Annual Report 2017

Northern Victoria Finances Limited

ABN 33 091 514 966

Nathalia **Community Bank®** Branch
Numurkah branch

Contents

Front cover:

Communities working together, will always achieve more.

In appreciation to East Malvern **Community Bank**® Branch for their contribution to our new state of the art Hospital in Numurkah.

Chairman's report

For year ending 30 June 2017

It is with great pleasure that I present my first 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 Victoria Finances Limited has been working on for some time now.

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

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 and to our new Secretary Trace Mark, 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.

David Liddell
Chairman

Senior Manager's report

For year ending 30 June 2017

Overall performance

Over the past year we have seen overall growth in our profits, now up to $314,670, which is very welcome. Our branches have increased income slightly while holding costs well in check with the introduction of two traineeships and general sharing of staff resources across the two bank businesses. Our childcare centre has continued to grow steadily and has made a larger contribution to our performance.

The coming year will see a greater focus on outbound calling activities as we focus on making relationships stronger with our bank customers who no longer visit the branch. As of 1 July 2017 our banks are opening a half hour later at 9.30am which gives the staff more time they can dedicate to making calls and developing the knowledge to assist with more complex needs. We expect this higher level of personalised service to build the strength of individual customer relationships which will benefit both the customer and the business.

Nathalia Community Bank® Branch

Nathalia did not meet its goal for increase in balances this year however was an exceptionally strong performer in both farm and general insurance, which has broadened our income opportunities. Wonderful to see so many locals backing our local insurance offerings, with some business and farmers saving significant amounts along the way. Deposit funds have been again very hard to source with very low rates across the industry, competition for the smallest extra percentage points is common.

Numurkah branch

Coming off negative balance growth in the previous financial year, Numurkah increased balances by a modest $1.8 million over 2016/17. Our three newest team members Caitlyn, Elyse and Brayden continue to impress and as their knowledge and experience grows, so does their output. Insurances at Numurkah were a highlight. Over the coming year we have allocated a greater share of resources to the Numurkah site to ensure we are able to take advantage of every opportunity.

Community

Our Community Investment Grants at Numurkah were very well patronised with our largest grant to date of $5,500 given to fund the outdoor gym along the creek, which is up and running and looks great.

The subdivision in Nathalia, now officially Venture Crt, has moved along well. In a historic partnership for both our company and Moira Shire, we have entered into a Joint Venture agreement to bring this development to market. Blocks have now been listed for sale with our local estate agent and we should be turning a sod by the end of November 2017.

Nathalia Community Early Learning Centre has shown stronger numbers in long day care and out of school hours care yet again. Big thanks to Natalie Watt, our committed Director, for keeping the children, parents and staff happy and this business appears to be still growing.

Thanks to the Bendigo Bank staff who offer their assistance through the year, to all my staff who are highly engaged and motivated to make profits for their community and thanks also to the Board who volunteer their time to support our team and our towns.

Peter Halden
Senior Branch Manager

Directors' report

For the financial year ended 30 June 2017

The Directors present their report of the company for the financial year ended 30 June 2017.

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:

David Liddell

Experience, expertise and special responsibilities	Chairman, 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.

Raelene Pearce

Experience, expertise and special responsibilities	Farmer, Company Secretary.
Director since 2004.	

Kaye Bernhardt

Experience, expertise and special responsibilities	Administrator.
Director since 2002	

Helen Ginnivan

Experience, expertise and special responsibilities	Assistant Principal.
Director since 2002.	

Mark Peterson

Experience, expertise and special responsibilities	Dairy Farmer
Director since 2007	

Michael Tymensen

Experience, expertise and special responsibilities	Accountant.
Director since 2012.	

Kristy Limbrick

Experience, expertise and special responsibilities	Small Business Operator.
Director 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.
Director since 2003.	

Neroli Eddy

Experience, expertise and special responsibilities	School Administrator.
Director since 2014.	

Directors (continued)

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**
David Liddell	9	6
Raelene Pearce	9	9
Kaye Bernhardt	9	7
Helen Ginnivan	9	7
Mark Peterson	9	4
Michael Tymensen	9	6
Kristy Limbrick	9	7
Sherelle Smith	9	7
Ian James Brereton	9	7
Neroli Eddy	9	5

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 participation in 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 $314,670 (2016 profit: $128,767), which is a 144% increase as compared with the previous year.

Dividends

No dividend was declared for the year ended 30 June 2017.

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.

Directors' report (continued)

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 7 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

There were no loans to key management personnel during the current or prior reporting period.

Signed in accordance with a resolution of the Board of Directors at Nathalia, Victoria on 19 October 2017.

David Liddell
Director

Auditor's independence declaration

rsd Audit

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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 2017 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.

P.P. Delahunty
Partner
Richmond Sinnott & Delahunty
Dated: 19th October 2017

RSD Audit Pty Ltd
ABN 85 619 186 908
Liability limited by a scheme approved under Professional Standards Legislation

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017

	Notes	2017 $	2016 $
Revenue	2	2,360,160	2,112,177
Expenses			
Employee benefits expense	3	(1,361,239)	(1,289,954)
Depreciation and amortisation	3	(98,372)	(111,256)
Finance costs	3	(17,225)	(25,444)
Bad and doubtful debts expense	3	(924)	(2,531)
Professional fees		(55,264)	(39,054)
Occupancy expenses		(42,492)	(37,419)
IT expenses		(34,743)	(35,325)
Advertising and marketing		(10,326)	(14,482)
Repairs & maintenace		(20,545)	(30,043)
Insurance		(40,014)	(35,713)
Utilities		(37,402)	(33,092)
Freight/Cartage/Delivery		(15,630)	(17,856)
Other expenses		(179,923)	(177,541)
		(1,914,099)	**(1,849,710)**
Operating profit) before charitable donations and sponsorships		**446,061**	**262,467**
Charitable donations and sponsorships		(18,698)	(68,016)
Profit before income tax		**427,363**	**194,451**
Income tax expense	4	(112,693)	(65,684)
Profit for the year		**314,670**	**128,767**
Other comprehensive income		-	-
Total comprehensive income for the year		**314,670**	**128,767**
Profit attributable to members of the company		314,670	128,767
Total comprehensive income attributable to members of the company		**314,670**	**128,767**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	17	80.43	32.91

These financial statements should be read in conjunction with the accompanying notes.

Statement of Financial Position
as at 30 June 2017

	Notes	2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents	5	367,050	185,905
Trade and other receivables	6	149,460	141,291
Total current assets		**516,510**	**327,196**
Non-current assets			
Property, plant and equipment	7	1,871,122	1,901,025
Intangible assets	8	167,611	194,835
Total non-current assets		**2,038,733**	**2,095,860**
Total assets		**2,555,243**	**2,423,056**
Liabilities			
Current liabilities			
Trade and other payables	10	112,933	153,179
Current tax liability	4	93,706	22,443
Borrowings	11	130,232	141,558
Provisions	12	134,681	94,302
Total current liabilities		**471,552**	**411,482**
Non-current liabilities			
Borrowings	11	115,232	352,370
Provisions	12	18,277	-
Deferred tax liability	4	34,460	58,152
Total non-current liabilities		**167,969**	**410,522**
Total liabilities		**639,521**	**822,004**
Net assets		**1,915,722**	**1,601,052**
Equity			
Issued capital	13	391,256	391,256
Retained earnings	14	1,297,073	982,403
Reserves	16	227,393	227,393
Total equity		**1,915,722**	**1,601,052**

These financial statements should be read in conjunction with the accompanying notes.

Statement of Changes in Equity
for the year ended 30 June 2017

	Note	Issued capital $	Retained earnings $	Reserves $	Total equity $
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	15	-	(15,650)	-	(15,650)
Balance at 30 June 2016		**391,256**	**982,403**	**227,393**	**1,601,052**
Balance at 1 July 2016		391,256	982,403	227,393	1,601,052
Profit for the year		-	314,670	-	314,670
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		**-**	**314,670**	**-**	**314,670**
Balance at 30 June 2017		**391,256**	**1,297,073**	**227,393**	**1,915,722**

These financial statements should be read in conjunction with the accompanying notes.

Statement of Cash Flows
for the year ended 30 June 2017

	Notes	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		2,465,667	2,327,083
Payments to suppliers and employees		(1,912,464)	(1,922,921)
Interest paid		(17,225)	(25,448)
Income tax paid		(65,124)	(114,338)
Net cash provided by operating activities	**18b**	**470,854**	**264,376**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		5,958	-
Purchase of property, plant and equipment		(47,203)	(17,579)
Purchase of intangible assets		-	(141,155)
Net cash flows used in investing activities		**(41,245)**	**(158,734)**
Cash flows from financing activities			
Proceeds from borrowings		32,335	-
Repayment of borrowings		(280,799)	(60,130)
Dividends paid		-	(16,709)
Net cash used in financing activities		**(248,464)**	**(76,839)**
Net increase in cash held		181,145	28,803
Cash and cash equivalents at beginning of financial year		185,905	157,102
Cash and cash equivalents at end of financial year	**18a**	**367,050**	**185,905**

These financial statements should be read in conjunction with the accompanying notes.

Notes to the financial statements

For year ended 30 June 2017

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 13 October 2017.

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 Numurkah and Nathalia.

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

Note 1. Summary of significant accounting policies (continued)

(b) 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.

(c) 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.

(d) 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.

(e) Comparative figures

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

(f) 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.

Note 1. Summary of significant accounting policies (continued)

(f) Critical accounting estimates and judgements (continued)

Income tax

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

Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment

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

(g) 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) 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.

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.

Note 1. Summary of significant accounting policies (continued)

(g) 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)

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.

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.

(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.

Note 1. Summary of significant accounting policies (continued)

(g) 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) (continued)

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.

Note 2. Revenue

Revenue arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank LImited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The entity applies the revenue recognition criteria set out below to each separately identifiable sales transaction in order to reflect the substance of the transaction.

Rendering of services

The entity generates service commissions on a range of products issued by the Bendigo and Adelaide Bank Limited. The revenue includes upfront and trailing commissions, sales fees and margin fees. Revenue comprises service commisions received in form of childcare fees by the company.

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

	2017 $	**2016 $**
Revenue		
- service commissions	1,476,482	1,387,533
- fee income for childcare services	883,678	724,644
Total revenue	**2,360,160**	**2,112,177**

Note 3. Expenses

Operating expenses

Operating expenses are recognised in profit or loss on an accurals basis, which is typically upon utilisation of the service or at the date upon which the entity becomes liable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised leased assets, 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.

Notes to the financial statements (continued)

Note 3. Expenses (continued)

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

Class of asset	Rate	Method
Buildings	2.50%	SL
Leasehold improvements	5-15%	DV
Plant and equipment	5-50%	SL & DV
Motor vehicles	18.75%	DV

SL= Straight line
DV = Diminishing Value

Gains/losses upon disposal of non-current assets

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.

	2017 $	2016 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	1,174,788	1,110,908
- superannuation costs	116,395	114,604
- other costs	70,056	64,442
	1,361,239	**1,289,954**
Depreciation and amortisation		
Depreciation		
- plant and equipment	11,830	12,945
- furniture & fittings	1,534	1,760
- buildings	45,910	65,867
- motor vehicle	11,874	14,804
	71,148	**95,376**
Amortisation		
- franchise fees	13,612	7,940
- establishment costs	13,612	7,940
	27,224	**15,880**
Total depreciation and amortisation	**98,372**	**111,256**
Finance costs		
- Interest paid	17,225	25,444
Bad and doubtful debts expenses	924	2,531
(Gain) / Loss on disposal of property, plant and equipment	(542)	-

	2017 $	2016 $
Note 3. Expenses (continued)		
Auditors' remuneration		
Remuneration of the Auditor, Richmond, Sinnott & Delahunty, for:		
- Audit or review of the financial report	6,500	6,500
- Share registry services	5,071	3,632
	11,571	**10,132**

Note 4. 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.

	2017 $	2016 $
a. The components of tax expense comprise:		
Current tax expense	136,385	71,193
Deferred tax expense	(23,707)	(12,858)
Under / (over) provision of prior years	15	7,349
	112,693	**65,684**
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 27.5% (2016: 30%)	117,525	58,335
Add tax effect of:		
- Under / (over) provision of prior years	15	7,349
- Change in company tax rates	(4,847)	-
Income tax attributable to the entity	**112,693**	**65,684**
The applicable weighted average effective tax rate is	26.37%	33.78%

	2017 $	2016 $

Note 4. Income tax (continued)

	2017 $	2016 $
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities		
Opening balance	22,444	59,723
Income tax paid	(65,123)	(114,338)
Current tax	136,385	71,193
Under / (over) provision prior years	-	5,865
	93,706	**22,443**
d. Deferred tax liability		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Accruals	2,448	2,815
Employee provisions	42,063	28,291
	44,511	**31,106**
Deferred tax liability balance comprises:		
Property, plant & equipment	78,971	89,258
	78,971	**89,258**
Net deferred tax liability	**(34,460)**	**(58,152)**
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(13,405)	(4,662)
(Decrease) / increase in deferred tax liabilities	(10,287)	(8,196)
Under / (over) provision prior years	(15)	1,484
	(23,707)	**(11,374)**

Note 5. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

	2017 $	2016 $
Cash at bank and on hand	367,050	185,905
	367,050	**185,905**

Note 6. 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 ther eis 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.

	2017 $	2016 $
Current		
Trade receivables	149,460	141,291
	149,460	**141,291**

Credit risk

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

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

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

	Gross amount $	Not past due $	Past due but not impaired			Past due and impaired $
			< 30 days $	31-60 days $	> 60 days $	
2017						
Trade receivables	149,460	149,460	-	-	-	-
Total	**149,460**	**149,460**	**-**	**-**	**-**	**-**
2016						
Trade receivables	141,291	141,291	-	-	-	-
Total	**141,291**	**141,291**	**-**	**-**	**-**	**-**

Note 7. Property, plant and equipment

Property

Freehold land and buildings are carried at their fair value, based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation for buildings.

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

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

Plant and equipment, Fixtures and Fittings & Motor Vehicles

Plant and equipment are 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.

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.

	2017 **$**	**2016** **$**
Land		
At cost	362,049	361,785
Buildings		
At cost	1,606,550	1,603,096
Less accumulated depreciation	(256,216)	(210,306)
	1,350,334	**1,392,790**
Fixtures & Fittings		
At cost	41,746	41,746
Less accumulated depreciation	(20,057)	(18,523)
	21,689	**23,223**

	2017 $	2016 $
Note 7. Property, plant and equipment (continued)		
Plant and equipment		
At cost	274,799	272,250
Less accumulated depreciation	(223,887)	(212,943)
	50,912	**59,307**
Motor Vehicles		
At cost	138,276	109,324
Less accumulated depreciation	(52,138)	(45,404)
	86,138	**63,920**
Total property, plant and equipment	**1,871,122**	**1,901,025**
Movements in carrying amounts		
Land		
Balance at the beginning of the reporting period	361,785	361,785
Additions	264	-
Balance at the end of the reporting period	**362,049**	**361,785**
Buildings		
Balance at the beginning of the reporting period	1,392,790	1,451,836
Additions	3,454	6,821
Depreciation expense	(45,910)	(65,867)
Balance at the end of the reporting period	**1,350,334**	**1,392,790**
Fixtures & Fittings		
Balance at the beginning of the reporting period	23,223	24,983
Depreciation expense	(1,534)	(1,760)
Balance at the end of the reporting period	**21,689**	**23,223**
Plant and equipment		
Balance at the beginning of the reporting period	59,307	61,494
Additions	3,435	10,758
Depreciation expense	(11,830)	(12,945)
Balance at the end of the reporting period	**50,912**	**59,307**
Motor vehicles		
Balance at the beginning of the reporting period	63,920	78,724
Additions	39,860	-
Disposals	(5,768)	-
Depreciation expense	(11,874)	(14,804)
Balance at the end of the reporting period	**86,138**	**63,920**

	2017 $	2016 $

Note 7. Property, plant and equipment (continued)

	2017 $	2016 $
Total property, plant and equipment		
Balance at the beginning of the reporting period	1,901,025	1,978,822
Additions	47,013	17,579
Disposals	(5,768)	-
Depreciation expense	(71,148)	(95,376)
Balance at the end of the reporting period	**1,871,122**	**1,901,025**

Note 8. Intangible assets

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.

Goodwill relates to the purchase of customer lists for other branches. Goodwill is not amortised, but is tested annually for impairment, or more frequently if events or conditions indicate it might be impaired. An impairment loss is recognised for the amount by which the carrying value exceeds its recoverable amount.

	2017 $	2016 $
Goodwill		
At Cost	74,603	74,603
Franchise Renewal Fee - Numurkah		
At cost	68,056	68,056
Less accumulated amortisation	(21,552)	(7,940)
	46,504	**60,116**
Franchise Renewal Fee - Nathalia		
At cost	68,056	68,056
Less accumulated amortisation	(21,552)	(7,940)
	46,504	**60,116**
Total intangible assets	**167,611**	**194,835**
Movements in carrying amounts		
Goodwill		
Balance at the beginning of the reporting period	74,603	74,603
Balance at the end of the reporting period	**74,603**	**74,603**

	2017 $	2016 $
Note 8. Intangible assets (continued)		
Franchise Renewal Fee - Numurkah		
Balance at the beginning of the reporting period	60,116	72,548
Disposals	-	(4,492)
Amortisation expense	(13,612)	(7,940)
Balance at the end of the reporting period	**46,504**	**60,116**
Franchise Renewal Fee - Nathalia		
Balance at the beginning of the reporting period	60,116	68,606
Disposals	-	(550)
Amortisation expense	(13,612)	(7,940)
Balance at the end of the reporting period	**46,504**	**60,116**
Total intangible assets		
Balance at the beginning of the reporting period	194,835	215,757
Disposals	-	(5,042)
Amortisation expense	(27,224)	(15,880)
Balance at the end of the reporting period	**167,611**	**194,835**

Note 9. Financial assets and financial liabilities

Financial assets

Classification of financial assets

The company classifies its financial assets as loans and receivables.

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.

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.

Measurement of financial assets

At initial recognition, the group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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.

Note 9. Financial assets and financial liabilities (continued)

Financial assets (continued)

Measurement of financial assets (continued)

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

Impairment of financial assets

The company 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.

- 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.

Derecognition of financial assets

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.

Financial liabilities

Classification of financial liabilities

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as "fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities are 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.

Note 9. Financial assets and financial liabilities (continued)

Financial liabilities (continued)

Classification of financial liabilities (continued)

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as “fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately. Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Note 10. 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.

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

	2017 $	2016 $
Current		
Unsecured liabilities:		
Trade creditors	21,108	24,039
Other creditors and accruals	83,275	105,783
Dividends payable	8,550	23,357
	112,933	**153,179**

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

Note 11. Borrowings

Loans

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.

Finance 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.

Note 11. Borrowings (continued)

Finance Leases (continued)

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

Operating Leases

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.

	2017 $	2016 $
Current		
Secured liabilities		
Motor vehicle finance chattel mortgage	35,374	14,026
Loan - CW & KM Stone (ii)	50,000	50,000
Loan - Childcare (i)	25,052	48,432
Loan - Bendigo Bank (Former DSE) (iii)	19,806	29,100
	130,232	**141,558**
Non-current		
Secured liabilities		
Motor vehicle finance chattel mortgage	21,169	19,898
Loan - CW & KM Stone (ii)	94,063	144,063
Loan - Childcare (i)	-	16,312
Loan - Bendigo Bank (Former DSE) (iii)	-	172,097
	115,232	**352,370**
Total borrowings	**245,464**	**493,928**

(a) Loans

(i) The company has a mortgage loan over the childcare centre which is subject to normal terms and conditions. The current interest rate on this loan is 6.3%pa. This loan has been created to fund the construction of the Nathalia Community Early Learning Centre and is secured by the land and buildings at 20 Bromley street.

(ii) 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.

(iii) The company also has a mortgage 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 leasor in the event of default.

Note 12. Provisions

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

	2017 $	**2016 $**
Current		
Employee benefits	134,681	94,302
Total current	**134,681**	**94,302**
Non-current		
Employee benefits	18,277	-
Total provisions	**152,958**	**94,302**

Note 13. Share capital

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.

	2017 $	**2016 $**
391,256 Ordinary shares fully paid	391,256	391,256
	391,256	**391,256**

	2017 $	2016 $

Note 13. Share capital (continued)

Movements in share capital

	2017 $	2016 $
Fully paid ordinary shares:		
At the beginning of the reporting period	391,256	391,256
At the end of the reporting period	**391,256**	**391,256**

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

Capital management

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

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

(i) the Distribution Limit is the greater of:

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

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

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

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

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

Note 14. Retained earnings

	2017 $	2016 $
Balance at the beginning of the reporting period	982,403	771,832
Profit after income tax	314,670	128,767
Dividends paid	-	(15,650)
Transfer from reserve	-	97,454
Balance at the end of the reporting period	**1,297,073**	**982,403**

	2017 $	2016 $

Note 15. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year

No dividend has been paid or declared during the year. A dividend of 4c per share was paid in the prior year (franked at 30%)	**-**	**15,650**

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

Note 16. Reserves

The reserves represent undistributable gains recognised on the revaluation of non-current assets.

	2017 $	2016 $
Asset revaluation reserve		
Balance at the beginning of the reporting period	227,393	324,847
Fair value movements during the period	-	(97,454)
Balance at the end of the reporting period	**227,393**	**227,393**

Note 17. 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 servicng 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.

	2017 $	2016 $
Basic earnings per share (cents)	80.43	32.91
Earnings used in calculating basic earnings per share	314,670	128,767
Weighted average number of ordinary shares used in calculating basic earnings per share.	391,256	391,256

Notes to the financial statements (continued)

	2017 $	2016 $

Note 18. 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:

	2017 $	2016 $
Cash and cash equivalents (Note 5)	367,050	185,905
As per the Statement of Cash Flow	**367,050**	**185,905**

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

	2017 $	2016 $
Profit / (loss) after income tax	314,670	128,767
Non-cash flows in profit		
- Depreciation	71,148	95,376
- Amortisation	27,224	15,880
- Bad debts		
- Net (profit) / loss on disposal of property, plant & equipment	-	5,042
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(8,169)	3,689
- (increase) / decrease in prepayments and other assets	-	8,853
- (Increase) / decrease in deferred tax asset	(23,692)	(11,374)
- Increase / (decrease) in trade and other payables	(40,246)	13,452
- Increase / (decrease) in current tax liability	71,263	(37,280)
- Increase / (decrease) in provisions	58,656	7,725
Net cash flows from operating activities	**470,854**	**230,130**

Note 19. 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 totals of remuneration paid to key management personnel of the company during the year are as follows:

	2017 $	2016 $
Short-term employee benefits	14,500	-
Total key management personnel compensation	**14,500**	**-**

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

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 19. Key management personnel and related party disclosures (continued)

(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 hor related party of key management personnel has entered into any contracts with the company. A secretary allowance has been paid to the respective Director for their duties undertaking the secretarial role for the company.

(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:

	2017	2016
David Liddell	1,000	1,000
Raelene Pearce	500	500
Kaye Bernhardt	500	500
Helen Ginnivan	300	300
Mark Peterson	400	400
Michael Tymensen	-	-
Kristy Limbrick	-	-
Sherelle Smith	-	-
Ian James Brereton	500	500
Neroli Eddy	-	-
	3,200	**3,200**

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 20. Events after the reporting period

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

Note 21. Contingent liabilities and contingent assets

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

Note 22. Operating segments

(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 (2016: 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.

(b) Segment results

	$ Nathalia	$ Numurkah	$ Childcare	$ Eliminations	$ Total
Revenue	1,096,555	544,700	883,678	(164,773)	2,360,160
Expenses					
Employee benefits expense	399,653	254,591	706,995	-	1,361,239
Depreciation and amortisation	70,505	23,187	4,680	-	98,372
Finance costs	17,225	-	-	-	17,225
Bad and doubtful debts expense	43	881	-	-	924
Professional fees	26,562	18,296	10,406		55,264
Occupancy expenses	64,700	67,932	74,633	(164,773)	42,492
IT expenses	18,535	16,208			34,743
Advertising and marketing	4,487	1,026	4,813	-	10,326
Repairs & maintenace	8,494	2,915	9,136	-	20,545
Insurance	15,980	12,007	12,027	-	40,014
Utilities	15,203	11,603	10,596	-	37,402
Freight/Cartage/Delivery	10,377	5,253	-	-	15,630
Other expenses	61,637	47,208	71,078	-	179,923
Charitable donations and sponsorships	3,180	15,518	-	-	18,698
	716,581	**476,625**	**904,364**	**(164,773)**	**1,932,797**
Profit before income tax	**379,974**	**68,075**	**(20,686)**	**-**	**427,363**
(b) Segment assets and liabilities					
Assets					
Current assets					
Cash and cash equivalents	237,109	114,420	15,521	-	367,050
Trade and other receivables	79,106	55,556	14,798	-	149,460
Total current assets	**316,215**	**169,976**	**30,319**	**-**	**516,510**

Note 22. Operating segments (continued)

(b) Segment results (continued)

	$ Nathalia	$ Numurkah	$ Childcare	$ Eliminations	$ Total
Non-current assets					
Property, plant and equipment	1,761,595	57,617	51,910	-	1,871,122
Intangible assets	46,504	110,140	10,967	-	167,611
Total non-current assets	**1,808,099**	**167,757**	**62,877**	**-**	**2,038,733**
Total assets	**2,124,314**	**337,733**	**93,196**	**-**	**2,555,243**
Liabilities					
Current liabilities					
Trade and other payables	53,865	25,866	33,202	-	112,933
Current tax liability	93,706	-	-	-	93,706
Borrowings	119,066	-	11,166	-	130,232
Provisions	72,120	35,645	26,916	-	134,681
Total current liabilities	**338,757**	**61,511**	**71,284**	**-**	**471,552**
Non-current liabilities					
Borrowings	94,063	-	21,169	-	115,232
Provisions	2,944	4,210	11,123	-	18,277
Deferred tax liability	34,460	-	-	-	34,460
Total non-current liabilities	**131,467**	**4,210**	**32,292**	**-**	**167,969**
Total liabilities	**470,224**	**65,721**	**103,576**	**-**	**639,521**
Net assets	**1,654,090**	**272,012**	**(10,380)**	**-**	**1,915,722**

Note 23. Commitments

Chattel mortgage commitments

Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.

	2017 $	2016 $
Payable:		
- no later than 12 months	31,166	16,440
- between 12 months and five years	23,313	21,370
- greater than five years	-	-
Minimum lease payments	54,479	37,810
	(2,338)	**(3,886)**
Chattel mortgage liability	**52,141**	**33,924**

The chattel mortgages comprises leases of motor vehicles under normal commercial finance lease terms and conditions, repayable over 5 years.

Note 24. Company details

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

Note 25. Fair value measurements

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 (i.e. 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 (i.e. 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.

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.

Note 25. Fair value measurements (continued)

(a) Fair value hierarchy (continued)

Valuation techniques

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

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

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

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

	30 June 2017			
	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements				
Non-financial assets				
Freehold land	-	363,357	-	363,357
Buildings	-	1,350,550	-	1,350,550
Total non-financial assets recognised at fair value on a recurring basis	**-**	**1,713,907**	**-**	**1,713,907**

	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**

There were no transfers between Levels for assets measured at fair value on a recurring basis during the reporting period (2016: 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 2017 $	Description of valuation techniques	Inputs used
Freehold land	361,785	Valuation of land and buildings were undertaken by a qualified independent valuer. The valuation of land and buildings is at fair value, being market valuer is vbased on highest and best use permitted by relevant land planning provisions.	Registered valuer
Buildings	1,392,790		

(i) The fair value of land and buildings was determined as follows:

- 42 Blake Street, Nathalia – 19 October 2009
- 20 Bromley Street, Nathalia – 5 July 2011
- 27 Melville Street, Numurkah – 28 October 2013
- Lot 1, Bourke Road, Nathalia – 30 October 2015

The fair value policy it to reassess the fair value of buildings at least every 5 years by an independent valuer. This is expected to occur in the 2017/18 financial year for all properties. At the end of each intervening period, the Directors review the independent valuations 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.

(c) Reconciliation of recurring Level 3 Fair value measurements

Level 2	Freehold land $	Buildings $
Balance at the beginning of the year	361,785	1,392,790
Additions during the year	1,572	3,454
Gains/(losses) recognised in profit or loss during the year	-	(45,694)
Balance at the end of the year	**363,357**	**1,350,550**

There were no transfers between Level 2 and Level 3 for liabilities measured at fair value on a recurring basis during the reporting period (2016: no transfers).

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. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

Note 26. Financial risk management (continued)

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	2017 $	2016 $
Financial assets			
Cash and cash equivalents	5	367,050	185,905
Trade and other receivables	6	149,460	141,291
Total financial assets		**516,510**	**327,196**
Financial liabilities			
Trade and other payables	10	112,933	153,179
Borrowings	11	245,464	493,928
Total financial liabilities		**358,397**	**647,107**

(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.

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 (2016: 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.

(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.

Note 26. Financial risk management (continued)

(b) Liquidity risk (continued)

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 2017	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	0%	367,050	367,050	-	-
Trade and other receivables	0%	149,460	149,460	-	-
Total anticipated inflows		**516,510**	**516,510**	**-**	**-**
Financial liabilities					
Trade and other payables	0%	112,933	112,933	-	-
Borrowings	5.44%	245,464	130,232	115,232	-
Total expected outflows		**358,397**	**243,165**	**115,232**	**-**
Net inflow / (outflow) on financial instruments		**158,113**	**273,345**	**(115,232)**	**-**

30 June 2016	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	0%	185,905	185,905	-	-
Trade and other receivables	0%	141,291	141,291	-	-
Total anticipated inflows		**327,196**	**327,196**	**-**	**-**
Financial liabilities					
Trade and other payables	0%	153,179	153,179	-	-
Borrowings	5.42%	493,928	141,558	352,370	-
Total expected outflows		**647,107**	**294,737**	**352,370**	**-**
Net inflow / (outflow) on financial instruments		**(319,911)**	**32,459**	**(352,370)**	**-**

Note 26. Financial risk management (continued)

(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 2017		
+/- 1% in interest rates (interest income)	3,671	3,671
+/- 1% in interest rates (interest expense)	(2,455)	(2,455)
	1,216	**1,216**
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)
	1,859	**1,859**

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.

(e) Fair value

Fair value estimation

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

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

Note 26. Financial risk management (continued)

(e) Fair value (continued)

Fair value estimation (continued)

	2017		2016	
	Carrying amount $	**Fair value $**	**Carrying amount $**	**Fair Value $**
Financial assets				
Cash and cash equivalents (i)	367,050	367,050	185,905	185,905
Trade and other receivables (i)	149,460	149,460	141,291	141,291
Total financial assets	**516,510**	**516,510**	**327,196**	**327,196**
Financial liabilities				
Trade and other payables (i)	112,933	112,933	153,179	153,179
Borrowings	245,464	245,464	493,928	493,928
Total financial liabilities	**358,397**	**358,397**	**647,107**	**647,107**

(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.

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 8 to 41 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 2017 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.

David Liddell
Director

Signed at Nathalia on 19 October 2017.

Independent audit report

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

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Northern Victoria Finances Limited, which comprises the statement of financial position as at 30 June 2017, 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, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

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 2017 and of its performance for the year then ended; and

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

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

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

Independence

We are independent of the entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

rsd Audit

Director's 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.
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 entity's preparation of the financial report that gives a true and fair view 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 entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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 conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. On connection with our audit of the financial report, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

P.P. Delahunty
Partner
Bendigo
Dated: 19th October 2017

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