ANNUAL REPORT 2019

Pictured above: Nathalia Creekside Estate welcomes its first residents Adam Hickey and Ellie Pinnick with Brayden Carey (Nathalia Community Bank Assistant Branch Manager).

Northern Victoria Finances Limited

ABN 33 091 514 966

Nathalia **Community Bank** Branch
Numurkah branch

Contents

Chairman's report

For year ending 30 June 2019

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

Although the banking sector itself has faced a challenging time, Northern Victoria Finances strong financial position has enabled it to continue to provide both Nathalia and Numurkah with full time banking and secondly to continue its involvement in many community projects.

The completion of stage1 of the Venture Court residential development has seen 5 of the 11 lots sold. This will be great for our little town and for the families who wish to build 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 the new partnership with Rural Bank provides an opportunity for new business. 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.

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 serving secretary Tracey Mark, thank you for the countless hours you put in to ensure things run smoothly. To Kristy Limbrick, thank you for the work you do as our Treasurer.

David Liddell
Chairman

Table below shows approximate community contributions

	Community Investment (Grants)	Sponsorship	Major Projects	Cents Per Share Paid	Dividends Paid to Shareholders	Total Funds Returned to Community & Shareholders
2002/03				$0.0400	$15,650	$15,650
2003/04		$4,371		$0.0500	$19,563	$23,934
2004/05	$11,000	$2,657		$0.0525	$20,541	$34,198
2005/06	$20,300	$5,350		$0.0625	$24,454	$50,104
2006/07	$16,684	$4,679	$600,000	$0.0725	$28,366	$649,729
2007/08	$37,357	$8,372	$100,000	$0.0800	$31,300	$177,029
2008/09	$57,450	$7,780	$84,437	$0.0400	$15,650	$165,317
2009/10	$31,060	$11,588	$249,424	$0.0750	$29,344	$321,416
2010/11	$32,686	$16,246	$62,389	$0.0750	$29,344	$140,665
2011/12	$22,824	$23,579		$0.0750	$29,344	$75,747
2012/13	$32,595	$13,966	$1,050,000	$0.0650	$25,432	$1,121,993
2013/14	$33,008	$15,070	$89,546	$0.0600	$23,475	$161,099
2014/15	$37,144	$14,053	$212,878	$0.0500	$19,563	$283,638
2015/16	$38,800	$15,861	$18,689	$0.0450	$17,607	$90,957
2016/17	$13,188	$12,034	$11,318	$0.0400	$15,650	$52,190
2017/18	$16,235	$13,530	$292,266	$0.0440	$17,215	$339,246
2018/19	$40,000	$11,948	$359,788	$0.0400	$15,650	$427,386
Cumulative Total	**$400,331**	**$169,137**	**$2,770,947**	**$0.9265**	**$378,148**	**$3,702,913**

	2017/18	2018/19	Variance	
Bank Business Held	$205,015,549	$207,602,316	Up	$2,586,767
Number of Accounts	7,885	8,066	Up	181

Senior Manager's report

For year ending 30 June 2019

Thankyou for taking the time to read the annual report for your local Community Bank. The past year has been a very busy one indeed for all parts of the Northern Victoria Finances Ltd (NVF).

Overall Banking

With exceptionally low interest rates we have found gaining new deposit business quite difficult. In addition, this year the Victorian Government directed it's bodies, such has schools, hospitals, councils etc. to withdraw deposits from all other banks and hold deposits only with a Westpac. This has resulted in deposit losses around $5mill from our two local branches and thousands in lost revenue from your community.

Home lending also remains highly competitive and superficially, price driven. Our teams have demonstrated that real personalised service is very much appreciated and that there is plenty of room to grow if the service and relationships offering is of a high standard.

Nathalia

This year our Nathalia Branch welcomed back an old face who had spent some time in Numurkah, Brayden Carey. Brayden is a Waaia born local who has a passion for cricket, golf and footy. He loves working with figures and to challenge himself by finding the solution to customers complex lending needs. He is now the Assistant Branch Manager at Nathalia after doing some great work in Numurkah.

We have proudly continued to employ locals and in April 2019 we added Josh Wilson and Charlotte Daniel to our team. Josh is a school leaver and has joined us on a 12mth traineeship.

Numurkah

Charlotte Daniel has taken on the vacant full time Customer Service Officer role at Numurkah. She will be a familiar face to many in Numurkah after several years at the local florist.

Our lender Elyse McKenzie is now working full time and is doing a wonderful job of servicing the locals, with face to face home loans her specialty. Elyse has moved to Assistant Branch Manager for Numurkah. The Numurkah branch has shown fantastic growth in home lending with more than $5.5mill growth in this one area alone over 2018/19.

Nathalia Community Early Learning Centre

A big thankyou to Natalie Watt who is the Director of our own long day care centre. Nat has also had a challenging year. Overall numbers continue to slowly grow as we see more young families taking up the option of using this great service. With some changes to the local primary school patronage, we have seen a reduction in out of school hours care.

As we started 2019 we welcomed a now very popular new kinder teacher, Carley. The children are having a great time at NCELC with kinder, long day care, before and after school and vacation programs catering for all needs.

Community

Residential Subdivision

Finally after several years of work, we have brought this project to market and now have plenty of blocks to retain and attract families to Nathalia. Titles were issued in Feb 2019 and currently there are 5 blocks sold or under offer with plenty of interest for Stage 2 where it is likely there will be extra large blocks on offer.

Big thanks to Moira Shire for their partnership on this and to our Chairman David Liddell who has volunteered time on many occasions to work on the project. Special mention to Adam Hickey who was the first buyer to build a new home in Venture Court. Adam appeared with his almost finished house in the July edition of the Redgum Courier which created a proud moment for the staff.

Youth Advisors

Year 12 students Laura Thorn and Maisy Dewar put in a lot of work through calendar year 2018 to bring a drinking fountain back to Nathalia as part of the NVF 'Youth Advisor' initiative. Bringing a young voice to our staff and board, it was a great experience for them to be involved in a public company, and worthwhile for NVF to hear another point of view. In July 2019 the fountain was ready for action and ticked off a part of the Nathalia Community Plan. Well done girls and all the best in your post school endeavours.

A big thanks to all our hardworking staff who take care of the customers so well. We look forward to growing again in 2019/20 and giving more funds back to the community as we celebrate our 20th birthday in May 2020.

Peter Halden
Senior Manager Northern Victoria Finances Limited

Directors’ report

For financial year ending 30 June 2019

The Directors present their report of the company for the financial year ended 30 June 2019.

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:

Directors	Details
David Liddell	Chairperson. 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	Resigned 15 October 2019 40 years experience in farming. Landcare Project Co-ordinator. 20 years Environmental education experience.
Kaye Bernhardt	Retired business owner. 35 years experience.
Helen Ginnivan	Bachelor of Science (Education) Melbourne. Assistant Principal. Uni graduate diploma computer Deakin University. 35 years teaching .
Michael Tymensen	Resigned 19 November 2018 Bachelor of Science (Education) Melbourne. Accountant. CPA accountant with 23 years experience in a public practice.
Kristy Limbrick	Small Business Operator. 6 years of hardware retail experience as proprietor of Limo's Home Hardware and Rural Supplies.
Sherelle Smith	Dairy Farmer. 22 years dairying farming experience. 10 years of retail.
Ian Brereton	Pastry Cook, Small Business Operator. 31 years experience as a business owner. Property owner/ developer - 10 years. Secretary of Nathalia Football Netball Club - 2 years. Chair of NYE Carnival Committee - 8 years. Chair of St Francis School Board - 3 years. Committee member of these groups for approximately 20 years.
Neroli Eddy	Training and Assessing; Certificate II Hospitality. School Administrator. Kitchen; Food Safety Supervisor; Associate Diploma of Applied Science (Food Technology)

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' report (continued)

Directors (continued)

Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings A	Board meetings B
David Liddell	9	6
Raelene Pearce (resigned 15 Oct 2018)	4	4
Kaye Bernhardt	9	8
Helen Ginnivan	9	9
Michael Tymensen (resigned 19 Nov 2018)	4	3
Kristy Limbrick	9	6
Sherelle Smith	9	6
Ian Brereton	9	6
Neroli Eddy	9	4

A - The number of meetings eligible to attend.

B - The number of meetings attended.

Company Secretary

Tracey Mark has been the Company Secretary of Northern Victoria Finances Limited since December 2017. Tracey's experience include years as an office-holder on various 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 $259,606 (2018 profit: $288,097), which is a 9.9% decrease as compared with the previous year.

During the year Northern Victoria Finances has continued with the joint operation with Moira Shire Council for the development of the Bourke Rd parcel of land. The first several plots of the subdivision have been sold during the year, resulting in a share of profits of $245,543.

Dividends

A fully franked final dividend of 4.5 cents per share was declared and paid during the 2019 financial year for the year ended 30 June 2018. No dividend has been declared or paid for the year ended 30 June 2019 as yet.

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

Directors (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 5 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.*

Signed in accordance with a resolution of the Board of Directors at Nathalia on 30 September 2019.

David Liddell
Director

Auditor's independence declaration

RSD Audit
41A Breen Street
Bendigo, Victoria
PO Box 448, Bendigo, VIC, 3552

Ph: (03) 4435 3550
admin@rsdaudit.com.au
www.rsdaudit.com.au

Auditors 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 2019 there have been no contraventions of:

(i) The auditor independence requirements 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.

RSD Audit

P. P. Delahunty
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 30 September 2019

Financial statements

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2019

	Note	2019 $	2018 $
Revenue	2	2,934,704	2,438,488
Expenses			
Employee benefits expense	3	(1,612,115)	(1,483,298)
Depreciation and amortisation	3	(157,966)	(99,311)
Finance costs	3	(8,475)	(10,100)
Bad and doubtful debts expense	3	(394)	(761)
Loss on disposal of property, plant and equipment		(11,263)	(20,108)
Professional fees		(87,603)	(55,684)
Occupancy expenses		(46,589)	(43,446)
IT expenses		(37,911)	(36,535)
Advertising and marketing		(18,276)	(13,237)
Repairs & maintenance		(29,434)	(44,108)
Insurance		(112,049)	(24,827)
Utilities		(38,134)	(37,420)
Freight/Cartage/Delivery		(5,218)	(6,399)
Other expenses		(125,283)	(136,934)
Share of expenses of joint operation	26	(256,902)	(3,107)
		(2,547,612)	(2,012,168)
Operating profit before charitable donations & sponsorship		**387,092**	**426,320**
Charitable donations and sponsorships		(56,534)	(25,552)
Profit before income tax		**330,558**	**400,768**
Income tax expense	4	(70,952)	(112,671)
Profit for the year after income tax		**259,606**	**288,097**
Other comprehensive income		-	-
Total comprehensive income for the year		**259,606**	**288,097**
Profit attributable to members of the company		259,606	288,097
Total comprehensive income attributable to members of the company		**259,606**	**288,097**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	18	66.35	73.63

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

Financial statements (continued)

Statement of Financial Position
as at 30 June 2019

	Note	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	5	544,313	620,660
Trade and other receivables	6	223,838	179,479
Inventory	7	492,498	181,639
Total current assets		**1,260,649**	**981,778**
Non-current assets			
Property, plant and equipment	8	1,621,725	1,660,529
Intangible assets	9	113,163	140,387
Deferred tax assets	4	1,488	-
Total non-current assets		**1,736,376**	**1,800,916**
Total assets		**2,997,025**	**2,782,694**
Liabilities			
Current liabilities			
Trade and other payables	11	166,041	219,813
Current tax liability	4	24,075	25,797
Borrowings	12	136,939	113,266
Provisions	13	151,296	131,834
Total current liabilities		**478,351**	**490,710**
Non-current liabilities			
Borrowings	12	57,448	51,806
Provisions	13	32,836	27,152
Deferred tax liability	4	-	26,635
Total non-current liabilities		**90,284**	**105,593**
Total liabilities		**568,635**	**596,303**
Net assets		**2,428,390**	**2,186,391**
Equity			
Issued capital	14	391,256	391,256
Retained earnings	15	1,809,741	1,567,742
Reserves	17	227,393	227,393
Total equity		**2,428,390**	**2,186,391**

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

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2019

	Note	Issued capital $	Retained earnings $	Reserves $	Total equity $
Balance at 1 July 2018		**391,256**	**1,567,742**	**227,393**	**2,186,391**
Comprehensive income for the year					
Profit for the year		-	259,606	-	259,606
Transactions with owners in their capacity as owners					
Dividends paid or provided	16	-	(17,607)	-	(17,607)
Balance at 30 June 2019		**391,256**	**1,809,741**	**227,393**	**2,428,390**
Balance at 1 July 2017		391,256	1,297,073	227,393	1,915,722
Comprehensive income for the year					
Profit for the year		-	288,097	-	288,097
Transactions with owners in their capacity as owners					
Dividends paid or provided	16	-	(17,428)	-	(17,428)
Balance at 30 June 2018		**391,256**	**1,567,742**	**227,393**	**2,186,391**

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

Statement of Cash Flows for the year ended 30 June 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		2,806,502	2,615,226
Payments to suppliers and employees		(2,359,867)	(2,003,019)
Interest paid		(8,475)	(10,100)
Income tax paid		(100,796)	(188,404)
Share of operating cash flow from joint operation		(11,359)	-
Net cash flows provided by operating activities	19b	**326,005**	**413,703**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		12,015	70,000
Proceeds from sale of investment properties		243,626	-
Purchase of property, plant and equipment		(115,216)	(20,634)
Share of development costs of joint operation		(554,485)	(111,639)
Net cash flows used in investing activities		**(414,060)**	**(62,273)**
Cash flows from financing activities			
Proceeds from borrowings		108,580	-
Repayment of borrowings		(79,265)	(80,392)
Dividends paid		(17,607)	(17,428)
Net cash flows from/(used in) financing activities		**11,708**	**(97,820)**
Net increase/(decrease) in cash held		**(76,347)**	**253,610**
Cash and cash equivalents at beginning of financial year		620,660	367,050
Cash and cash equivalents at end of financial year	19a	**544,313**	**620,660**

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

Notes to the financial statements

For the year ended 30 June 2019

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 26 September 2019.

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.

Notes to the financial statements (continued)

For the year ended 30 June 2019

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) Comparative figures

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

(e) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

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

Fair value assessment of non-current physical assets

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.

For the year ended 30 June 2019

1. Summary of significant accounting policies (continued)

(e) Critical accounting estimates and judgements (continued)

Employee benefits provision

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

Income tax

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

Impairment

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

(f) New and revised standards that are effective for these financial statements

With the exception of the below, these financial statements have been prepared in accordance with the same accounting policies adopted in the entity's last annual financial statements for the year ended 30 June 2018. Note that the changes in accounting policies specified below **ONLY** apply to the current period. The accounting policies included in the company's last annual financial statements for the year ended 30 June 2018 are the relevant policies for the purposes of comparatives.

AASB 15 *Revenue from Contracts with Customers and AASB 9 Financial Instruments (2014) became mandatorily effective on 1 January 2018. Accordingly, these standards apply for the first time to this set of annual financial statements. The nature and effect of changes arising from these standards are summarised in the section below.*

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue, AASB 111Construction Contracts and several revenue-related interpretations. The new Standard has been applied as at 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balances of retained earnings as at 1 July 2018 and comparatives are not restated.

Based on our assessment, there has not been any effect on the financial report from the adoption of this standard.

AASB 9 Financial Instruments

AASB 9 *Financial Instruments replaces AASB 139's 'Financial Instruments: Recognition and Measurement' requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.*

When adopting AASB9, the entity elected not to restate prior periods. Rather, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

Based on our assessment, other than the reclassification of financial assets, there has not been any effect on the financial report from the adoption of this standard.

Notes to the financial statements (continued)

For the year ended 30 June 2019

1. Summary of significant accounting policies (continued)

(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 out on the proceeding pages.

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

AASB 16:

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

The standard will primarily affect the accounting for the company's operating leases. As at the reporting date, the company does not have any non-cancellable operating lease commitments. The company therefore does not expect there to be any impact due to the adoption of this standard.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The company does not intend to adopt the standard before its effective date.

(h) Change in accounting policies

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.

To determine whether to recognise revenue, the company follows a 5-step process:
1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

i) Bank Service Commissions

Given the nature of the agreement with Bendigo and Adelaide Bank Limited, there are no performance obligations, therefore the revenue is recognised at the earlier of:
a) when the entity has a right to receive the income and it can be reliably measured; or
b) upon receipt.

Notes to the financial statements (continued)

For the year ended 30 June 2019

1. Summary of significant accounting policies (continued)

(h) Change in accounting policies (continued)

ii) Childcare Fees
Childcare fees are typically charged at a set fee per available place, and invoiced to families arrears based on the services provided to each individual parent. Therefore the revenue is recognised when the entity has a right to receive the income, typically when the invoice is raised.

Financial Instruments

Recognition and derecognition
Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets
Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets
For the purpose of subsequent measurement, financial assets are classified as financial assets at amortised cost. All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost
Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The company's trade and most other receivables fall into this category of financial instruments as well as deposits that were previously classified as held-to-maturity under AASB 139.

Impairment of financial assets
AASB 9's new forward looking impairment model applies to company's investments at amortised cost. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

The company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the company uses its historical experience, external indicators and forward-looking information to determine the expected credit losses on a case-by-case basis.

Financial liabilities
As the accounting for financial liabilities remains largely unchanged from AASB 139, the company's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

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.

Classification and measurement 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.

For the year ended 30 June 2019

1. Summary of significant accounting policies (continued)

(h) Change in accounting policies (continued)

Classification and measurement of financial liabilities (continued)
Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

Reconciliation of financial instruments on adoption of AASB 9
The table below shows the classification of each class of financial asset and financial liability under AASB 139 and AASB 9 as at 1 July 2018:

	AASB 139 Classification	AASB 9 Classification	AASB 139 Carrying value ($)	AASB 9 Carrying value ($)
Financial Asset				
Trade and Other receivables	Loans and receivables	Amortised cost	179,479	179,479
Financial Liabilities				
Trade and other payables	Amortised cost	Amortised cost	219,813	219,813
Borrowings	Amortised cost	Amortised cost	165,072	165,072

2. Revenue

	2019 $	2018 $
Revenue		
- service commissions	1,558,179	1,506,696
- fee income for childcare services	1,130,982	927,031
	2,689,161	2,433,727
Other revenue		
- other revenue	245,543	4,761
	245,543	4,761
Total revenue	**2,934,704**	**2,438,488**

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.

Other Revenue

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

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

For the year ended 30 June 2019

2. Revenue (continued)

Rendering of services
The entity has two main streams of income. Service commissions as per franchise agreement with BABL and service fees received for childcare services.
As detailed in the franchise agreement, companies earn three types of revenue - margin, commission and fee income. Bendigo and Adelaide Bank Limited decide the method of calculation of revenue the company earns on different types of products and services and this is dependent on the type of business the company generates also taking into account other factors including economic conditions, including interest rates.

Childcare fees
The childcare fees are recognised upon receival of payment occurs, this occurs in two instances. Payment received from the families and payment received from the government under its CCS and CCB funding programs.

3. Expenses

	2019 $	2018 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	1,357,988	1,267,892
- superannuation costs	142,320	125,904
- other costs	111,807	89,502
	1,612,115	**1,483,298**
Depreciation and amortisation		
Depreciation		
- buildings	41,770	43,435
- furniture and fittings	14,461	1,351
- plant and equipment	58,285	11,513
- motor vehicles	16,226	15,788
	130,742	72,087
Amortisation		
- franchise fees	27,224	27,224
	27,224	27,224
Total depreciation and amortisation	157,966	99,311
Finance costs		
- Interest paid	8,475	10,100
Bad and doubtful debts expenses	394	761
Loss on disposal of property, plant and equipment	11,263	10,673
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	7,867	5,059

Notes to the financial statements (continued)

For the year ended 30 June 2019

3. Expenses (continued)

Operating expenses
Operating expenses are recognised in profit or loss on an accruals 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 and amortisation
The depreciable amount of all fixed and intangible assets, including buildings, but excluding freehold land, is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use.

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

Class of asset	*Rate*	*Method*
Buildings	2.50%	Straight line
Furniture & fittings	5-15%	Diminishing value
Plant and equipment	5-50%	Straight line & Diminishing value
Motor vehicles	18.75%	Diminishing value
Franchise fees	20.00%	Straight line

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. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

4. Income tax

	2019 $	2018 $
a. The components of tax expense comprise:		
Current tax expense	99,075	118,009
Deferred tax expense	(8,794)	(7,798)
Under / (over) provision of prior years	(19,329)	2,460
	70,952	**112,671**
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% (2018: 27.5%)	90,903	110,211
Add tax effect of:		
- Under / (over) provision of prior years	(19,329)	2,460
- Non-deductible expenses	(622)	-
Income tax attributable to the entity	**70,952**	**112,671**

Notes to the financial statements (continued)

For the year ended 30 June 2019

4. Income tax (continued)

	2019 $	2018 $
The applicable weighted average effective tax rate is:	21.46%	28.11%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	25,797	93,706
Income tax paid	(100,797)	(188,404)
Current tax	99,075	118,009
Under / (over) provision prior years	-	2,486
	24,075	**25,797**
d. Deferred tax asset / liability		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Accruals	4,889	3,131
Employee provisions	50,636	43,721
Share of joint operation at fair value	2,716	-
	58,241	**46,852**
Deferred tax liabilities comprise:		
Items recognised at fair value	-	(2,595)
Property, plant & equipment	56,753	76,082
	56,753	73,487
Net deferred tax asset / liability	**1,488**	**(26,635)**
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	10,535	(2,315)
(Decrease) / increase in deferred tax liabilities	-	(5,457)
Under / (over) provision prior years	(19,329)	(26)
	(8,794)	**(7,798)**

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/assets are measured at the amounts expected to be paid to/recovered from the relevant taxation authority.

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

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

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

For the year ended 30 June 2019

5. Cash and cash equivalents

	2019 $	2018 $
Cash at bank and on hand	544,313	620,660
	544,313	**620,660**

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.

6. Trade and other receivables

	2019 $	2018 $
Current		
Trade receivables	223,838	179,479
	223,838	**179,479**

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 in accordance with the expected credit loss model or when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

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	
2019	$	$	$	$	$	$
Trade receivables	223,838	223,838	-	-	-	-
Total	**223,838**	**223,838**	**-**	**-**	**-**	**-**
2018						
Trade receivables	179,479	179,479	-	-	-	-
Total	**179,479**	**179,479**	**-**	**-**	**-**	**-**

For the year ended 30 June 2019

7. Inventory

	2019 $	2018 $
Land development - Bourke Rd	492,498	181,639
	492,498	**181,639**

The company is party to a joint operation arrangement with Moira Shire Council for the development of land owned by Northern Victoria Finances Limited. As the land is not held for long term use in the company's operations, but rather development and disposal, the land and associated development costs have been classified as inventory.

Refer to note 26 for further information on the joint operation.

8. Property, plant and equipment

	2019			2018		
	At cost / valuation $	Accumulated depreciation $	Written down value $	At cost / valuation $	Accumulated depreciation $	Written down value $
Land	203,179	-	203,179	203,179	-	203,179
Buildings	1,606,550	(341,421)	1,265,129	1,606,550	(299,651)	1,306,899
Furniture and fittings - at cost	55,041	(35,869)	19,172	41,746	(21,408)	20,338
Plant and equipment - at cost	343,665	(293,146)	50,519	296,563	(234,861)	61,702
Motor vehicles - at cost	137,417	(53,691)	83,726	137,143	(68,732)	68,411
Total property, plant and equipment	**2,345,852**	**(724,127)**	**1,621,725**	**2,285,181**	**(624,652)**	**1,660,529**

Land and buildings
Land and buildings held at fair value:
- 42 Blake Street, Nathalia

Freehold land and buildings carried at their fair value (refer note 27) , are based on periodic, valuations by external independent valuers, less accumulated depreciation for buildings. These buildings were last revalued in 2011.

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

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

Land and buildings held at cost:
- 27 Melville Street, Numurkah
- 20 Bromley Street, Nathalia

Freehold land and buildings measured at cost are carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of land and buildings 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 land and buildings is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from 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.

All land and buildings are scheduled to be revalued in 2019-20.

For the year ended 30 June 2019

8. Property, plant and equipment (continued)

Plant and equipment

Plant and equipment are measured on the cost basis 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.

(a) Capital expenditure commitments
The entity does not have any capital expenditure commitments at 30 June 2019 (2018: None)

(b) Movements in carrying amounts of PP&E

2019	Opening written down value $	Additions $	Disposals $	Depreciation $	Closing written down value $
Land	203,179	-	-	-	203,179
Buildings	1,306,899	-	-	(41,770)	1,265,129
Furniture and fittings - at cost	20,338	13,295	-	(14,461)	19,172
Plant and equipment - at cost	61,702	47,102	-	(58,285)	50,519
Motor vehicles - at cost	68,411	54,819	(23,278)	(16,226)	83,726
Total property, plant and equipment	**1,660,529**	**115,216**	**(23,278)**	**(130,742)**	**1,621,725**

2018	Opening written down value $	Additions $	Disposals $	Impairment $	Transfer $	Depreciation $	Closing written down value $
Land	362,049	-	(79,435)	(9,435)	(70,000)	-	203,179
Buildings	1,350,334	-	-	-	-	(43,435)	1,306,899
Furniture and fittings - at cost	21,689	-	-	-	-	(1,351)	20,338
Plant and equipment - at cost	50,912	20,364	-	-	1,939	(11,513)	61,702
Motor vehicles - at cost	86,138	-	-	-	(1,939)	(15,788)	68,411
Total property, plant and equipment	**1,871,122**	**20,364**	**(79,435)**	**(9,435)**	**(70,000)**	**(72,087)**	**1,660,529**

For the year ended 30 June 2019

9. Intangible assets

	2019			2018		
	At cost $	Accumulated amortisation $	Written down value $	At cost $	Accumulated amortisation $	Written down value $
Franchise fees - Nathalia	68,056	(48,776)	19,280	68,056	(35,164)	32,892
Franchise fees - Numurkah	68,056	(48,776)	19,280	68,056	(35,164)	32,892
Goodwill	74,603	-	74,603	74,603	-	74,603
Total intangible assets	**210,715**	**(97,552)**	**113,163**	**210,715**	**(70,328)**	**140,387**

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.

Movements in carrying amounts

2019	Opening written down value $	Amortisation $	Closing written down value $
Franchise fees - Nathalia	32,892	(13,612)	19,280
Franchise fees - Numurkah	32,892	(13,612)	19,280
Goodwill	74,603	-	74,603
Total intangible assets	**140,387**	**(27,224)**	**113,163**

2018	Opening written down value $	Amortisation $	Closing written down value $
Franchise fees - Nathalia	46,504	(13,612)	32,892
Franchise fees - Numurkah	46,504	(13,612)	32,892
Goodwill	74,603	-	74,603
Total intangible assets	**167,611**	**(27,224)**	**140,387**

10. Financial liabilities

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.

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.

Notes to the financial statements (continued)

For the year ended 30 June 2019

11. Trade and other payables

	2019 $	2018 $
Current		
Unsecured liabilities:		
Trade creditors	56,205	31,433
Other creditors and accruals	98,480	178,632
Dividends payable	11,356	9,748
	166,041	**219,813**

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.

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

12. Borrowings

	2019 $	2018 $
Current		
Secured liabilities		
Loans	99,212	102,100
Finance leases	37,727	11,166
	136,939	**113,266**
Non-current		
Secured liabilities		
Loans	-	44,063
Finance leases	57,448	7,743
	57,448	**51,806**
Total borrowings	**194,387**	**165,072**

Loans
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measures at amortised cost. Any difference 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.

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

For the year ended 30 June 2019

12. Borrowings (continued)

(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 had 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 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 lessor in the event of default.

13. Provisions

	2019 $	2018 $
Current		
Employee benefits	151,296	131,834
Non-current		
Employee benefits	32,836	27,152
Total provisions	**184,132**	**158,986**

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.

For the year ended 30 June 2019

14. Share capital

	2019 $	2018 $
391,256 Ordinary shares fully paid	391,256	391,256
	391,256	**391,256**

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.

(a) Movements in share capital

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.

b) Capital management

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

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

(i) the Distribution Limit is the greater of:

a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(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.

15. Retained earnings

	2019 $	2018 $
Balance at the beginning of the reporting period	1,567,742	1,297,073
Profit for the year after income tax	259,606	288,097
Dividends paid	(17,607)	(17,428)
Balance at the end of the reporting period	**1,809,741**	**1,567,742**

Notes to the financial statements (continued)

For the year ended 30 June 2019

16. Dividends paid or provided for on ordinary shares

	2019 $	2018 $
Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 4.5 cents per share (2018: 4c) franked at the tax rate of 27.5% (2018: 27.5%).	17,607	17,428

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.

17. Reserves

	2019 $	2018 $
Asset revaluation reserve		
Balance at the beginning of the reporting period	227,393	227,393
Fair value movements during the period	-	-
Balance at the end of the reporting period	**227,393**	**227,393**

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

18. Earnings per share

	2019 $	2018 $
Basic earnings per share (cents)	66.35	73.63
Earnings used in calculating basic earnings per share	259,606	288,097
Weighted average number of ordinary shares used in calculating basic earnings per share	391,256	391,256

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 servicing 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.

For the year ended 30 June 2019

19. Statement of cash flows

	2019 $	2018 $
(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:		
Cash and cash equivalents (Note 5)	544,313	620,660
As per the Statement of Cash Flow	**544,313**	**620,660**
(b) Reconciliation of cash flow from operations with profit/loss after income tax		
Profit for the year after income tax	259,606	288,097
Non-cash flows in profit		
- Depreciation and amortisation	157,966	99,311
- Bad debts	394	761
- Net loss on disposal of property, plant & equipment	11,263	10,673
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(44,753)	(40,764)
- (Increase) / decrease in deferred tax asset	(28,123)	(7,798)
- Increase / (decrease) in trade and other payables	(53,772)	117,221
- Increase / (decrease) in current tax liability	(1,722)	(67,909)
- Increase / (decrease) in provisions	25,146	6,028
Net cash flows from operating activities	**326,005**	**405,620**

20. Key management personnel and related party disclosures

(a) Key management personnel

Key management personnel includes any person 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.

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

	2019 $	2018 $
Short-term employee benefits	5,000	5,000
Total key management personnel compensation	**5,000**	**5,000**

Short-term employee benefits

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

(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.

Notes to the financial statements (continued)

For the year ended 30 June 2019

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

(c) Transactions with key management personnel and related parties

No key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

(d) Key management personnel shareholdings

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

	2019	2018
David Liddell	1,000	1,000
Raelene Pearce (Resigned 15 October 2018)	500	500
Kaye Bernhardt	2,000	500
Helen Ginnivan	300	300
Michael Tymensen (Resigned 19 November 2018)	-	-
Kristy Limbrick	-	-
Sherelle Smith	-	-
Ian Bereton	500	500
Neroli Eddy	-	-
	4,300	**2,800**

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 key management or related parties other than those described above.

21. Events after the reporting period

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

22. Contingent liabilities and contingent assets

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

23. 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 (2018: 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.

3 - Bourke Rd Development: Relates to the development of land in a joint arrangement with the Moira Shire Council.

Notes to the financial statements (continued)

For the year ended 30 June 2019

23. Operating segments (continued)

(b) Segment results	$	$	$	$	$	
	Nathalia	Numurkah	Childcare	Bourke Rd	Eliminations	Total
Revenue	1,087,397	658,003	1,130,017	245,543	(186,282)	2,934,678
Expenses						
Employee benefits expense	501,263	278,314	832,538	-	-	1,612,115
Depreciation and amortisation	84,842	36,315	36,809	-	-	157,966
Finance costs	8,181	294	-	-	-	8,475
Other Expenses	263,543	199,489	291,912	256,902	(186,282)	825,590
	857,829	514,412	1,161,259	256,902	(186,282)	2,604,146
Profit before income tax	**229,568**	**143,591**	**(31,242)**	**- 11,359**	**-**	**330,558**
(b) Segment assets and liabilities						
Assets						
Current assets						
Cash and cash equivalents	235,775	108,324	8,181	259,602	(67,569)	544,313
Trade and other receivables	82,815	65,611	47,608	27,804	-	223,838
Inventory	-	-	-	548,588		548,588
Total current assets	318,590	173,935	55,789	835,994	(67,569)	1,316,739
Non-current assets						
Property, plant and equipment	1,539,083	46,711	35,931	-	-	1,621,725
Intangible assets	19,280	82,916	10,967	-	-	113,163
Investment in joint operation	475,455	-	-	-	(475,455)	-
Deferred tax assets	1,488	-	-	-	-	1,488
Total non-current assets	2,035,306	129,627	46,898	-	(475,455)	1,736,376
Total assets	**2,353,896**	**303,562**	**102,687**	**835,994**	**(543,024)**	**3,053,115**
Liabilities						
Current liabilities						
Trade and other payables	84,543	35,637	40,269	5,592	-	166,041
Current tax liability	24,075	-	-	-	-	24,075
Borrowings	115,461	3,350	18,128	-	-	136,939
Provisions	80,442	31,855	38,999	-	-	151,296
Total current liabilities	304,521	70,842	97,396	5,592	-	478,351
Non-current liabilities						
Borrowings	33,325	9,938	81,754	313,299	(380,868)	57,448
Provisions	5,751	2,443	24,642	-	-	32,836
Total non-current liabilities	39,076	12,381	106,396	313,299	(380,868)	90,284
Total liabilities	**343,597**	**83,223**	**203,792**	**318,891**	**(380,868)**	**568,635**
Net assets	**2,010,299**	**220,339**	**(101,105)**	**517,103**	**(162,156)**	**2,484,480**

Notes to the financial statements (continued)

For the year ended 30 June 2019

24. Commitments

Chattel mortgage commitments	2019 $	2018 $
Payable:		
- no later than 12 months	22,929	11,166
- between 12 months and five years	24,545	8,374
Minimum lease payments	**47,474**	**19,540**
Less future interest charges	(3,084)	(631)
Chattel mortgage liability	**44,390**	**18,909**

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

Finance lease commitments

Finance lease liabilities are payable exclusive of GST as follows:

Finance leases comprise leases of solar panels under normal commercial finance lease terms and conditions repayable over 4 years.

	2019 $	2018 $
Payable:		
- no later than 12 months	18,726	-
- between 12 months and five years	38,206	-
Minimum lease payments	**56,932**	**-**
Less future interest charges	(6,147)	-
Finance lease liability	**50,785**	**-**

25. Company details

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

26. Joint operations

Under AASB 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Northern Victoria Finances Limited has an interest in the Bourke Road Development with the Moira Shire Council. Under this agreement, the parties were to develop land for resale to promote investment within the community, with the net profit/(loss) on disposal to be shared equally. The agreement notes the two partners have direct rights to the assets of the development and are jointly and severally liable for the liabilities incurred by the partnership. Furthermore, the company is not run through a separate vehicle. This entity is therefore classified as a joint operation and the company recognises its direct right to the jointly held assets, liabilities, revenues and expenses.

As at 30 June 2019, the company had a 62% share of the net assets of the joint arrangement (2018: 50%) as it had contributed more to the development than Moira Shire Council.

Upon sale of the land, the proceeds will be split 50:50 to each member until the equity contributions are repaid in full, upon which stage any excess will be shared equally.

Further information on the companies share of assets, liabilities, revenues and expenses are contained in note 23.

For the year ended 30 June 2019

27. Financial instrument risk

Financial risk management policies

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

Specific financial risk exposure and management

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

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 9 *Financial Instruments as detailed in the accounting policies are as follows:*

	Note	2019 $	2018 $
Financial assets			
Cash and cash equivalents	5	544,313	620,660
Trade and other receivables	6	223,838	179,479
Total financial assets		**768,151**	**800,139**
Financial liabilities			
Trade and other payables	11	166,041	219,813
Borrowings	12	194,387	165,072
Total financial liabilities		**360,428**	**384,885**

(a) Credit risk

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

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

Credit risk exposures

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

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

None of the assets of the company are past due (2018: 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.

For the year ended 30 June 2019

27. Financial instrument risk (continued)

(b) Liquidity risk

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

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

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

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

Financial liability and financial asset maturity analysis:

30 June 2019	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	0.00%	544,313	544,313	-	-
Trade and other receivables		223,838	223,838	-	-
Total anticipated inflows		768,151	768,151	-	-
Financial liabilities					
Trade and other payables		166,041	166,041	-	-
Borrowings	5.83%	194,387	136,939	57,448	-
Total expected outflows		360,428	302,980	57,448	-
Net inflow / (outflow) on financial instruments		**407,723**	**465,171**	**(57,448)**	**-**

30 June 2018	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	0.00%	620,660	620,660	-	-
Trade and other receivables		179,479	179,479	-	-
Total anticipated inflows		800,139	800,139	-	-
Financial liabilities					
Trade and other payables		219,813	219,813	-	-
Borrowings	5.44%	165,072	113,266	51,806	-
Total expected outflows		384,885	333,079	51,806	-
Net inflow / (outflow) on financial instruments		**415,254**	**467,060**	**(51,806)**	**-**

For the year ended 30 June 2019

27. Financial instrument risk (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.

The primary risks the company is exposed to is interest rate risk and other price risk. The company has no exposure to fluctuations in foreign currency or other price risk.

Interest rate risk
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.

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, management believes the following movements are 'reasonably possible' over the next 12 months:
- A parallel shift of +/- 0.5% in market interest rates from year-end rates.

These movements will not have a material impact on the valuation of the company's financial assets and liabilities, nor will they have a material impact on the results of the company's operations.

28. 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.

For the year ended 30 June 2019

28. Fair value measurements (continued)

(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 - Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 - Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - 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.

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 2019			
	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements				
Non-financial assets				
Freehold land	-	38,000	-	38,000
Buildings	-	246,930	-	246,930
Total non-financial assets recognised at fair value	**-**	**284,930**	**-**	**284,930**

	30 June 2018			
	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements				
Non-financial assets				
Freehold land	-	38,000	-	38,000
Buildings	-	249,018	-	249,018
Total non-financial assets recognised at fair value	**-**	**287,018**	**-**	**287,018**

There were no transfers between Levels for assets measured at fair value on a recurring basis during the reporting period (2018: no transfers).

b) 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.

Notes to the financial statements (continued)

For the year ended 30 June 2019

28. Fair value measurements (continued)

b) Valuation techniques (continued)

- 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.

Valuation techniques and inputs used to measure Level 2 fair values

Description	Fair value at 30 June 2019 $	Description of valuation techniques
Freehold land	38,000	Valuation of land and buildings using the market approach were undertaken by a qualified independent valuer in 2011. The valuation of land and buildings is at fair value, being market valuer is based on highest and best use permitted by relevant land planning provisions.
Buildings	246,930	

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

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

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 6 to 40 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 2019 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 30 September 2019.

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Bendigo, Victoria
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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 2019, 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 2019 and of its performance for the year then ended; and

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

(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.

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 Company 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.

Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 60 616 244 309

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 2019, 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.

RSD AUDIT

P. P. Delahunty

Partner
Bendigo
Dated: 30 September 2019

Bendigo Bank
Bigger than a bank

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

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

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

(BNPAR17027) (08/17)

Pictured left:
Carley from the Nathalia Community Early Learning Centre reading a story.

Pictured above (L-R) Leanne Pell (Nathalia Community Plan Steering Committee), Kerry-Anne Rappell (Nathalia Community Plan Steering Committee), Brayden Carey (Nathalia Community Bank Assistant Branch Manager), Narelle Oakes (Nathalia Community Bank Customer Service Supervisor) and Aine McGrath (Nathalia Community Plan Steering Committee) at the new water refill station in the Nathalia plantation.