

Central Victorian Investments Ltd

Financial Statements

For the Year Ended 30 June 2018

Central Victorian Investments Ltd

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For the Year Ended 30 June 2018

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Central Victorian Investments Ltd

Directors' Report

For the Year Ended 30 June 2018

Your directors present their report on Central Victorian Investments Ltd for the financial year ended 30 June 2018.

Directors

The names of each person who has been a director during the year and to the date of this report are:

John Arthur Cameron Nevett (Resigned as director 16 August 2018)

Francis Damien Frawley

Peter Alexander Bain

Peter John Catramados

David Peter Draper

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 has been the company secretary since 2005. Prior to this role, Brendan Gillett was employed in the Business and Finance Sector from 1983 until 1999 and was a Business Development Manager from 1999 until being appointed by Central Victorian Investments Ltd.

Principal activities

The principal activity of Central Victorian Investments Ltd during the financial year was to act as an investment company. The Company's business model is to raise funds from investors through the issue of Secured Notes to provide for the Company's principal activity, which is to lend these funds on the security of registered first mortgages over titles to real property principally in Victoria, and to invest in other investments as permitted by the Trust Deed. The Company profits are derived primarily from the difference between its average interest rate on mortgage loans and investment of liquid funds and the average rate of interest paid to Secured Note holders. Secured Note holders do not participate in profits of the Company, but receive a rate of return on their investments.

No significant change 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 \$827,135 (2017: \$956,857).

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 \$424,568 (2017: \$362,390).

Review of operations

Overall the trading position of Central Victorian Investments for the 2018 year has been extremely strong. The liquidity position at the beginning of the financial year, 32.14%, higher than the Boards' targeted range. At the conclusion of the year, the liquidity position decreased to 33.34% primarily due to timing factors in the loans falling due and an increase in depositor funds which increased year on year by 12.77%. We will continue to attempt to find more quality, non-construction type lending opportunities to maintain these levels ongoing. The Company's trading position has been very steady and maintained reasonable trading profits compared with previous years. The directors do not expect any losses on loans and are expecting continued steady profitability.

Central Victorian Investments Ltd

Directors' Report

For the Year Ended 30 June 2018

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.

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

John Arthur Cameron Nevett

First appointed as a director in 1993. A former practising solicitor. Partner of Fraser Nevett & Frawley - Retired 30 June 2010.
Ownership interest of 5,986 shares in Central Victorian Investments Ltd.
Resigned as director 16 August 2018

Francis Damien Frawley

First appointed as a director in 1993. A practising solicitor. Partner of Nevett Wilkinson Frawley Pty Ltd.
Life governor of Child & Family Services Inc.
Ownership interest of 16,967 shares in Central Victorian Investments Ltd.

Peter Alexander Bain

First appointed as a director in 1999. A former practising solicitor who retired 30 June 2012.
Vice Chairman of Geelong Tryboys Brigade.
Life Governor of Vision Australia Foundation.
Ownership interest of 16,967 shares in Central Victorian Investments Ltd.

Peter John Catramados

First appointed as a director in 2015.
A Fellow of the Mortgage and Finance Association of Australia (MFAA) and an Accredited Mortgage Consultant.
Past Victorian State President of the MFAA and National Director and current member of the MFAA Disciplinary Tribunal.
Ownership interest of 10,985 shares in Central Victorian Investments Ltd.

David Peter Draper

First appointed as a director in 2015.
Managing Director of Draper's Civil Contracting Pty Ltd since 1989.
Directorships held in numerous Commercial, Industrial and Residential Property Businesses.
Ownership interest of 16,967 shares in Central Victorian Investments Ltd.

Central Victorian Investments Ltd

Directors' Report

For the Year Ended 30 June 2018

Meetings of directors

During the financial year, 10 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
John Arthur Cameron Nevett	10	8
Francis Damien Frawley	10	9
Peter Alexander Bain	10	9
Peter John Catramados	10	10
David Peter Draper	10	10

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 \$5,434 (2017: \$4,902) 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.

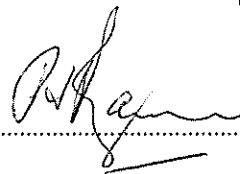
Directors' Report
For the Year Ended 30 June 2018

Auditor's independence declaration

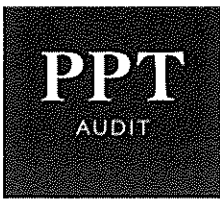
The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2018 has been received and can be found on page 5 of the financial report.

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

Director: 
Francis Damien Frawley

Director: 
Peter Alexander Bain

Dated 6 September 2018



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Auditor 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, in relation to the audit for the year ended 30 June 2018 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

PPT Audit Pty Ltd
PPT Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'JH', written over a faint, circular stamp or watermark.

Jason Hargreaves
Director

Signed at Ballarat, 7th day of September 2018

Central Victorian Investments Ltd

Statement of Comprehensive Income
For the Year Ended 30 June 2018

	Note	2018 \$	2017 \$
Revenue			
Administration Fees		20,625	17,573
Application Fees		223,473	133,656
Interest		4,362,633	4,149,111
Rental Income		99,405	101,718
		<u>4,706,136</u>	<u>4,402,058</u>
Expenses			
Accounting Fees		15,078	14,737
Advertising & Promotions		51,377	37,373
Annual Leave		(2,272)	(358)
Audit Fees		30,204	29,788
Bank Fees and Charges		7,368	7,354
Cleaning		5,537	4,624
Commission		62,129	53,074
Computer Expenses		36,044	41,278
Depreciation		18,871	16,559
Director Meeting Allowance		33,000	25,000
Equipment Purchases - Minor		311	2,505
Fringe Benefits Tax		1,394	1,985
Heat, Light, Power & Utilities		5,587	5,597
Insurance		28,260	28,248
Interest		2,737,657	2,529,575
Land Tax		3,991	3,991
Legal Fees		11,060	9,040
Licence & Registration Fees		5,612	5,608
Long Service Leave		(9,696)	4,687
Motor Vehicle Expenses		4,836	6,785
Office Repairs		10,352	7,214
Postage		7,216	8,157
Printing and Stationery		16,770	13,314
Sponsorships		4,199	13,105
Superannuation		23,541	24,793
Subscriptions		9,265	7,812
Sundry Expenses		9,893	34,450
Telephone		8,938	10,240
Travel & Conference Expenses		16,173	14,381
Trustee Fees		114,505	109,526
Valuation Fees		10	1,650
Wages		296,402	290,649
		<u>3,563,612</u>	<u>3,362,741</u>

The accompanying notes form part of these financial statements.

Central Victorian Investments Ltd

Statement of Comprehensive Income

For the Year Ended 30 June 2018

	2018	2017
Note	\$	\$
Operating profit before income tax	1,142,524	1,039,317
Legal recovery from CDO's previously written off as a bad debt	-	283,426
Plant & Equipment disposed at written down value	-	(109)
Profit before income tax	1,142,524	1,322,634
Income Tax Expense	17 (315,389)	(365,777)
Profit for the year	827,135	956,857
Other Comprehensive Income, net of tax		
Net gain on revaluation of land and buildings	17 -	24,317
Total comprehensive income attributable to: Owners of the Company	827,135	981,174

The accompanying notes form part of these financial statements.

Central Victorian Investments Ltd

Statement of Financial Position

As At 30 June 2018

	Note	2018 \$	2017 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2	7,108,273	4,468,049
Receivables	3	215,378	199,610
Investments	4	18,010,000	17,010,000
Loans secured by mortgage	5	55,358,300	49,945,321
Other assets	6	18,596	16,786
TOTAL CURRENT ASSETS		80,710,547	71,639,766
NON-CURRENT ASSETS			
Property, plant and equipment	7	1,257,780	1,274,031
Investment property	8	1,000,000	1,000,000
Deferred tax assets	18	24,524	31,280
Intangible assets	9	100,000	100,000
TOTAL NON-CURRENT ASSETS		2,382,304	2,405,311
TOTAL ASSETS		83,092,851	74,045,077
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	737,611	637,330
Current debentures	11	70,766,831	62,348,985
Short-term provisions	12	38,141	56,057
Current tax liabilities	18	53,985	44,351
TOTAL CURRENT LIABILITIES		71,596,568	63,086,723
NON-CURRENT LIABILITIES			
Non-current debentures	11	4,582,550	4,468,136
Long-term provisions	12	17,785	26,837
Deferred tax liabilities	18	211,653	211,653
TOTAL NON-CURRENT LIABILITIES		4,811,988	4,706,626
TOTAL LIABILITIES		76,408,556	67,793,349
NET ASSETS		6,684,295	6,251,728
EQUITY			
Issued capital	13	1,972,973	1,942,973
Reserves	14	681,847	681,847
Retained Earnings		4,029,475	3,626,908
TOTAL EQUITY		6,684,295	6,251,728

The accompanying notes form part of these financial statements.

Central Victorian Investments Ltd

Statement of Changes in Equity
For the Year Ended 30 June 2018

2018

	Note	Ordinary Shares	Retained Earnings	Asset Revaluation Surplus	Total
		\$	\$	\$	\$
Balance at 1 July 2017		1,942,973	3,626,908	681,847	6,251,728
Comprehensive income attributable to members		-	827,135	-	827,135
Shares issued during the year	13	30,000	-	-	30,000
Dividends paid	19	-	(424,568)	-	(424,568)
Balance at 30 June 2018		1,972,973	4,029,475	681,847	6,684,295

2017

	Note	Ordinary Shares	Retained Earnings	Asset Revaluation Surplus	Total
		\$	\$	\$	\$
Balance at 1 July 2016		1,918,076	3,032,441	657,530	5,608,047
Comprehensive income attributable to members		-	956,857	24,317	981,174
Shares issued during the year	13	24,897	-	-	24,897
Dividends paid	19	-	(362,390)	-	(362,390)
Balance at 30 June 2017		1,942,973	3,626,908	681,847	6,251,728

The accompanying notes form part of these financial statements.

Central Victorian Investments Ltd

Statement of Cash Flows
For the Year Ended 30 June 2018

	2018	2017
Note	\$	\$
CASH FROM OPERATING ACTIVITIES:		
Interest and fees received	4,690,368	4,682,915
Interest paid	(2,638,911)	(2,505,425)
Payments to suppliers and employees	(804,327)	(758,641)
Income tax paid	(298,999)	(530,899)
Net cash provided by operating activities	24 <u>948,131</u>	<u>887,950</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(2,620)	(15,490)
Net movement in secured loans	(5,412,979)	1,241,220
Net cash provided by / (used in) investing activities	<u>(5,415,599)</u>	<u>1,225,730</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(424,568)	(362,390)
Net movement in deposits	8,532,260	4,549,954
Net cash provided by / (used in) financing activities	<u>8,107,692</u>	<u>4,187,564</u>
Net increase / (decrease) in cash and cash equivalents held	3,640,224	6,301,244
Cash and cash equivalents at beginning of year	<u>21,478,049</u>	<u>15,176,805</u>
Cash and cash equivalents at end of financial year	2(a) <u><u>25,118,273</u></u>	<u><u>21,478,049</u></u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2018

This financial report covers the financial statements and notes of Central Victorian Investments Ltd. Central Victorian Investments Ltd is a for profit Company domiciled in Australia. The financial statements were authorised for issue by the Board of Directors on 06 September 2018.

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 directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

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.

Notes to the Financial Statements

For the Year Ended 30 June 2018

1 Summary of Significant Accounting Policies

(a) Income tax

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.

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 and deposits held at call with banks. For the purpose of the cash flow statement, cash and cash equivalents also includes 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.

Short term highly liquid investments are disclosed as investments in the statement of financial position and are further detailed in Note 4.

(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.

Notes to the Financial Statements

For the Year Ended 30 June 2018

1 Summary of Significant Accounting Policies

(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.

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.

All freehold land and buildings are recognised in the statement of financial position under property, plant and equipment as the land buildings are integral to the ongoing operations of the Company. Periodically rental income is earned from leasing part of the Company's land and buildings but this rental income is considered incidental to the primary strategic purpose of retaining the asset.

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. Cost includes expenditure that is directly attributable to the asset.

The carrying amount of plant and equipment 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, which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

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:

Buildings	2.5% straight-line
Computer Software	25-50% straight-line
Plant and Equipment	10-50% diminishing value

Notes to the Financial Statements

For the Year Ended 30 June 2018

1 Summary of Significant Accounting Policies

(f) **Property, plant and equipment**

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 is held to generate long-term rental yields and capital growth. Investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the statement of comprehensive income as other income/expenses.

(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.

There was no impairment of goodwill in the years ended 30 June 2018 or 30 June 2017.

(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 liability for employee benefits arising from services rendered by employees to the end of the reporting year. 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. In determining the liability consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

Contributions are made by the Company to an employee superannuation fund and are charged as expenses when incurred.

(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

Notes to the Financial Statements

For the Year Ended 30 June 2018

1 Summary of Significant Accounting Policies

(k) Valuation of investments

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 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.

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:

- Loan interest is calculated and accrued on the daily balance outstanding and is charged in arrears to a member's account on the last day of each month.
- Interest on Investments is recognised on a proportional basis taking into account interest rates applicable to financial assets.
- 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.

Notes to the Financial Statements

For the Year Ended 30 June 2018

1 Summary of Significant Accounting Policies

(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)

As a financial institution, Central Victorian Investments Ltd is input taxed on all revenue except for revenue from commissions, rents and some fees. An input taxed supply is not subject to GST collection and similarly the GST paid on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to reduced input tax credits ('RITC'), of which 75% of the GST paid is recoverable.

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.

(p) Critical accounting estimates and judgments

Management has been involved in the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates. In particular, information about areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 5 - Loans Secured by Mortgage - provision for doubtful debts assessment
- Note 7 - Property, Plant and Equipment - fair value assessment
- Note 9 - Intangible Asset - fair value assessment - recoverable amount

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements. However, as additional information is known then the actual results may differ from the estimates.

Notes to the Financial Statements

For the Year Ended 30 June 2018

1 Summary of Significant Accounting Policies

(q) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

(r) New accounting standards and interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended, but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2018. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

AASB 9 Financial Instruments (effective 1 January 2018)

The new standard replaces the existing complicated, rules-based approach to financial instruments with simplified principles. Increased judgement will be required to apply these principles. A deeper understanding of how an entity manages its financial instruments will be required. Depending on circumstance, more financial instruments will likely be measured subsequently at fair value. System remodelling will likely be required to implement impairment.

Classification and measurement

The classification of financial assets has been simplified: Debt instruments meeting the 'business model' and 'cash flow characteristics' tests can be measured at amortised cost. All other financial assets, including investments in equity instruments, are measured at fair value. Movements in fair value for equity instruments can be presented in other comprehensive income (OCI) in some instances.

Most financial liabilities will be classified and measured at amortised cost. Others, such as derivatives, are measured at fair value through profit or loss.

For financial assets, embedded derivatives are not separated from the host.

Reclassifications of financial assets can only take place in limited circumstances; this is expected to be uncommon. Financial liabilities are not reclassified.

Fair value is measured as an exit price from the perspective of a market participant, including 'non-performance risk' adjustments for liabilities, which are presented in OCI. Cost may be an approximation of fair value only in very limited circumstances.

Impairment

Entities are required to account for 12-month 'expected credit losses' (ECL) when financial assets are first recognised. 'Full-lifetime' ECL are recognised when there is a substantial increase in credit risk. The calculation of interest revenue does not change until there is objective evidence of impairment.

Notes to the Financial Statements

For the Year Ended 30 June 2018

1 Summary of Significant Accounting Policies

(r) **New accounting standards and interpretations not yet mandatory or early adopted**

Transition

Transitional arrangements include a comospective application. 'Non-performance risk' adjustments related to liabilities at fair value through profit or loss can already be presented in OCI without adopting the remainder of the standard.

AASB 15 Revenue from Contracts with Customers (effective 1 January 2018)

The standard replaces most of the existing standards and interpretations relating to revenue recognition, including AASB 118 *Revenue* and AASB 111 *Construction Contracts*.

The standard will have little, if any, effect on the amount and timing of revenue recognised for the most straightforward contracts. Changes are likely where contracts extend over time, where there are considerations that may vary the timing or amount of the consideration, or where there are multiple performance elements, such as product warranties, customer loyalty programmes, customer incentives and rights of return. Some industries, for example telecommunications, construction and software, will be significantly impacted.

The standard shifts the focus from the transaction-level to a contract-based approach. Recognition is determined based on what the customer expects to be entitled to (rights and obligations), while measurement encompasses estimation by the entity of the amount expected to be entitled for performing under the contract.

All existing revenue recognition will follow a 5-step process:

Step 1: Identify the contract with the customer,

Step 2: Identify the performance obligations in the contract,

Step 3: Determine the transaction price,

Step 4: Allocate the transaction price to the performance obligations in the contract, and

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard will apply to not-for-profit entities with contracts with customers, even if some of those contracts might have been regarded as 'non-reciprocal' in accordance with existing AASB 1004 *Contributions*. The effect is that revenue for some not-for-profits may be deferred.

Significant implementation guidance is included with the standard.

Transition

The entity has a choice of 'full retrospective' or 'modified retrospective' approach.

AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 (effective 1 January 2018)

AASB 2015-5 incorporates the consequential amendments arising from the issuance of AASB 15.

AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) (effective 1 January 2018)

AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9.

Notes to the Financial Statements

For the Year Ended 30 June 2018

1 Summary of Significant Accounting Policies

- (r) **New accounting standards and interpretations not yet mandatory or early adopted**

AASB 2015-8 Amendments to Accounting Standards - Effective Date of AASB 15 (effective 1 January 2017)

AASB 2015-8 amends the mandatory date of AASB 15 *Revenue from Contracts with Customers* so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. It also defers the consequential amendments that were originally set out in AASB 2014-5 *Amendments to Australian Standards arising from AASB 15*.

AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative : Amendments to AASB 107

AASB 2016-2 amends AASB 107 *Statement of Cash Flows* to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes.

AASB 2016-3 Amendments to Australian Accounting Standards- Clarifications to AASB 15

The amendments clarify the application of AASB 15 in three specific areas to reduce the extent of diversity in practice that might otherwise result from differing views on how to implement the requirements of the new standard. They will help companies:

- Identify performance obligations (by clarifying how to apply the concept of 'distinct')
- Determine whether a company is a principal or an agent in a transaction (by clarifying how to apply the control principle)
- Determine whether a licence transfers to a customer at a point in time or over (by clarifying when a company's activities significantly affect the intellectual property to which the customer has rights).

The amendments also create two additional practical expedients available for use when implementing AASB 15:

- For contracts that have been modified before the beginning of the earliest period presented, the amendments allow companies to use hindsight when identifying the performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations.
- Companies applying the full retrospective method are permitted to ignore contracts already complete at the beginning of the earliest period presented.

Notes to the Financial Statements

For the Year Ended 30 June 2018

1 Summary of Significant Accounting Policies

(r) New accounting standards and interpretations not yet mandatory or early adopted

AASB 16 - Leases (effective 1 January 2019)

AASB 16:

- Replaces AASB 117 Leases and some lease-related Interpretations
- Required 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
- Requires new and different disclosures about leases

Central Victorian Investments Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Cash and Cash Equivalents

	2018	2017
Note	\$	\$
Cash at bank and in hand	<u>7,108,273</u>	<u>4,468,049</u>

(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:

Cash and cash equivalents	2	7,108,273	4,468,049
Investments	4	<u>18,010,000</u>	<u>17,010,000</u>
Balance as per statement of cash flows		<u>25,118,273</u>	<u>21,478,049</u>

3 Receivables

CURRENT

Accrued interest on investments	61,480	58,048
Accrued interest on loans	<u>153,898</u>	<u>141,562</u>
	<u>215,378</u>	<u>199,610</u>

4 Investments

2018	2017
\$	\$

Held-to-maturity financial assets	<u>18,010,000</u>	<u>17,010,000</u>
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Total current investments	<u>18,010,000</u>	<u>17,010,000</u>
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CURRENT

Short Term Deposits - Banks/ADIs

Less than 3 months to maturity	<u>18,010,000</u>	<u>17,010,000</u>
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Notes to the Financial Statements

For the Year Ended 30 June 2018

5 Loans Secured by Mortgage

	2018	2017
	\$	\$
Loans secured by mortgage	55,358,300	49,945,321
Less: Provision for doubtful debts	-	-
	<u>55,358,300</u>	<u>49,945,321</u>

An analysis on the loans 'past due but not impaired' can be found in Note 16(a) under the heading Credit Risk Exposures.

The loans above can be divided into the following segments:

Residential	28,802,717	28,633,326
Rural	4,263,268	3,612,913
Commercial	5,220,018	5,607,267
Subdivisional land	1,790,736	-
Industrial	1,493,195	1,990,386
Specialised accommodation	3,358,251	1,681,533
Construction/Development	10,430,115	8,419,896
Total	<u>55,358,300</u>	<u>49,945,321</u>

The entity holds security over the loans to the value of \$118,591,907 (2017: \$104,622,067).

6 Other Assets

CURRENT
Prepayments

<u>18,596</u>	<u>16,786</u>
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Notes to the Financial Statements
For the Year Ended 30 June 2018

7 Property, Plant and Equipment

	2018	2017
	\$	\$
<i>LAND AND BUILDINGS</i>		
Freehold land		
Land	860,000	860,000
Buildings		
Buildings	390,000	390,000
Accumulated depreciation	(9,750)	-
Total buildings	380,250	390,000
Total land and buildings	1,240,250	1,250,000
<i>PLANT AND EQUIPMENT</i>		
Plant and equipment		
At cost	262,254	259,634
Accumulated depreciation	(244,724)	(235,603)
Total plant and equipment	17,530	24,031
Total property, plant and equipment	1,257,780	1,274,031

The revaluation of freehold land and buildings was based on the assessment of their current market value and the asset's highest and best use. The independent revaluation was carried out by Mr Alan J Hives, Dip Ag Sci, FAPI on 15 June 2017 and applied effective 30 June 2017.

(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 2017				
Balance at the beginning of year	860,000	390,000	24,031	1,274,031
Additions	-	-	2,620	2,620
Depreciation expense	-	(9,750)	(9,121)	(18,871)
Balance at 30 June 2018	860,000	380,250	17,530	1,257,780
Balance at 30 June 2016				
Balance at the beginning of year	860,000	390,000	15,459	1,265,459
Additions	-	-	15,490	15,490
Disposals - written down value	-	-	(109)	(109)
Revaluation increment	-	9,750	-	9,750
Depreciation expense	-	(9,750)	(6,809)	(16,559)
Balance at 30 June 2017	860,000	390,000	24,031	1,274,031

Central Victorian Investments Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2018

7 Property, Plant and Equipment

(b) Historical Cost

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

	2018	2017
	\$	\$
Land at cost	250,000	250,000
Buildings at cost	266,215	266,215
Accumulated depreciation	(99,384)	(94,060)
Net book value	416,831	422,155

8 Investment Property

Balance at beginning of year

1,000,000 1,000,000

Fair value adjustments

- -

Balance at end of year

1,000,000 1,000,000

The revaluation of freehold land and buildings was based on the assessment of their current market value and the asset's highest and best use. The independent revaluation was carried out by Mr Alan J Hives, Dip Ag Sci, FAPI on 15 June 2017 and applied effective 30 June 2017.

9 Intangible Assets

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.

10 Trade and Other Payables

CURRENT

Unsecured liabilities

Accrued interest on deposits

705,701 606,955

Sundry payables and accrued expenses

31,910 30,375

737,611 637,330

Notes to the Financial Statements
For the Year Ended 30 June 2018

11 Debentures

	2018	2017
	\$	\$
CURRENT		
At Call	17,739,886	15,636,648
Not longer than 3 months	20,577,220	15,391,440
Longer than 3 and not longer than 12 months	32,449,725	31,320,897
	<u>70,766,831</u>	<u>62,348,985</u>
NON-CURRENT		
Longer than 12 and not longer than 24 months	4,582,550	4,468,136
	<u>75,349,381</u>	<u>66,817,121</u>

12 Provisions

Analysis of total provisions

Current	38,141	56,057
Non-current	17,785	26,837
	<u>55,926</u>	<u>82,894</u>

CURRENT

Provision for annual leave	12,814	15,086
Provision for long service leave	10,327	10,971
Other provisions	15,000	30,000
	<u>38,141</u>	<u>56,057</u>

NON-CURRENT

Provision for long service leave	17,785	26,837
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13 Issued Capital

Ordinary - fully paid	<u>1,972,973</u>	<u>1,942,973</u>
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(a) Ordinary shares

	2018	2017
	No.	No.
At the beginning of the reporting period	102,629	102,175
Shares issued during the year	492	454
At the end of the reporting period	<u>103,121</u>	<u>102,629</u>

Notes to the Financial Statements

For the Year Ended 30 June 2018

13 Issued Capital

(a) Ordinary shares

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

(b) Capital Management

Management controls the capital of the group in order to maintain a compliant 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 . 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:

	2018	2017
	\$	\$
Total net assets per financial statements	6,684,295	6,251,728
Exclude:		
Deferred tax asset	24,524	31,280
Goodwill	100,000	100,000
Total tangible net assets	6,559,771	6,120,448

14 Reserves

Asset Revaluation Reserve

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

Notes to the Financial Statements

For the Year Ended 30 June 2018

15 Contingent Liability

Central Victorian Investments Limited operates the Grow with Us Account product. Bonus interest is payable to depositors if they meet certain requirements during the month. As at 30 June 2018 this bonus interest has not accrued but is payable. The exposure of this interest is immaterial to the operating result and no greater than \$1,000.

16 Financial Risk Management

The main risks Central Victorian Investments Ltd is exposed to through its financial instruments are credit risk, liquidity risk and market risk in relation to interest rate risk.

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans and debentures.

The totals for each category of financial instruments held by the Company are as follows:

	Note	2018 \$	2017 \$
Financial Assets			
Cash and cash equivalents	2	7,108,273	4,468,049
Investments	4	18,010,000	17,010,000
Loans secured by mortgage	5	55,358,300	49,945,321
Total financial assets		80,476,573	71,423,370
Financial Liabilities			
Debentures	11	75,349,381	66,817,121
Total financial liabilities		75,349,381	66,817,121

Cash and cash equivalents and investments are held with major Australian owned banks, which are regulated by the Australian Prudential Regulation Authority. Bankruptcy or insolvency by those banks may cause the Company's rights with respect to the cash held by those banks to be delayed or limited.

Financial Risk Management Policies

The directors' overall risk management strategy seeks to assist the Company in meeting its financial targets whilst minimising potential adverse effects on financial performance. The General Manager has primary responsibility for the development of relevant policies and procedures to mitigate the risk exposure of the Company. Risk management policies are reviewed by the directors on a regular basis. These include credit risk policies and cash flow requirements.

(a) Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Company has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

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.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

Notes to the Financial Statements

For the Year Ended 30 June 2018

16 Financial Risk Management

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.

Credit risk associated with loans secured by mortgage is considered low as the Company holds first mortgage security to minimise the risk of a borrower failing to discharge its obligations or commitments to the Company. The Company's outstanding loans are regularly reviewed to ensure compliance with required payments and conditions.

The following table details the Company's loans secured by mortgage exposure to credit risk 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. Loans secured by mortgage that are past due are assessed for impairment by ascertaining the solvency of the counterparty to the transaction and are provided for where there is objective evidence indicating that the debt may not be fully repaid to the Company.

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

	Gross amount \$	Past due but not impaired (days overdue)		
		31-60 \$	61-90 \$	> 90 \$
2018				
Loans secured by mortgage	55,358,300	-	-	-
Provision for impairment	-	-	-	-
Total	55,358,300	-	-	-
2017				
Loans secured by mortgage	49,945,321	-	-	-
Provision for impairment	-	-	-	-
Total	49,945,321	-	-	-

Impairment losses

A provision for impairment is recognised when there is objective evidence that an individual loan is impaired. The Company has assessed that it has no impaired loans as at 30 June 2018.

The Company holds first mortgage collateral security over all mortgages.

(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's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Company's reputation.

The Company is exposed to the liquidity risk of meeting at call debenture holders withdrawals at any time.

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

Notes to the Financial Statements

For the Year Ended 30 June 2018

16 Financial Risk Management

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 2018

16 Financial Risk Management

(c) 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		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	%	%	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets:										
Cash and cash equivalents	1.72	2.21	7,108,273	4,468,049	-	-	-	-	7,108,273	4,468,049
Investments	2.35	2.32	-	-	18,010,000	17,010,000	-	-	18,010,000	17,010,000
Loans secured by mortgage	7.35	7.44	55,358,300	49,945,321	-	-	-	-	55,358,300	49,945,321
Total Financial Assets			62,466,573	54,413,370	18,010,000	17,010,000	-	-	80,476,573	71,423,370
Financial Liabilities:										
Debentures	3.76	3.78	17,739,886	15,636,648	53,026,945	46,712,337	4,582,550	4,468,136	75,349,381	66,817,121
Total Financial Liabilities			17,739,886	15,636,648	53,026,945	46,712,337	4,582,550	4,468,136	75,349,381	66,817,121

Notes to the Financial Statements

For the Year Ended 30 June 2018

17 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:

	2018	2017
	\$	\$
Prima facie tax payable on profit from ordinary activities before income tax at 27.50% (2017: 27.50%)	314,194	363,724
Tax effect of:		
- non-deductible depreciation	1,195	1,826
- effect of corporate rate change on deferred tax liability	-	(1,750)
- effect of corporate rate change on deferred tax asset	-	1,977
Income tax expense	315,389	365,777

(b) Tax effect relating to each component of other comprehensive income:

	2018			2017		
	Before-tax Amount	Tax (Expense) Benefit	Net-of-tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net-of-tax Amount
	\$	\$	\$	\$	\$	\$
Gain on land and buildings revaluation	-	-	-	9,750	14,567	24,317

(c) The components of tax expense comprise:

Current tax expense		
Current period tax liability	308,633	375,082
Deferred tax expense		
Net movement in deferred tax asset	6,756	(7,555)
Net movement in deferred tax liability	-	(1,750)
Total income tax expense	315,389	365,777

18 Tax

(a) Current Tax Liability		
Income tax payable	53,985	44,351
(b) Recognised deferred tax assets		
Expenses not tax deductible until paid	13,269	14,546
Temporary timing differences	11,255	16,734
	24,524	31,280

Central Victorian Investments Ltd

Notes to the Financial Statements
For the Year Ended 30 June 2018

18 Tax

(c) Recognised deferred tax liabilities		
Deferred tax liability - asset revaluation	211,653	211,653

19 Dividends and Franking Account Balance

The following dividends were declared and paid:

Interim franked ordinary dividend of 1.77 (2017: 1.18) dollars per share	181,461	120,440
Interim franked ordinary dividend of .88 (2017: -) dollars per share	91,165	-
Final franked ordinary dividend of 1.47 (2017: 2.36) dollars per share	151,942	241,950
Total	424,568	362,390

Franked dividends declared or paid during the year were franked at the tax rate of 27.50%.

Franking account

The franking credits available for subsequent financial years at a tax rate of 27.50% (2017:27.50%)

1,745,454	1,607,498
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The ability to use the franking credits is dependent upon the entity's future ability to declare dividends.

20 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:

Short-term employee benefits	165,000	139,897
Post-employment benefits	10,925	10,925
	175,925	150,822

The Remuneration Report contained in the Directors' Report contains details of the remuneration paid or payable to each member of Central Victorian Investments Ltd's key management personnel for the year ended 30 June 2018.

21 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 2018 and 30 June 2017.
- (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

Notes to the Financial Statements

For the Year Ended 30 June 2018

21 Related Party Transactions

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 \$40,990 (2017 \$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.

22 Auditor's Remuneration

	2018	2017
	\$	\$
Remuneration of the auditor of the company for:		
- auditing or reviewing the financial statements -		
PPT Audit	<u>29,850</u>	<u>27,210</u>

23 Fair Value Measurement

The Company measures the following assets and liabilities at fair value on a recurring basis:

- Property, plant and equipment
- Investment property

Fair value hierarchy

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

The table below shows the assigned level for each asset and liability held at fair value:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
30 June 2018				
Recurring fair value measurements				
Property, plant and equipment - land and buildings	-	1,250,000	-	1,250,000
Investment property	-	1,000,000	-	1,000,000
30 June 2017				
Recurring fair value measurements				
Property, plant and equipment - land and buildings	-	1,250,000	-	1,250,000
Investment property	-	1,000,000	-	1,000,000

Notes to the Financial Statements
For the Year Ended 30 June 2018

23 Fair Value Measurement

Level 2 measurements

The revaluation of freehold land and buildings was based on the assessment of their current market value and the asset's highest and best use. The independent revaluation was carried out by Mr Alan J Hives, Dip Ag Sci, FAPI on 15 June 2017 and applied effective 30 June 2017.

Highest and best use

The current use of each asset measured at fair value is considered to be its highest and best use.

24 Cash Flow Information

Reconciliation of net income to net cash provided by operating activities:

	2018	2017
	\$	\$
Profit for the year	827,135	956,857
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation	18,871	16,559
- write off property, plant and equipment	-	109
- share options expensed	30,000	24,897
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(15,768)	(2,570)
- (increase)/decrease in prepayments	(1,810)	(37)
- (increase)/decrease in deferred tax receivable	6,756	(7,554)
- increase/(decrease) in trade and other payables	1,535	8,775
- increase/(decrease) in income taxes payable	9,634	(155,817)
- increase/(decrease) in deferred taxes payable	-	(1,749)
- increase/(decrease) in interest payable	98,746	24,150
- increase/(decrease) in employee benefits	(26,968)	24,330
Cashflow from operations	<u>948,131</u>	<u>887,950</u>

Central Victorian Investments Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2018

25 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

Central Victorian Investments Ltd

Directors' Declaration

The directors of the Company declare that:

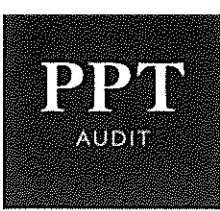
1. The financial statements and notes, as set out on pages 6-35, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 30 June 2018 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
Francis Damien Frawley

Director
Peter Alexander Bain

Dated 6 September 2018



Independent Auditor's Report To the Directors of Central Victorian Investments Ltd

Opinion

We have audited the financial report of Central Victorian Investments Ltd (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and 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, the accompanying financial report of the Company 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 2018 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 are independent of the Company 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.

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

Responsibilities of Directors for the Financial Report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the Directors determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's ability 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 intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.



Independent Auditor's Report To the Directors of Central Victorian Investments Ltd

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Director's 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.
- 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 communicate with those charged with governance 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.

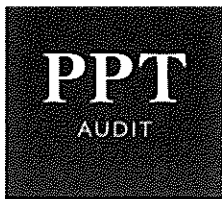
We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

PPT Audit Pty Ltd
PPT Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'J. Hargreaves', written over a circular stamp or seal.

Jason Hargreaves
Director

Signed at Ballarat, 7th day of September 2018



Independent Auditor's Assurance Report in Relation to Benchmark Information to the Trustee of Unsecured Note Holders of Central Victorian Investments Ltd

We have:

- (a) audited the design and operating effectiveness of certain internal controls over the benchmark information appearing on pages 5 to 7 of Prospectus 19 for Central Victorian Investments Ltd ("the Entity") dated 11 August 2017 to support the opinion below; and
- (b) reviewed the disclosure of certain Benchmark Information to support the conclusion below.

Directors' responsibilities

The directors of the Entity are responsible for the preparation and presentation of the Benchmark Information in accordance with ASIC Regulatory Guide 69 *Debentures and unsecured notes – improving disclosure for retail investors* ("RG 69"). The directors are also responsible for establishing and maintaining internal controls relevant to the preparation and presentation of the Benchmark Information, and for monitoring compliance with the benchmarks.

Auditor's responsibilities

Audit of controls over benchmarks

Our responsibility is to express an opinion on the adequacy of the design and operating effectiveness of the internal controls in relation to the equity ratio of the Entity (being the ratio of total equity to the sum of total equity and liabilities), cash flow projections of the Entity and lending by the Entity that are relevant to achieving the control objectives in the opinion below.

Our procedures have been conducted in accordance with applicable Standards on Assurance Engagements issued by the Auditing and Assurance Standards Board, except that the effect of events occurring after 30th June 2018 up to the date of this report have not been considered. The Standards on Assurance Engagements require that we comply with the relevant ethical requirements relating to assurance engagements and plan and perform the audit to obtain reasonable assurance whether the internal controls have been designed and operated effectively to achieve the control objectives in the opinion below. Our procedures have been undertaken to form an opinion whether in all material respects, the internal controls in relation to the equity ratio of the Entity, cash flow projections of the Entity and lending by the Entity were adequately designed and operated effectively to support the opinion below.

Because of the inherent limitations of any internal control structure it is possible that fraud or errors may occur and not be detected. We have not audited the overall internal control structure and no opinion is expressed as to its effectiveness. An audit is not designed to detect all weaknesses in control procedures or all instances of non-compliance as it is not performed continuously throughout the period and the tests performed are on a sample basis having regard to the nature and size of the Entity.

Any projection of the evaluation of internal control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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

Review of benchmarks

Our responsibility is to express a conclusion on certain disclosures in relation to the rollover approach, on lending of funds and the value of property security, based on a review.

We conducted our review in accordance with applicable Standards on Assurance Engagements, except that the effect of events occurring after 30th June 2018, up to the date of this report have not been considered. Our review was conducted, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the matters specified in the conclusion below are not presented, in all material respects, in accordance with the relevant paragraphs of RG 69.

A review is limited primarily to inquiries of company personnel, review of documented policies, and analytical procedures applied to relevant financial data. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the matters that are subject to a review.

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

Opinion on controls

In our opinion, in all material respects, the internal controls of the Entity were adequately designed and operated effectively during the period from 1st July 2017 to 30th June 2018 to achieve the control objectives below:

- (a) The equity ratio of the Entity was appropriately monitored and instances where the ratio was less than 20% were identified and reported to the directors;
- (b) The Entity had at all times a cash flow projection covering at least the following 3 months in accordance with paragraph 37 of RG 69;
- (c) The Entity had calculated the cash flow projections referred to in (b) on the basis of the assumptions the entity adopted for those projections;
- (d) Maximum loan to valuation ratios of 70% of the latest complying valuation where the loan relates to development property and 80% of the latest complying market valuation for other loans were met; and
- (e) Loans to property developers were only provided in stages based on external evidence of progress of the development.

Review conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the disclosure of:

- (a) The rollover approach in the Benchmark Information;
- (b) Where the Entity on-lends funds, policies and other information provided in the Benchmark Information in relation to loans and lending (including lending to related parties); and
- (c) Where the Entity lent money for property-related activities, policies and other information provided in the Benchmark Information in relation to the value of property security;

were not presented, in all material respects, in accordance with paragraphs 45, 52 to 54 and 62 to 63 of RG 69.

Restriction on distribution

This report has been prepared for the entity for the purpose of providing the report to the trustee for Central Victorian Investments Ltd and the Australian Securities and Investments Commission ("ASIC"). This report is intended solely for the trustees and ASIC and should not be distributed to or used by parties other than the trustee or ASIC

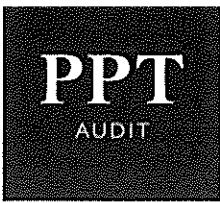
PPT Audit Pty Ltd

PPT Audit Pty Ltd



Jason Hargreaves
Director

Signed at Ballarat, 7th day of September 2018



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Phone (03) 5331 3711
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Report of Auditor for the Period Ended 30 June 2018 of Central Victorian Investments Ltd

In accordance with Clause 9.05 of the Trust Deed for Debenture Stock ("the Deed"), I hereby report the following matters:

- The amount of the Issued Debenture Stock as at 30 June 2018 was \$75,349,380.90.
- All interest due and Principal Moneys repayable on the Issued Debenture Stock have been paid;
- The Company has duly maintained the Register of Debenture holders;
- To the best of my knowledge, information and belief I have not become aware, in the course of the performance of my duties as auditor, of the occurrence of any one or more of the events listed in Clause 12 of the Deed.

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A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the left.

Jason Hargreaves
Director

Signed at Ballarat, 7th day of September 2018

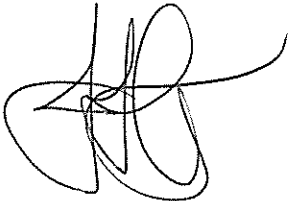
Auditor's Report on Borrowing Limitations of Central Victorian Investments Ltd

In accordance with Clause 7.02 of the Trust Deed for Debentures Stock ("the deed"), I hereby report the following matters:

- I have audited the Statement of Financial Position of the Company as at 30 June 2018 and based on the information disclosed therein and having regard to the issued Debenture Stock, it is my opinion that the amount of Debenture Stock which could as at 30 June 2018 be issued by the Company without breach of the limitations contained in Clause 8 of the deed is unlimited.
- In the period between 30 June 2018 and the date of this report, I have not become aware of any material circumstances which would, if taken into account at the date of this report affect the amount of Debenture Stock which may be issued without breaching the limitations set out in Clause 8.01 of the deed.

PPT Audit Pty Ltd

PPT Audit Pty Ltd



Jason Hargreaves
Director

Signed at Ballarat, 7th day of September 2018