
Dividends declared and/or paid	(15,650)	(37,170)
Transfer from reserves	97,454	-
Balance at the end of the reporting period	**982,403**	**771,832**

Note 15. Reserves

Asset revaluation reserve	2016 $	2015 $
Balance at the beginning of the reporting period	324,847	324,847
Fair value movements during the period	-	-
Transferred to retained earnings	(97,454)	-
Balance at the end of the reporting period	**227,393**	**324,847**

Note 16. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:

	2016 $	2015 $
Cash and cash equivalents (Note 5)	185,905	157,102
Less bank overdraft (Note 11)	-	-
As per the Statement of Cash Flow	**185,905**	**157,102**

	2016 $	2015 $

Note 16. Statement of cash flows (continued)

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

	2016 $	2015 $
Profit after income tax	128,767	150,062
Non-cash flows in profit		
- Depreciation	95,376	78,867
- Amortisation	15,880	14,750
- Net loss on disposal of property, plant & equipment	-	239
- Intangible assets expensed	5,042	-
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	3,689	(19,945)
- (increase) / decrease in prepayments and other assets	8,853	3,768
- (Increase) / decrease in deferred tax asset	(11,374)	(5,864)
- Increase / (decrease) in trade and other payables	13,452	37,131
- Increase / (decrease) in current tax liability	(37,280)	(53,428)
- Increase / (decrease) in provisions	7,725	18,888
Net cash flows from operating activities	**230,130**	**224,468**

Note 17. Earnings per share

	2016 $	2015 $
Basic earnings per share (cents)	32.91	38.35
Earnings used in calculating basic earnings per share	128,767	150,062
Weighted average number of ordinary shares used in calculating basic earnings per share.	391,256	391,256

Note 18. Key management personnel and related party disclosures

(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.

The total remuneration paid to key management personnel of the company during the year was Nil (2015: Nil). 'Remuneration' includes:

Short-term employee benefits

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

Note 18. Key management personnel and related party disclosures (continued)

(a) Key management personnel (continued)

Post-employment benefits

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

Other long-term benefits

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

Share-based payments

These amounts represent the expense related to the participation of key management personnel in equity-settled benefits schemes as measured by the fair value of the options, rights and shares granted on grant date.

(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

During the year, no key management personnel or related party of key management personnel has entered into any contracts with the company (2015: Nil). No Director fees have been paid as the positions are held on a voluntary basis.

The Northern Victoria Finances Limited has accepted the Bendigo and Adelaide Bank Limited's **Community Bank**® Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits.

The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be Nil for the year ended 30 June 2016 (2015: Nil).

(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:

	2016	2015
Key Management Personnel		
Mark Peterson	400	400
James Liddell	4,001	4,001
Raelene Pearce	500	500
Kaye Bernhardt	500	500
Helen Ginnivan	300	300
David Liddell	1,000	1,000
Michael Tymensen	-	-

Note 18. Key management personnel and related party disclosures (continued)

(d) Key management personnel shareholdings (continued)

	2016	2015
Key Management Personnel (continued)		
Kristy Limbrick	-	-
Sherelle Smith	-	-
Ian James Brereton	500	500
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 contingent assets

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

Note 21. Operating segments

(a) Description of segments and principal activities

1 - Banking services:
As detailed in Note 1, the entity operates in the financial services sector where it provides banking services to its clients. The company operates in two geographic area being Nathalia and Numurkah, Victoria, whereby the Board monitors performance of the two branches separately. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2015: 100%).

2 - Childcare services:
The company is an Approved Provider of long day care and associated services at the Nathalia Early Learning Centre, which was purchased on 1 August 2014. This business segment was commenced to maintain an important service for the community.

Note 21. Operating segments (continued)

(b) Segment results

	Nathalia	Numurkah	Childcare	Eliminations	Total
Revenue	971,536	544,700	724,644	(128,703)	2,112,177
Expenses					
Employee benefits expense	455,939	254,591	579,424	-	1,289,954
Depreciation and amortisation	86,913	19,663	4,680	-	111,256
Finance costs	25,448	-	-	-	25,448
Bad and doubtful debts expense	309	1,092	1,130	-	2,531
Occupancy expenses	70,960	65,157	39,472	(128,703)	46,886
IT costs	19,004	16,321	-	-	35,325
Other expenses	145,064	96,267	96,979	-	338,310
Charitable donations and sponsorships	25,381	42,635	-	-	68,016
	829,018	495,726	721,685	(128,703)	1,917,726
Profit before income tax	**142,518**	**48,974**	**2,959**	**-**	**194,451**

(b) Segment assets and liabilities

	Nathalia	Numurkah	Childcare	Eliminations	Total
Assets					
Current assets					
Cash and cash equivalents	193,891	36,730	(44,716)	-	185,905
Trade and other receivables	77,478	51,110	12,703	-	141,291
Total current assets	**271,369**	**87,840**	**(32,013)**	**-**	**327,196**
Non-current assets					
Property, plant and equipment	1,811,618	66,719	22,688	-	1,901,025
Intangible assets	60,116	123,752	10,967	-	194,835
Total non-current assets	**1,871,734**	**190,471**	**33,655**	**-**	**2,095,860**
Total assets	**2,143,103**	**278,311**	**1,642**	**-**	**2,423,056**

Note 21. Operating segments (continued)

(b) Segment assets and liabilities (continued)

	Nathalia	Numurkah	Childcare	Eliminations	Total
Liabilities					
Current liabilities					
Trade and other payables	83,763	27,350	19,001	-	130,114
Current tax liability	22,443	-	-	-	22,443
Borrowings	141,558	-	-	-	141,558
Provisions	90,666	15,947	10,754	-	117,367
Total current liabilities	**338,430**	**43,297**	**29,755**	**-**	**411,482**
Non-current liabilities					
Borrowings	352,370		-	-	352,370
Deferred tax liability	58,152		-	-	58,152
Total non-current liabilities	**410,522**	**-**	**-**	**-**	**410,522**
Total liabilities	**410,522**	**-**	**-**	**-**	**410,522**
Net assets	**1,732,581**	**278,311**	**1,642**	**-**	**2,012,534**

Note 22. Commitments

	2016 $	2015 $
Chattel mortgage commitments		
Chattel mortgage liabilities are payable exclusive of GST as follows:		
Payable:		
- no later than 12 months	16,440	16,440
- between 12 months and five years	21,370	37,810
- greater than five years	-	-
Minimum lease payments	**37,810**	**54,250**
Less future interest charges	(3,886)	(6,209)
Chattel mortgage liability	**33,924**	**48,041**

The chattel mortgage comprises a lease of a motor vehicle under normal commercial finance lease terms and conditions, repayable over 5 years.

Note 23. Company details

The registered office and principle place of business is 42 Blake Street, Nathalia VIC 3638.

	2016 $	2015 $

Note 24. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 4 cents per share (2015: 9.5 cents per share) franked at the tax rate of 30% (2015: 30%).	15,650	37,170

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 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.

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.

Note 25. Fair value measurements (continued)

(a) Fair value hierarchy (continued)

Valuation techniques (continued)

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:

	30 June 2016			
	Level 1 $	**Level 2 $**	**Level 3 $**	**Total $**
Recurring fair value measurements				
Non-financial assets				
Freehold land	-	361,785	-	361,785
Buildings	-	1,392,790	-	1,392,790
Total non-financial assets recognised at fair value on a recurring basis	**-**	**1,754,575**	**-**	**1,754,575**

	30 June 2015			
	Level 1 $	**Level 2 $**	**Level 3 $**	**Total $**
Recurring fair value measurements				
Non-financial assets				
Freehold land	-	361,785	-	361,785
Buildings	-	1,451,836	-	1,451,836
Total non-financial assets recognised at fair value on a recurring basis	**-**	**1,813,621**	**-**	**1,813,621**

There were no transfers between Levels for assets measured at fair value on a recurring basis during the reporting period (2015: no transfers).

Note 25. Fair value measurements (continued)

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

Description	Fair value at 30 June 2016	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 is based on highest and best use permitted by relevant land planning provisions.	Registered valuer

The following table details the date of the last valuation for each property:

Location	Date of valuation	Commentary
42 Blake St, Nathalia	19 October 2009	Due for revaluation in 2016-17.
20 Bromley St, Nathalia	5 July 2011	Due for revaluation in 2016-17.
27 Melville St, Numurkah	28 October 2013	Property has not been revalued since purchase.
Lot 1, Bourke Rd, Nathalia	1 August 2014	Property has not been revalued since purchase.

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

(i) The fair value of freehold land and buildings is to be determined at least every five 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.

(d) Reconciliation of recurring Level 2 & 3 Fair value measurements

		Freehold land $	Buildings $
Level 2			
Written down value at the beginning of the year		361,785	1,451,836
Additions during the year		-	6,821
Depreciation		-	(65,867)
Gains/(losses) recognised in profit or loss during the year	-	-	
Balance at the end of the year		**361,785**	**1,392,790**

Note 26. Financial risk management

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Specific financial risk exposure and management

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

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

	Note	2016 $	2015 $
Financial assets			
Cash and cash equivalents	5	185,905	157,102
Trade and other receivables	6	141,291	144,980
Total financial assets		**327,196**	**302,082**
Financial liabilities			
Trade and other payables	10	130,114	223,571
Borrowings	11	493,928	554,058
Total financial liabilities		**624,042**	**777,629**

(a) Credit risk

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

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

Credit risk exposures

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

The company has 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 (2015: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

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

Note 26. Financial risk management (continued)

(b) Liquidity risk

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

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

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

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

Financial liability and financial asset maturity analysis:

30 June 2016	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	-%	185,905	185,905	-	-
Trade and other receivables	-%	141,291	141,291	-	-
Total anticipated inflows		**327,196**	**327,196**	**-**	**-**
Financial liabilities					
Trade and other payables	-%	130,114	130,114	-	-
Borrowings	5.42%	493,928	141,558	352,370	-
Total expected outflows		**624,042**	**271,672**	**352,370**	**-**
Net inflow / (outflow) on financial instruments		**(296,846)**	**55,524**	**(352,370)**	**-**

Note 26. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2015	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	-%	157,102	157,102	-	-
Trade and other receivables	-%	144,980	144,980	-	-
Total anticipated inflows		**302,082**	**302,082**	**-**	**-**
Financial liabilities					
Trade and other payables	-%	223,571	223,571	-	-
Borrowings	5.42%	554,058	158,530	395,528	-
Total expected outflows		**777,629**	**382,101**	**395,528**	**-**
Net inflow / (outflow) on financial instruments		**(475,547)**	**(80,019)**	**(395,528)**	**-**

(c) Market risk

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

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

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

Sensitivity analysis

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

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

	Profit $	Equity $
Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	1,859	1,859
+/- 1% in interest rates (interest expense)	(4,939)	(4,939)
	(3,080)	**(3,080)**

Note 26. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

	Profit $	Equity $
Year ended 30 June 2015		
+/- 1% in interest rates (interest income)	1,571	1,571
+/- 1% in interest rates (interest expense)	(5,541)	(5,541)
	(3,970)	**(3,970)**

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

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

	2016		2015	
	Carrying amount $	**Fair value $**	**Carrying amount $**	**Fair Value $**
Financial assets				
Cash and cash equivalents (i)	185,905	185,905	157,102	157,102
Trade and other receivables (i)	141,291	141,291	144,980	144,980
Total financial assets	**327,196**	**327,196**	**302,082**	**302,082**
Financial liabilities				
Trade and other payables (i)	130,114	130,114	223,571	223,571
Borrowings	493,928	493,928	554,058	554,058
Total financial liabilities	**624,042**	**624,042**	**777,629**	**777,629**

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

Refer to Note 25 regarding the fair value of property, plant and equipment.

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 9 to 45 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 2016 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.

Mark Peterson
Director

Signed at Nathalia on 2 November 2016.

Independent audit report

RSD
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 2016, 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.

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 2016 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

P.P Delahunty
Partner
Bendigo
Dated: 2 November 2016

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