Central Victorian Investments Ltd

ABN 35 058 071 631

Financial Statements

For the Year Ended 30 June 2012

Central Victorian Investments Ltd
ABN 35 058 071 631

Contents

For the Year Ended 30 June 2012

Directors' Report
For the Year Ended 30 June 2012

Your directors present their report on Central Victorian Investments Ltd for the financial year ended 30 June 2012.

Directors

The names of each person who has been a director during the year and to the date of this report are:
Darrell John Fraser
John Arthur Cameron Nevett
Francis Damien Frawley
Peter Alexander Bain

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company secretary

The following person held the position of company secretary at the end of the financial year: Brendan Gillett.

Principal activities

The principal activity of Central Victorian Investments Ltd during the financial year was to act as an investment company.

No significant changes in the nature of the entity's activity occurred during the financial year.

Operating results

The profit of the company after providing for income tax amounted to $547,996 (2011: $573,981).

Dividends paid or recommended

Dividends paid or declared since the start of the financial year are as follows:
- Ordinary share dividends paid during the year amounted to $240,010 (2011: $224,010).
- Preference share dividends paid during the year amounted to $36,000 (2011: $36,000).

Review of operations

The company has recovered well from the affects of the global financial crisis and has seen very strong growth for the year ended 30 June 2012. The debentures increased by 16.3% and loans secured by mortgage increased by 11.7%. The company has continued to improve its trading position and the directors do not expect further losses from investments and expect the net profit to improve.

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the company during the year.

Matters or circumstances arising after the end of the year

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

Directors' Report
For the Year Ended 30 June 2012

Future developments and results

There are no specific likely developments in the operations of the company other than the continued diligent efforts to promote the business.

Environmental issues

The company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

Information on directors

Darrell John Fraser	A former practising solicitor and partner of Fraser Nevett & Frawley – Retired 30 June 2007. Past Chairman of School Council, Ballarat & Clarendon College. Owns 16,967 shares in Central Victorian Investments Limited.
John Arthur Cameron Nevett	A former practising solicitor. Partner of Fraser Nevett & Frawley - Retired 30 June 2010. Past President of the Buninyong Football Club. Owns 16,967 shares in Central Victorian Investments Limited.
Francis Damien Frawley	A practising solicitor. Partner of Nevett Wilkinson Frawley Pty Ltd. Life governor of Child & Family Services Inc. Owns 16,967 shares in Central Victorian Investments Limited.
Peter Alexander Bain	A former practising solicitor who retired 30 June 2012, consultant to Whyte Just & Moore. Vice Chairman of Geelong Tryboys Brigade. Life Governor of Vision Australia Foundation. Owns 16,967 shares in Central Victorian Investments Limited.

Meetings of directors

During the financial year, 9 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Darrell John Fraser	9	8
John Arthur Cameron Nevett	9	6
Francis Damien Frawley	9	9
Peter Alexander Bain	9	9

Directors' Report
For the Year Ended 30 June 2012

Indemnification and insurance of officers and auditors

During the financial year the company has paid premiums to insure each of the directors and holders of proper authorities (but not the auditor of the company) against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was $5,129 (2011: $6,013) for each director.

Share options

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

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.

Non-audit services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to the external auditors for non-audit services provided during the year ended 30 June 2012:

	$
Preparation of financial statements and lodgement of tax return	**2,500**

Directors' Report
For the Year Ended 30 June 2012

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2012 has been received and can be found on page 5 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Director: ....

Peter Alexander Bain

Director: ....

John Arthur Cameron Nevett

Dated 24 September 2012

WHK

Ballarat
21 Armstrong Street North
Ballarat, Victoria 3350

PO Box 44
Ballarat, Victoria 3353

T 03 5304 5700
F 03 5304 5750

Casterton

Colac

Coleraine

Geelong

Hamilton

Ocean Grove

Portland

Stawell

Warrnambool

Werribee

ballarat@whk.com.au
www.whk.com.au

WHK Pty Ltd
ABN 84 006 466 351

Central Victorian Investments Ltd
ABN 35 058 071 631

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Central Victorian Investments Ltd

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012, there have been:

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

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

WHK Western Victoria Audit Partnership

BJudkins

Bruce R Judkins
Audit Partner
Signed at Ballarat, 24th day of September 2012

Central Victorian Investments Ltd

ABN 35 058 071 631

Statement of Comprehensive Income

For the Year Ended 30 June 2012

	2012	2011
	$	$
Revenue		
Administration Fees	24,420	20,642
Application Fees	145,535	155,928
Commissions	7,989	9,973
Interest	6,587,537	6,182,534
Rental Income	77,955	72,878
Other Income	1,106	-
	6,844,542	6,441,955
Expenses		
Accounting Fees	4,835	4,730
Advertising & Promotions	43,681	23,667
Annual Leave	(1,359)	3,561
Audit Fees	18,700	20,400
Bank Fees and Charges	8,345	3,987
Cleaning	5,746	5,707
Commission	112,989	72,998
Computer Expenses	30,684	33,543
Depreciation	31,534	28,758
Equipment Purchases - Minor	11,397	-
Fringe Benefits Tax	1,468	867
Heat, Light & Power	1,960	7,644
Insurance	27,899	28,356
Interest	5,388,148	5,085,692
Land Tax	3,495	3,495
Legal Fees	4,339	4,440
Licence & Registration Fees	5,087	4,808
Long Service Leave	4,688	4,063
Management Fees	8,800	8,800
Motor Vehicle Expenses	6,199	6,242
Office Repairs	5,793	4,878
Postage	6,965	4,233
Printing and Stationery	21,886	12,402
Sponsorships	3,140	4,070
Superannuation	16,545	15,617
Subscriptions	12,999	8,428
Telephone	9,711	10,608
Travel & Conference Expenses	6,426	2,996
Trustee Fees	27,885	26,730
Valuation Fees	5,794	-
Wages	193,916	176,959
	6,029,695	5,618,679

The accompanying notes form part of these financial statements.

Central Victorian Investments Ltd
ABN 35 058 071 631

Statement of Comprehensive Income
For the Year Ended 30 June 2012

	2012 $	2011 $
Operating profit before income tax	**814,847**	823,276
Loss on disposal of available-for-sale financial asset	**(28,700)**	-
Profit before income tax	**786,147**	823,276
Income Tax Expense	**(238,151)**	(249,295)
Profit for the year	**547,996**	573,981
Other comprehensive income:		
Revaluation increment on property	**9,845**	9,977
Available-for-sale financial asset adjustment	**68,656**	109,790
Tax effect on available-for-sale adjustment	**(16,275)**	(32,937)
Other comprehensive income for the year, net of tax	**62,226**	86,830
Total comprehensive income for the year	**610,222**	660,811

The accompanying notes form part of these financial statements.

Central Victorian Investments Ltd
ABN 35 058 071 631

Statement of Financial Position
As At 30 June 2012

	Note	2012 $	2011 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2	**1,987,165**	1,706,039
Receivables	3	**329,201**	318,743
Investments	4	**16,518,687**	12,964,620
Loans secured by mortgage	5	**63,190,601**	56,547,387
Other assets	6	**18,116**	21,632
Current tax receivable	17	**29,440**	-
TOTAL CURRENT ASSETS		**82,073,210**	71,558,421
NON-CURRENT ASSETS			
Investments	4	**-**	499,250
Property, plant and equipment	7	**2,015,953**	2,002,837
Deferred tax assets	17	**13,552**	218,920
Intangible assets	8	**100,000**	100,000
TOTAL NON-CURRENT ASSETS		**2,129,505**	2,821,007
TOTAL ASSETS		**84,202,715**	74,379,428
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	**1,280,916**	1,055,263
Current debentures	10	**76,472,100**	65,753,991
Short-term provisions	11	**15,274**	16,633
Current tax liabilities	17	**-**	66,041
TOTAL CURRENT LIABILITIES		**77,768,290**	66,891,928
NON-CURRENT LIABILITIES			
Non-current debentures	10	**3,588,616**	4,980,591
Long-term provisions	11	**14,727**	10,039
Deferred tax liabilities	17	**135,150**	135,150
TOTAL NON-CURRENT LIABILITIES		**3,738,493**	5,125,780
TOTAL LIABILITIES		**81,506,783**	72,017,708
NET ASSETS		**2,695,932**	2,361,720
EQUITY			
Issued capital	12	**467,871**	467,871
Reserves	13	**734,812**	672,586
Retained earnings		**1,493,249**	1,221,263
TOTAL EQUITY		**2,695,932**	2,361,720

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
For the Year Ended 30 June 2012

2012

	Note	Ordinary Shares	Preference Shares	Retained Earnings	Available for Sale Investment Reserve	Asset Revaluation Reserve	Lending Risk Reserve	Capital Reserve	Total
		$	$	$	$	$	$	$	$
Balance at 1 July 2011		67,871	400,000	1,221,263	(52,381)	433,948	-	291,019	2,361,720
Comprehensive income attributable to members		-	-	547,996	52,381	9,845	-	-	610,222
Dividends paid	18	-	-	(276,010)	-	-	-	-	(276,010)
Balance at 30 June 2012		67,871	400,000	1,493,249	-	443,793	-	291,019	2,695,932

2011

	Note	Ordinary Shares	Preference Shares	Retained Earnings	Available for Sale Investment Reserve	Asset Revaluation Reserve	Lending Risk Reserve	Capital Reserve	Total
		$	$	$	$	$	$	$	$
Balance at 1 July 2010		67,871	400,000	577,292	(129,234)	423,971	330,000	291,019	1,960,919
Comprehensive income attributable to members		-	-	573,981	76,853	9,977	-	-	660,811
Lending Risk Reserve Transfer		-	-	330,000	-	-	(330,000)	-	-
Dividends paid	18	-	-	(260,010)	-	-	-	-	(260,010)
Balance at 30 June 2011		67,871	400,000	1,221,263	(52,381)	433,948	-	291,019	2,361,720

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the Year Ended 30 June 2012

	Note	2012 $	2011 $
CASH FROM OPERATING ACTIVITIES:			
Interest and fees received		**6,832,978**	6,351,166
Interest paid		**(5,156,953)**	(4,879,334)
Payments to suppliers and employees		**(631,235)**	(485,178)
Income tax paid		**(150,714)**	(282,135)
Net cash provided by operating activities	22	**894,076**	704,519
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from disposal of plant and equipment		**5,500**	-
Purchase of property, plant and equipment		**(39,199)**	(4,305)
Net increase in secured loans		**(6,643,214)**	(12,864,490)
Net movement in investments		**3,522,526**	-
Net cash used by investing activities		**(3,154,387)**	(12,868,795)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid		**(276,010)**	(260,010)
Net increase in deposits		**9,326,134**	5,587,334
Net cash provided by financing activities		**9,050,124**	5,327,324
Net increase (decrease) in cash and cash equivalents held		**6,789,813**	(6,836,952)
Cash and cash equivalents at beginning of year		**11,716,039**	18,552,991
Cash and cash equivalents at end of financial year	2(a)	**18,505,852**	11,716,039

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2012

The financial report covers Central Victorian Investments Ltd as an individual entity. Central Victorian Investments Ltd is a company limited by shares, incorporated and domiciled in Australia.

1 Summary of Significant Accounting Policies

Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Income tax

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

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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

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

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred 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, based on tax rates enacted or substantively enacted at the end of the reporting year. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Notes to the Financial Statements
For the Year Ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(a) Income tax (continued)

Current assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less which are convertible to a known amount of cash and subject to an insignificant risk of change in value.

(c) Loans secured by mortgage

All loans secured by mortgage are recorded under Current Receivables, as they have been advanced on the basis that they are recoverable in full within 30 days of service by the mortgagee of written demand.

(d) Provision for doubtful loans

Under AASB 137: Provisions, Contingent Liabilities and Contingent Assets the company is prohibited from recognising a provision for future operating losses that have been construed as a general provision. The company has assessed loans in arrears and no specific provision was deemed to be necessary.

(e) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the statement of comprehensive income.

(f) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation.

1 Summary of Significant Accounting Policies (continued)

(f) Property, plant and equipment (continued)

Property

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against this reserve directly in equity; all other decreases are charged to the statement of comprehensive income.

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

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses. Cost includes expenditure that is directly attributable to the asset.

The cost of fixed assets constructed within the company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Depreciation

The depreciable amount of all fixed assets including buildings, but excluding freehold land, is depreciated on a diminishing value or straight-line basis 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 assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2% straight-line
Building revonations	5% diminishing value
Computer Software	25-40% straight-line
Plant and Equipment	10-50% diminishing value

The assets' residual values, depreciation methods 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.

(g) Investment property

Investment property, comprising freehold office complexes, is held to generate long-term rental yields. All tenant leases are on arm's length basis. Investment property is carried at fair value, determined at least tri-annually by independent valuers.

Notes to the Financial Statements

For the Year Ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(h) Intangibles - Goodwill

Under AASB 3: Business Combinations, goodwill is capitalised to the balance sheet and subjected to an annual impairment test. Amortisation of goodwill is prohibited. Up until 30 June 2005 accounting policy of the company was to amortise goodwill on a straight-line basis over a period of 10 years.

There was no impairment of goodwill in the year ended 30 June 2012 and 30 June 2011.

(i) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(j) Employee benefits

Provision is made for the company's liabilities for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cashflows are discounted using market yields on government bonds with terms to maturity that match the expected timing of cashflows.

(k) Valuation of investments

The relevant Australian Accounting Standard is AASB 139 Financial Instruments: Recognition and Measurement. Financial instruments can basically be valued according to three separate criteria:

1. Financial assets bought and sold essentially as trading stock. These investments are always to be accounted for at market value with profits and losses taken directly to the statement of comprehensive income. AASB 139 clause 55(a).

2. Investments purchased on the basis that they will be held until maturity, and

3. Investments that are classified as "available for sale" but which are generally intended to be held for the long term. ie, not purchased for short term trading.

The investments of the company include financial instruments known as collaterized debt obligations (CDO's) and floating rate notes. At the end of each reporting period the question arises as to how potential writedowns in values should be accounted for, and how should the company's investments properly be classified.

The values used in these figures are provided by various financial organisations which specialise in marketing financial products, and are the Mid Capital Price based on current trading of same or similar investments without inclusion of accrued interest.

Although some investment sales have taken place over the years, it has never been the intention or practice of Central Victorian Investments Limited to act as traders of financial assets and accordingly the company's investments should not be accounted for as if they were. Historically, investments have been considered as "available for sale" although most have been retained until maturity.

Given general uncertainty in the market in recent times and the importance of liquidity, the directors of Central Victorian Investments Limited believe that the correct classification of their Collaterised Debt Obligations and

Notes to the Financial Statements
For the Year Ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(k) Valuation of investments (continued)

Floating Rate Notes are "available for sale" except for one Floating Rate Note (held with an Australian Financial Institution) which is classified as "held to maturity" as the company has the intention of keeping this instrument until its maturity date.

AASB 139 clause 55(b) requires that gains or losses on "available for sale" investments be recognised directly in equity except for impairment losses as described in AASB 139 clauses 67 to 70, which should be taken directly to the statement of comprehensive income.

Fair value declines on financial assets categorised as "available for sale" may only be recognised directly in equity if they do not meet the criteria of "significant" or "prolonged" (AASB 139 para 61). If either of those criteria is satisfied the fair value decline is an impairment loss, with total decline in value since initial recognition to be recognised in the statement of comprehensive income. Any subsequent recovery in value is processed to the Available-for-sale investment reserve.

(l) Revenue and other income

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of Central Victorian Investments Ltd's activities as discussed below.

Interest on Investments is recognised on a proportional basis taking into account interest rates applicable to financial assets. Interest on loans is accrued on a daily basis. Rental income is recognised in accordance with the lease agreement. Administration fees are recognised on a six monthly basis in arrears. Application fees are recognised on establishment of the loan..

(m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(n) Comparative figures

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

(o) 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 Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

1 Summary of Significant Accounting Policies (continued)

(p) New accounting standards for application in future periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The company has decided against early adoption of these Standards. The following table summarises those future requirements, and their impact on the company:

Standard name	Effective date for entity	Requirements	Impact
AASB 9 Financial Instruments and amending standards AASB 2009-11 / AASB 2010-7	30 June 2014	- Changes to the classification and measurement requirements for financial assets and financial liabilities. - New rules relating to derecognition of financial instruments.	The impact of AASB 9 has not yet been determined.
AASB 2010-8 Amendment to Australian Accounting Standards – Deferred tax: Recovery of underlying assets	30 June 2013	Adds a presumption to AASB 112 that the recovery of the carrying amount of an investment property at fair value will be through sale.	No impact expected.
AASB 13 Fair Value Measurement [expected to be released by AASB in July / August 2011]. AASB 2011-8 - Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]	30 June 2014	AASB 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Accounting Standards but does not change when fair value is required or permitted. There are a number of additional disclosure requirements.	Fair value estimates currently made by the entity will be revised and potential changes to reported values may be required. The entity has not yet determined the magnitude of any changes which may be needed. Some additional disclosures will be needed.
AASB 2011 – 4 - Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	30 June 2014	Remove individual key management personnel disclosure requirements (i.e. components of remuneration) for disclosing entities.	Since the entity is a disclosing entity, the KMP remuneration note in the financial statements will not include individual components of remuneration.
AASB 2011-9 - Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income.	30 June 2013	Entities will be required to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).	The items shown in other comprehensive income will be separated into two categories.

Notes to the Financial Statements
For the Year Ended 30 June 2012

2 Cash and Cash Equivalents

	2012	2011
	$	$
Cash at bank and in hand	**1,987,165**	1,706,039

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	2012	2011
Cash and cash equivalents	**1,987,165**	1,706,039
Deposits	**16,518,687**	10,010,000
Balance as per statement of cash flows	**18,505,852**	11,716,039

3 Receivables

	2012	2011
CURRENT		
Accrued interest on investments	**68,989**	64,682
Accrued interest on loans	**260,212**	254,061
	329,201	318,743

4 Investments

	2012	2011
Held-to-maturity financial assets	**16,518,687**	10,479,250
Available for sale financial assets	**-**	2,984,620
Total investments	**16,518,687**	13,463,870

	2012	2011
Total current investments	**16,518,687**	12,964,620
Total non-current investments	**-**	499,250
Total investments	**16,518,687**	13,463,870

	2012	2011
CURRENT		
Short Term Deposits - Banks/ADIs		
Less than 3 months to maturity	**16,518,687**	10,010,000
Longer than 3 months to maturity	**-**	3,000,000
	16,518,687	13,010,000
Less market value writedown	**-**	(45,380)
Total current investments	**16,518,687**	12,964,620

Notes to the Financial Statements
For the Year Ended 30 June 2012

4 Investments (continued)

	2012 $	2011 $
NON-CURRENT		
Other allowed investments	-	1,500,000
Less market value writedown	-	(1,000,750)
Total non-current investments	-	499,250

5 Loans Secured by Mortgage

	2012 $	2011 $
Loans secured by mortgage	**63,190,601**	56,547,387
Less: Provision for doubtful debts	-	-
	63,190,601	56,547,387

The loans above can be divided into the following segments:	2012 $	2011 $
Residential	**34,506,612**	26,941,051
Rural	**9,556,296**	8,877,849
Commercial	**9,157,472**	8,146,568
Subdivisional land	**607,000**	1,589,137
Industrial	**2,668,875**	1,879,180
Specialised accommodation	**1,946,428**	2,095,798
Construction/Development	**4,747,918**	7,017,804
Total	**63,190,601**	56,547,387

The entity holds security over the loans to the value of $122,033,556 ($122,654,777).

6 Other Assets

	2012 $	2011 $
CURRENT		
Prepayments	**18,116**	21,632

Notes to the Financial Statements
For the Year Ended 30 June 2012

7 Property, Plant and Equipment

	2012 $	2011 $
LAND AND BUILDINGS		
Freehold land		
At independent valuation	**1,520,000**	1,520,000
Building		
At independent valuation	**430,000**	430,000
Total land and buildings	**1,950,000**	1,950,000
PLANT AND EQUIPMENT		
Plant and equipment		
At cost	**269,857**	248,892
Accumulated depreciation	**(203,904)**	(196,055)
Total plant and equipment	**65,953**	52,837
Total property, plant and equipment	**2,015,953**	2,002,837

The revaluation of freehold land and buildings was based on the assessment of their current market value. The independent revaluation was carried out by Mr Alan J Hives, Dip Ag Sci, FAPI on 31 March 2010.

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land $	Buildings $	Plant and Equipment $	Total $
Balance at 30 June 2012				
Balance at the beginning of year	1,520,000	430,000	52,837	2,002,837
Additions	-	-	39,199	39,199
Disposals - written down value	-	-	(4,394)	(4,394)
Revaluation increment	-	9,845	-	9,845
Depreciation expense	-	(9,845)	(21,689)	(31,534)
Balance at 30 June 2012	1,520,000	430,000	65,953	2,015,953
Balance at 30 June 2011				
Balance at the beginning of year	1,520,000	430,000	67,313	2,017,313
Additions	-	-	4,305	4,305
Revaluation increment	-	9,977	-	9,977
Depreciation expense	-	(9,977)	(18,781)	(28,758)
Balance at 30 June 2011	1,520,000	430,000	52,837	2,002,837

Notes to the Financial Statements

For the Year Ended 30 June 2012

7 Property, Plant and Equipment (continued)

(b) Historical Cost

If land and buildings were stated at historical cost, amounts would be as follows:

	2012	2011
	$	$
Land at cost	**900,000**	900,000
Buildings at cost	**610,609**	610,609
Accumulated depreciation	**(108,766)**	(96,554)
Net book value	**1,401,843**	1,414,055

8 Intangible Assets

	2012	2011
Goodwill		
Contributory mortgage practice	**100,000**	100,000
Less accumulated amortisation	**-**	-
	100,000	100,000

Goodwill is allocated to cash-generating units which are based on the Group's loan and depositor segments. The recoverable amount of the cash-generating unit is determined based on value-in-use calculations.

9 Trade and Other Payables

	2012	2011
CURRENT		
Unsecured liabilities		
Accrued interest on deposits	**1,263,387**	1,032,192
Sundry payables and accrued expenses	**17,529**	23,071
	1,280,916	1,055,263

10 Debentures

	2012	2011
CURRENT		
At Call	**13,966,580**	8,822,310
Not longer than 3 months	**23,858,706**	22,831,131
Longer than 3 and not longer than 12 months	**39,646,814**	34,100,550
	77,472,100	65,753,991
NON-CURRENT		
Longer than 12 and not longer than 24 months	**3,588,616**	4,980,591
	81,060,716	70,734,582

Notes to the Financial Statements
For the Year Ended 30 June 2012

11 Provisions

Analysis of total provisions

	2012	2011
	$	$
Current	**15,274**	16,633
Non-current	**14,727**	10,039
	30,001	26,672

CURRENT		
Provision for annual leave	**15,274**	16,633
NON-CURRENT		
Provision for long service leave	**14,727**	10,039

12 Issued Capital

67,871 (2011: 67,871) Ordinary - fully paid	**67,871**	67,871
400,000 (2011: 400,000) Preference - fully paid	**400,000**	400,000
	467,871	467,871

12 Issued Capital (continued)

(a) Capital Management

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and to ensure that the company can fund its operations and continue as a going concern. The company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. The entity needs to meet certain capital requirements imposed by its Trustee. These capital requirements have been met for the year ended 30 June 2012. Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of depositor and loan levels and distributions to shareholders. There have been no changes in the strategy adopted by management to control the capital of the company since the prior year. The trust deed requires the entity to maintain a tangible net asset value of $500,000. The calculation of the tangible net asset value is as follows:

	2012 $	2011 $
Total net assets per financial statements	**2,695,931**	2,361,721
Exclude:		
Deferred tax asset	**13,552**	218,920
Goodwill	**100,000**	100,000
Accrual for interest on entity investments	**68,989**	64,682
Total tangible net assets	**2,513,390**	1,978,119

13 Reserves

(a) Asset Revaluation Reserve

The Asset Revaluation Reserve accounts for the unrealised gains on assets due to revaluation to fair value.

(b) Lending Risk Reserve

The Lending Risk Reserve records the amount previously set aside as a General provision for Doubtful Debts and is maintained to comply with the requirements of the Provic Association Inc. and prudent lending practice.

(c) Capital Reserve

The Capital Reserve Account is maintained to preserve the Capital in the company following the redemption of Preference Shares out of Retained Profits.

(d) Available-for-Sale Investments Reserve

The Available for Sale Investments Reserve records the after-tax impairment impact of available-for-sale investments.

Notes to the Financial Statements

For the Year Ended 30 June 2012

14 Contingent Liability

Central Victorian Investments Limited operates under a trust deed debenture dated 17 November 1999 with Sandhurst Trustees Limited acting as Trustee. The Company is the holder of an Australian Financial Service Licence issued by the Australian Securities and Investments Commission (ASIC) on 12 June 2003. Pursuant to the conditions of this licence, Central Victorian Investments Limited had lodged with the ASIC a $20,000 National Australia Bank guarantee as security. It is further noted, however, that subsequent to the 30 June 2012 year end the company has cancelled the guarantee with effect to 27 July 2012 upon the ASIC advising the company that the conditions of the licence no longer require the guarantee to be held.

15 Financial Risk Management

Interest Rate Risk

The company's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Maturing within 1 Year		Maturing 1 to 5 Years		Non-interest Bearing		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	%	%	$	$	$	$	$	$	$	$	$	$
Financial Assets:												
Cash and cash equivalents	3.75	4.00	1,987,165	1,706,039	-	-	-	-	-	-	1,987,165	1,706,039
Receivables	-	-	-	-	-	-	-	-	329,201	318,743	329,201	318,743
Investments	4.86	5.62	-	-	16,518,687	12,964,620	-	499,250	-	-	16,518,687	13,463,870
Loans secured by mortgage	9.34	9.81	63,190,601	56,547,387	-	-	-	-	-	-	63,190,601	56,547,387
Total Financial Assets			65,177,766	58,253,426	16,518,687	12,964,620	-	499,250	329,201	318,743	82,025,654	72,036,039
Financial Liabilities:												
Debentures	6.80	7.29	13,966,580	8,822,310	63,505,520	56,931,681	3,588,616	4,980,591	-	-	81,060,716	70,734,582
Trade and sundry payables	-	-	-	-	-	-	-	-	1,280,916	1,055,263	1,280,916	1,055,263
Total Financial Liabilities			13,966,580	8,822,310	63,505,520	56,931,681	3,588,616	4,980,591	1,280,916	1,055,263	82,341,632	71,789,845

Notes to the Financial Statements
For the Year Ended 30 June 2012

15 Financial Risk Management (continued)

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial report.

The company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the company.

Liquidity risk

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate liquid investments are held.

Net Fair Values

The net fair values of listed investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying values. No financial assets or financial liabilities are readily traded on organised markets in standardised form other than listed investments.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements. Fair values are in line with carrying values.

Notes to the Financial Statements

For the Year Ended 30 June 2012

16 Income Tax Expense

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

	2012	2011
	$	$
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2011: 30%)	**235,844**	246,983
Add:		
Tax effect of:		
- non-deductible depreciation	**2,307**	2,312
Income tax expense	**238,151**	249,295

(b) The components of tax expense comprise:

	2012	2011
Current tax expense		
Current period tax liability	**55,232**	145,212
Deferred tax expense		
Net movement in deferred tax asset	**182,919**	104,083
Total income tax expense	**238,151**	249,295

17 Tax

		2012	2011
(a)	**Current Tax Asset**		
	Current tax receivable	**29,440**	-
(b)	**Current Tax Liability**		
	Income tax payable	-	66,041
(c)	**Recognised deferred tax assets**		
	Expenses not tax deductible until paid	**4,552**	3,960
	Temporary timing differences	**9,000**	8,002
	Available-for-sale assets fair value adjustment	-	206,958
		13,552	218,920
(d)	**Recognised deferred tax liabilities**		
	Deferred tax liability - asset revaluation	**135,150**	135,150

Notes to the Financial Statements

For the Year Ended 30 June 2012

18 Dividends and Franking Account Balance

Franked dividends declared or paid during the year were franked at the tax rate of 30%.

Franking account

	2012 $	2011 $
The franking credits available for subsequent financial years at a tax rate of 30%	**466,750**	463,767

The ability to use the franking credits is dependent upon the entity's future ability to declare dividends.

19 Interests of Key Management Personnel

The key management personnel of Central Victorian Investments Ltd is comprised of the company Directors and the General Manager, Brendan Gillett. The total of remuneration paid to key management personnel of Central Victorian Investments Ltd during the year, which represents the fixed salary of the General Manager, and the related statutory superannuation charge, is as follows:

	2012	2011
Short-term employee benefits	**107,595**	106,250
Post-employment benefits	**9,683**	9,563
	117,278	115,813

20 Related Party Transactions

(i) As detailed in the current Prospectus in Section 5.7 'Security and Risk Assessment', the Company does not permit loans to Directors, Managers, Secretaries or Shareholders of the Company. Any loans made to staff members would be made on ordinary arms length terms. There were no loans made to staff members or outstanding from staff members for the years ended 30 June 2012 and 30 June 2011.

(ii) The Directors, Staff and many direct family members connected to each, are investors / debenture holders in the Company, with such investments being made on a normal, arms length basis. For this reason it is not considered necessary to divulge total amounts held on these investments as it would potentially breach the privacy of the individuals concerned.

(iii) During the year rental income of $41,000 (2011: $41,000) was received from Nevett, Wilkinson Frawley, a firm of solicitors of which one the current directors of the Company is a Partner. The rent was charged at commercial rates for the use of office space in Ballarat.

Notes to the Financial Statements
For the Year Ended 30 June 2012

21 Auditor's Remuneration

	2012 $	2011 $
Remuneration of the auditor of the company for:		
- auditing or reviewing the financial statements	**17,250**	16,500
- assistance provided in the preparation of the annual financial report	**2,500**	2,500
	19,750	19,000

22 Cash Flow Information

	2012	2011
Reconciliation of net income to net cash provided by operating activities:		
Profit for the year	**547,996**	573,981
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation	**31,534**	28,758
- net gain on disposal of property, plant and equipment	**(1,106)**	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	**(10,458)**	(90,789)
- (increase)/decrease in prepayments	**3,516**	(116)
- (increase)/decrease in deferred tax receivable	**189,093**	104,083
- increase/(decrease) in trade and other payables	**(5,542)**	11,543
- increase/(decrease) in income taxes payable	**(95,481)**	(136,923)
- increase/(decrease) in interest payable	**231,195**	206,358
- increase/(decrease) in employee benefits	**3,329**	8,624
Cashflow from operations	**894,076**	705,519

23 Company Details

The registered office of and principal place of business of the company is:

Central Victorian Investments Ltd
41 Lydiard Street South
Ballarat Vic 3350

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 27, are in accordance with the *Corporations Act 2001* and:

   a. comply with Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

   b. give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the company.

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 declaration is made in accordance with a resolution of the Board of Directors.

Director ....
Peter Alexander Bain

Director ....
John Arthur Cameron Nevett

Dated 24 September 2012

WHK

Ballarat
21 Armstrong Street North
Ballarat, Victoria 3350

PO Box 44
Ballarat, Victoria 3353

T 03 5304 5700
F 03 5304 5750

Casterton

Colac

Coleraine

Geelong

Hamilton

Ocean Grove

Portland

Stawell

Warrnambool

Werribee

ballarat@whk.com.au
www.whk.com.au

WHK Pty Ltd
ABN 84 006 466 351

Central Victorian Investments Ltd
ABN 35 058 071 631

Independent Auditor's Report to the members of Central Victorian Investments Ltd

We have audited the accompanying financial report of Central Victorian Investments Ltd, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors" Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards.*

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Central Victorian Investments Ltd
ABN 35 058 071 631

Independent Auditor's Report to the members of Central Victorian Investments Ltd

Opinion

In our opinion:

(a) the financial report of Central Victorian Investments Ltd 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 2012 and of its performance for the year ended on that date; and

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

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

WHK Western Victoria Audit Partnership

Bruce R Judkins
Audit Partner
Signed at Ballarat, 24th day of September 2012