Northern Victoria
Finances Limited
ABN 33 091 514 966

2008 annualreport





Contents

Chairperson's report

For year ending 30 June 2008

It is with a great deal of pleasure that I write my third Chairperson's report.

Growth for the last financial year is almost $9.389 million, another wonderful result for Nathalia **Community Bank®** Branch. Congratulations must go to our Manager Peter Halden.

The Board is committed to growing the business and the purchase of Numurkah banking agency is verification of that. This acquisition will ensure growth of our business and allow for increased profits to Nathalia district as well as providing the Numurkah community the opportunity to be part of the grants program. This venture has also created six new positions within the business, a very exciting outcome in these challenging economic times.

The grants program will again see a significant amount of money distributed to groups and organisations within our community this year.

The Nathalia **Community Bank®** Branch is well aware of the hardships experienced by the community largely caused by drought conditions. We encourage existing customers and potential customers to make an appointment to see our Manager Peter. Bendigo Bank has a range of financial options designed to help our rural customers make it through these trying times. Peter would be only too pleased to offer any advice or assistance.

As a community based bank branch we realise that the strength of our branch relies upon the strength of our community. It is our aim to continue to build on our past successes.

I would encourage everyone to come into the bank and discuss your banking needs with Peter or any staff member. Nathalia **Community Bank®** Branch offers a full range of banking products and services. Our rates are always competitive and banking with the Nathalia **Community Bank®** Branch ensures a strong and profitable branch able to fund larger projects, benefiting the whole community.

The main features of our business are:

- Total business under management as at 30 June 2008 of $66.711 million (up $9.389 million on last year)
- Number of accounts 4161 (up 145 on last year)
- Net profit before interest, taxes and extraordinary items* $282,482
- Dividend of 8.00 cents per share (7.25 last year)
- Distribution to community groups $34,720
- Total income 2007/08 financial year $756,835 (up from $622,713)
- Total expenses 2007/08 financial year $504,658 (up from$439,332)

Chairperson's report continued

On behalf of the Board and shareholders I want to acknowledge the dedication of our senior staff members Narelle Oakes, Jo Terry and Narelle Laffy. They have embraced the opportunity to expand into Numurkah with incredible enthusiasm. The support given to Peter and our new staff members has been exceptional. Their commitment to the Nathalia **Community Bank®** Branch is appreciated by us all. We are so fortunate to have such a professional team.

We extend a warm welcome to our new staff members. We look forward to making them feel part of our professional team, using their talents and skills to further the success of our branch.

In closing, I would like to thank the Board members who all give freely of their time to our **Community Bank®** branch. Special thanks to Lanie Pearce our Secretary and John Sheehan our Treasurer. Both these positions require many extra hours each month, which Lanie and John do with a minimum of fuss.

Kaye. C. Bernhardt

Kaye Bernhardt
Chairman

*extraordinary items – Nathalia Community Promotion $34,720

Manager's report

For year ending 30 June 2008

A wonderful year for our local **Community Bank®** branch! We have been excited this year to officially launch Bendigo Bank Telco through the branch, allowing us to retain more local capital by providing telephone and internet services.

Another year of drought conditions provided the region with ongoing challenges. We have been able to continue to support local customers and businesses and I am pleased to report that our branch met and exceeded our growth and profit targets during these trying times.

Toward the end of the year we made a very important purchase of the banking agency business in Numurkah and are very excited about the years ahead for our Company. Much hard work will be required to grow this small business to the profitable venture we expect over the next few years. I am confident with the pride we have in our service and our community involvement, the Numurkah community will support the branch and this will only further strengthen our overall business.

We have restructured our staffing at Nathalia, adding a second Customer Relations Officer and a Customer Service Manager, which are two new positions to improve our service. We have more new staff adding to our team over the coming weeks and I encourage all our shareholders to renew their relationships with our team.

Thank you for your continued support, and please remember that you can be an advocate for our banking service. Just mention us to your friends and family to help us continue the fantastic community outcomes we have been proud to provide.

Peter Halden

Branch Manager

Directors' report

For year ending 30 June 2008

Your Directors submit the financial report of the Company for the financial year ended 30 June 2008.

Directors

The names and details of the Company's Directors who held office during or since the end of the financial year are:

James Crawford Liddell
Director
Retired Retailer
Director since 9 February 2000

John Charles Giffard
Director
Administration Manager
Director since 9 February 2000

Kaye Bernhardt
Chairperson
Administrator
Director since 25 February 2002

Helen Ginnivan
Director
Assistant Principal
Director since 29 April 2002

Paul Richardson
Director
School Teacher
Resigned 3 July 2007

Ian James Brereton
Director
Pastry Cook
Director since 4 August 2003

Raelene June Pearce
Company Secretary
Farmer
Director since 3 February 2004

Mark Peterson
Director
Dairy Farmer
Director since 22 May 2007

John Sheehan
Director
School Teacher
Director since 27 November 2006

Directors were in office for the entire year unless otherwise stated.

No Directors have material interests in contracts or proposed contracts with the Company.

Principal activities

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

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

Directors' report continued

Operating results

Operations have continued to perform in line with expectations. The profit of the Company for the financial year after the provision for income tax was $148,071 (2007: $63,950).

	Year ended 30 June 2008	
Dividends	**Cents per share**	**$**
Final dividends recommended:	8.00	31,300
Dividends paid in the year:		
- As recommended in the prior year report	7.25	28,366

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report

Significant events after the balance date

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

Likely developments

The Company will continue its policy of providing banking services to the community.

Directors' benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest.

This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and Insurance of Directors and Officers

The Company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Managers of the Company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an Auditor of the Company or a related body corporate.

Directors' report continued

Directors meetings

The number of Directors meetings attended by each of the Directors of the Company during the year were:

Number of meetings held:	**12**
Number of meetings attended:	
James Crawford Liddell	8
Ian James Brereton	11
John Charles Giffard	9
Raelene June Pearce	12
Kaye Bernhardt	12
Helen Ginnivan	10
Paul Richardson (resigned 3 July 2007)	-
John Sheehan	11
Mark Peterson	11

Company Secretary

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

Her experience includes participation in a Company Secretary workshop, and during recent years as an office-holder on various local committees.

Corporate governance

The Company has implemented various corporate governance practices, which include:

(a) Director approval of operating budgets and monitoring of progress against these budgets;

(b) Ongoing Director training; and

(c) Monthly Director meetings to discuss performance and strategic plans.

Auditor independence declaration

The Directors received the following declaration from the Auditor of the Company:

Richmond Sinnott & Delahunty
Chartered Accountants.

Richmond Sinnott & Delahunty
Chartered Accountants

172 McIvor Road
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

Auditor's independence declaration

In relation to our audit of the financial report of Northern Victoria Finances Ltd for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the Auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner

Richmond Sinnott & Delahunty

25 September 2008

Signed in accordance with a resolution of the Board of Directors at Nathalia, Victoria on 25 September 2008.

Kaye. C. Bernhardt

Kaye C. Bernhardt
Chairperson

Financial statements

Income statement
For year ending 30 June 2008

	Note	2008 $	2007 $
Revenue from ordinary activities	2	756,835	622,932
Employee benefits expense	3	(248,899)	(255,781)
Charitable donations and sponsorship		(34,720)	(73,569)
Depreciation and amortisation expense	3	(44,449)	(39,120)
Finance costs	3	(30,305)	(1,901)
Administration and other expenses		(181,005)	(154,101)
Profit before income tax expense		**217,457**	**98,460**
Income tax expense	4	69,386	34,510
Profit after income tax expense		**148,071**	**63,950**
Earnings per share (cents per share)			
- basic for profit for the year	23	37.85	16.34
- diluted for profit for the year	23	37.85	16.34
- dividends proposed per share	22	8.00	7.25

The accompanying notes form part of these financial statements.

Balance sheet
As at 30 June 2008

	Note	2008 $	2007 $
Current assets			
Cash assets	6	90,255	145,829
Receivables	7	69,702	57,411
Total current assets		**159,957**	**203,240**
Non-current assets			
Property, plant and equipment	8	1,031,763	699,019
Intangible assets	9	112,074	28,438
Total non-current assets		**1,143,837**	**727,457**
Total assets		**1,303,794**	**930,697**
Current liabilities			
Payables	10	46,471	45,595
Interest bearing liabilities	11	4,590	4,178
Provisions	12	91,633	55,749
Total current liabilities		**142,694**	**105,522**
Non-current liabilities			
Interest bearing liabilities	11	358,920	490,738
Total non current liabilities		**358,920**	**490,738**
Total liabilities		**501,614**	**596,260**
Net assets		**802,180**	**334,437**
Equity			
Share capital	13	391,256	391,256
Retained earnings / (accumulated losses)	14	59,952	(56,819)
Asset revaluation reserve	15	350,972	-
Total equity		**802,180**	**334,437**

The accompanying notes form part of these financial statements.

Statement of cash flows
As at 30 June 2008

	Note	2008 $	2007 $
Cash flows from operating activities			
Cash receipts in the course of operations		815,460	686,437
Cash payments in the course of operations		(534,021)	(526,228)
Interest received		52	1,341
Borrowing costs		(30,305)	(1,901)
Income tax paid		(38,500)	(29,492)
Net cash flows from operating activities	**16b**	**212,686**	**130,157**
Cash flows from investing activities			
Payments for property, plant and equipment		(16,221)	(430,935)
Purchase of intangible assets		(93,636)	
Net cash flows used in investing activities		**(109,857)**	**(430,935)**
Cash flows from financing activities			
Dividends paid		(26,997)	(22,662)
Repayment of borrowings		(131,406)	308,622
Net cash flows from / (used in) financing activities		**(158,403)**	**285,960**
Net increase/(decrease) in cash held		**(55,574)**	**(14,818)**
Add opening cash brought forward		145,829	160,647
Closing cash carried forward	**16a**	**90,255**	**145,829**

The accompanying notes form part of these financial statements.

Statement of changes in equity
As at 30 June 2008

	Note	2008 $	2007 $
SHARE CAPITAL			
Ordinary shares			
Balance at start of year		391,256	391,256
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		**391,256**	**391,256**
Asset revaluation reserve			
Balance at start of year		-	-
Revaluation of buildings		350,972	
Balance at end of year		**350,972**	**-**
Retained earnings/(accumulated losses)			
Balance at start of year		(56,819)	(92,403)
Profit after income tax expense		148,071	63,950
Dividends paid/proposed		(31,300)	(28,366)
Balance at end of year		**59,952**	**(56,819)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 1. Basis of preparation of the financial report

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 25 September 2008.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2007 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Plant & equipment	10% - 30%
Buildings	2.50%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.

During the year the Directors agreed to bring to account buildings at current market value of $970,000 on the basis of an independent valuation prepared by Goulburn Valley Property Services on 3 January 2008.

A revaluation surplus of $350,972 has been credited to the asset revaluation reserve included in the equity section of the balance sheet.

Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Revaluations (continued)

An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus.

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the cash flow statement on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

The Company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Comparative figures

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

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Interest bearing liabilities

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Contributed capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Notes to the financial statements continued

	2008 $	2007 $

Note 2. Revenue from ordinary activities

Operating activities		
- services commissions	690,051	577,221
- other revenue	66,732	44,370
Total revenue from operating activities	**756,783**	**621,591**
Non-operating activities:		
- interest received	52	1,341
Total revenue from non-operating activities	**52**	**1,341**
Total revenue from ordinary activities	**756,835**	**622,932**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	216,363	225,995
- superannuation costs	21,171	16,453
- workers' compensation costs	5,070	3,716
- other costs	6,295	9,617
	248,899	**255,781**
Depreciation of non-current assets:		
- plant and equipment	9,813	11,442
- buildings	24,636	17,678
Amortisation of non-current assets:		
- intangibles	10,000	10,000
	44,449	**39,120**
Finance costs:		
- Interest paid	30,305	1,901
Bad debts	907	212

Notes to the financial statements continued

	2008 $	2007 $

Note 4. Income tax expense

The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:

Prima facie tax on profit at 30%	65,237	29,538
Add tax effect of:		
- Non-deductible expenses	4,149	4,972
Current income tax expense	**69,386**	**34,510**

Note 5. Auditors' remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:

- Audit or review of the financial report of the Company	**3,650**	**3,650**

Note 6. Cash assets

Cash at bank and on hand	**90,255**	**145,829**

Note 7. Receivables

Prepayments	-	595
Trade debtors	69,702	54,906
Other debtors	-	1,910
	69,702	**57,411**

Note 8. Property, plant and equipment

Land		
Freehold land at cost	11,600	11,600
Buildings		
At cost	82,896	82,896
Revaluation increment #	244,288	-
Less accumulated depreciation	(17,184)	(15,106)
	310,000	**67,790**

Notes to the financial statements continued

	2008 $	2007 $
Note 8. Property, plant and equipment (continued)		
DSE buildings		
At cost	591,480	591,480
Revaluation increment #	106,684	-
Less accumulated depreciation	(38,164)	(15,606)
	660,000	**575,874**
Plant and equipment		
At cost	142,159	125,938
Less accumulated depreciation	(91,996)	(82,183)
	50,163	**43,755**
Total written down amount	**1,031,763**	**699,019**
# Based on valuation by Goulburn Valley Property Services - refer note 1 for more details.		
Movements in carrying amounts		
Buildings		
Carrying amount at beginning of year	643,664	234,599
Additions	-	426,743
Revaluation	350,972	
Depreciation expense	(24,636)	(17,678)
Carrying amount at end of year	**970,000**	**643,664**
Plant and equipment		
Carrying amount at beginning of year	43,755	51,005
Additions	16,221	4,192
Disposals	-	-
Depreciation expense	(9,813)	(11,442)
Carrying amount at end of year	**50,163**	**43,755**

	2008 $	2007 $

Note 9. Intangible assets

	2008 $	2007 $
Franchise fee & establishment costs		
At cost	143,636	50,000
Less accumulated amortisation	(31,562)	(21,562)
	112,074	**28,438**

Note 10. Payables

	2008 $	2007 $
Trade creditors	24,504	15,220
Other creditors and accruals	21,967	30,375
	46,471	**45,595**

Note 11. Interest bearing liabilities

	2008 $	2007 $
Current		
Motor vehicle finance lease #	4,590	4,178
Non current		
Motor vehicle finance lease #	13,793	18,401
Loan	345,127	472,337
	358,920	**490,738**

The entire balance of the bank loan is treated as non current as repayments have been made in advance of required schedule.

Refer note 24 for contractual cash flow payments.

Note 12. Provisions

	2008 $	2007 $
Provision for income tax	41,693	10,807
Provision for dividends	34,461	30,158
Employee benefits	15,479	14,784
	91,633	**55,749**
Number of employees at year end	**6**	**6**

	2008 $	2007 $

Note 13. Share capital

391,256 Ordinary shares fully paid of $1 each	**391,256**	**391,256**

Note 14. Retained earnings / (accumulated losses)

Balance at the beginning of the financial year	(56,819)	(92,403)
Net profit after income tax	148,071	63,950
Dividends proposed or paid	(31,300)	(28,366)
Balance at the end of the financial year	**59,952**	**(56,819)**

Note 15. Asset revaluation reserve

Balance at the beginning of the financial year	-	-
Revaluation of buildings	350,972	-
Balance at the end of the financial year	**350,972**	**-**

Note 16. Statement of cash flows

(a) Reconciliation of cash

Cash assets	**90,255**	**145,829**
(b) Reconciliation of profit from ordinary activities after tax to net cash from/(used in) operating activities		
Profit after income tax	148,071	63,950
Non cash items		
- Depreciation	34,449	29,120
- Amortisation	10,000	10,000
Changes in assets and liabilities		
- (Increase) decrease in receivables	(12,291)	3,093
- Increase (decrease) in payables	876	18,952
- Increase (decrease) in employee benefits	695	24
- Increase (decrease) in income tax payable	30,886	5,018
Net cash flows from operating activities	**212,686**	**130,157**

Note 17. Director and related party disclosures

The names of Directors who have held office during the financial year are:

James Crawford Liddell

Ian James Brereton

John Charles Giffard

Raelene June Pearce

Kaye Bernhardt

Helen Ginnivan

Paul Richardson (resigned 3 July 2007)

John Sheehan

Mark Peterson

No Director or related entity has entered into a material contract with the Company. No Director's fees have been paid as the positions are held on a voluntary basis.

Directors shareholdings	**2008**	**2007**
James Crawford Liddell	2,001	2,001
Ian James Brereton	500	500
John Charles Giffard	601	601
Raelene June Pearce	500	500
Kaye Bernhardt	500	500
Helen Ginnivan	300	300
Paul Richardson (resigned 3 July 2007)	400	400
John Sheehan	-	-
Mark Peterson	400	400

There was no other movement in Directors shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

Note 18. Contingent liabilities

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

Note 19. Significant events after the balance date

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

Note 20. Segment reporting

The economic entity operates in the financial services sector were it provides banking services to its clients.

The economic entity operates in one geographic area being Nathalia, Victoria.

Note 21. Corporate information

Northern Victoria Finances Limited is a Company limited by shares incorporated in Australia.

The registered office and principal place of business is: 42 Blake Street, Nathalia.

	2008 $	2007 $
Note 22. Dividends paid or provided for on ordinary shares		
(a) Dividends proposed and recognised as a liability		
Franked dividends - 8 cents per share (2007: 7.25 cents per share)	31,300	28,366
(b) Dividends paid during the year		
Previous year final		
Franked dividends - 7.25 cents per share (2007: 6.25 cents - unfranked)	28,366	24,454
(c) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year at 30%	117,348	91,005
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	41,693	10,807
- Franking debits that will arise from the payment of dividends as at the end of the financial year	(13,414)	(12,156)
	145,627	**89,656**

	2008 $	2007 $

Note 23. Earnings per share

Basic earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year.		
Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).		
The following reflects the income and share data used in the basic and diluted earnings per share computations:		
Profit after income tax expense	**148,071**	**63,950**
Weighted average number of ordinary shares for basic and diluted earnings per share	**391,256**	**391,256**

Note 24. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is assisted in the area of risk management by an internal audit function.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Balance Sheet and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2008 $	**2007 $**
Cash assets	90,255	145,829
Receivables	69,702	57,411
	159,957	**203,240**

Note 24. Financial risk management (continued)

The Company's exposure to credit risk is limited to Australia by geographic area. The entire balance of receivables is due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2007: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

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

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

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount $	Contractual cash flows $	1 year or less $	over 1 to 5 years $	more than 5 years $
30 June 2008					
Payables	46,471	(46,471)	(46,471)	-	-
Interest bearing liabilities	363,510	(515,826)	(67,857)	(262,438)	(185,531)
	409,981	**(562,297)**	**(114,328)**	**(262,438)**	**(185,531)**
30 June 2007					
Payables	45,595	(45,595)	(45,595)	-	-
Interest bearing liabilities	494,916	(809,735)	(64,052)	(253,064)	(492,619)
	540,511	**(855,330)**	**(109,647)**	**(253,064)**	**(492,619)**

(c) Market risk

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

Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

Note 24. Financial risk management (continued)

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount	
	2008	**2007**
	$	**$**
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(18,383)	(22,579)
	(18,383)	**(22,579)**
Variable rate instruments		
Financial assets	90,255	145,829
Financial liabilities	(345,127)	(472,337)
	(254,872)	**(326,508)**

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2007 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Balance Sheet. The Company does not have any unrecognised financial instruments at year end.

(e) Capital management

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

Note 24. Financial risk management (continued)

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

(i) the Distribution Limit is the greater of:

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

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

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2008 can be seen in the Income Statement.

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

Director's declaration

In accordance with a resolution of the Directors of Northern Victoria Finances Limited, I state that:

In the opinion of the Directors:

(a) the financial statements and notes of the Company are 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 2008 and of their performance for the year ended on that date; and

   (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Kaye. C. Bernhardt

Kaye C. Bernhardt
Chairperson

Signed at Nathalia, Victoria on 25 September 2008.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF NORTHERN VICTORIA FINANCES LIMITED

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

SCOPE

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Northern Victoria Finances Limited, for the year ended 30 June 2008.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

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ABN 60 616 244 309

Independent audit report continued

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Northern Victoria Finances Limited is in accordance with:

(a) the Corporations Act 2001 including:

(i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and

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

(b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W Sinnott.

W. J. SINNOTT
Partner
Bendigo

Date: 25 September 2008

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Bendigo Bank