Northern Victoria

Finances Limited

ABN 33 091 514 966

annual report 2011

Nathalia **Community Bank®** Branch

Numurkah branch

Contents

Chairperson’s report

For year ending 30 June 2011

It is with great pleasure that I write my sixth Chairperson’s report, reflecting on the successful year that the **Community Bank®** Company has had and contemplate the bright future ahead of us.

Growth for the last financial year is almost $19 million. This truly is a wonderful result for Nathalia **Community Bank®** Branch and Numurkah branch. Heartfelt congratulations must be awarded to our Senior Manager Peter Halden, Numurkah Branch Manager Lisa Liddell and our dedicated staff members at both branches. Without doubt, they are a professional team. This significant growth achievement is proof of their effort, of which we can all reap the rewards.

As I write this report, the Board is proud to announce the commencement of the Nathalia Childcare Facility. This project will cost approximately $1 million to build. When completed, the benefits will reach the community in two ways. The facility will offer first class care for children, something desperately needed for working families in this area. The facility will also create employment, with up to a further 19 new jobs opportunities. This is an exciting project that the Board is enthusiastic about and extremely pleased to have underway.

Since inception the grants and sponsorship program has distributed in the vicinity of $200,000 back into the community. The funds granted kick start or give assistance to many worthwhile organisations for projects taking place, right here, within our community. Understandably, the grants program will distribute a reduced amount of funds in the coming year. This is due to our commitment to the construction and completion of the childcare facility and the need for extra funding to assist this project.

The key financial information for our business for this year can be summarized as:

- Total business under management as at 30 June 11 of $120,125,000 (increased from $101,766,000 last year)
- Number of accounts 6,972 (increased from 6,564 last year)
- Net profit before interest, taxes and extraordinary items $201,113
- Dividend paid of 7.50 cents per share (same as last year)
- Distribution to community groups $17,888
- Total income 2010/11 financial year $1,239,153 (increased from $1,043,758)
- Total expenses excluding tax, 2010/11 financial year $1,088,107 (increased from$975,433).

I would like to encourage everyone to come into the branches and discuss your banking needs with our Manager Peter, Lisa or any staff member. The **Community Bank®** Company offers a complete range of banking products and services. Our rates are always competitive in the broader marketplace. Banking with your local **Community Bank®** branch ensures a strong and profitable branch, able to fund larger projects, benefiting the whole community.

Chairperson's report continued

In closing, I would like to thank every Board member for their continued efforts. I am proud to say that our Board members give freely of their time to the **Community Bank®** Company. By doing so, they are providing a tremendous service for this community. Special thanks to our Secretary Lanie Pearce and our Treasurer Jim Liddell. Both these positions require many extra hours each month, which Lanie and Jim do with a minimum of fuss, but a great deal of commitment. As a **Community Bank®** Board, we realise that the strength of our branches rely upon the strength of our community. It is the Board's vision to keep moving forward into the future, building upon past successes.

Kaye Bernhardt
Chairperson

Senior Manager's report

For year ending 30 June 2011

This year has seen a very strong performance from both sites in meeting overall business growth targets. With now around $120 million in footings, confidence in our business is very solid showing our best business organic growth since 2007.

Numurkah branch is already close to producing enough income to break even, which is well ahead of average for a new branch. Nathalia now finds itself as the only bank left in town, our staff are all committed to maintaining our lofty standards and making sure any new customers are welcome and the transition should be as painless as possible for those moving their business.

On the staff front, we have had two of the team off for maternity leave and have welcomed a junior trainee, Sam German to our business. Thanks to all the staff for their commitment to the **Community Bank®** concept and so often going above the norm to help our clients.

Nothing helps a town prosper like jobs, we have continued to keep an eye on the bigger picture as well with lots of work going on in the background to grow services for the long term future of Nathalia and hope to make announcements in the new financial year.

It would be remiss of me not to thank the staff, Directors, shareholders and especially the customers for their support. Without people banking with us, we would not be able to assist the community and all those banking with us should be proud of the part they play. I call on those reading this report to become an advocate of our local branch. Encourage your friends and family to bring their loans and investments to Nathalia **Community Bank®** Branch and Numurkah branch, so that we can keep returning profits to our local communities.

Peter Halden
Senior Manager

Directors' report

For the financial year ended 30 June 2011

Your Directors submit the financial report of the Company for the financial year ended 30 June 2011.

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

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 Ltd.

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

Review of operations

The profit of the Company for the financial year after the provision for income tax was $102,737 (2010: $45,665).

Directors' report continued

Dividends	Year ended 30 June 2011 Cents per share	$
Final dividends recommended:	7.5	29,344
Dividends paid in the year:		
- As recommended in the prior year report	7.5	29,344

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

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There are no other 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.

Remuneration report

Raelene Pearce received $4,000 (2010: nil) for providing Company Secretary services during the year.

No other 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 agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

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

Directors' report continued

Directors' meetings

The number of Directors' meetings attended during the year were:

Director	Board meetings #
James Crawford Liddell	9 (12)
Ian James Brereton	9 (12)
John Charles Giffard	9 (12)
Raelene June Pearce	9 (12)
Kaye Bernhardt	12 (12)
Helen Ginnivan	12 (12)
John Sheehan	10 (12)
Mark Peterson	12 (12)

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

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

30 September 2011

The Directors
Northern Victoria Finances Limited
42 Blake Street
NATHALIA VIC 3638

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Northern Victoria Finances Limited for the year ended 30 June 2011, 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

Signed in accordance with a resolution of the Board of Directors at Nathalia, Victoria on 30 September 2011.

Kaye C. Bernhardt, Chairperson

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 $	2010 $
Revenue from continuing operations	2	1,239,153	1,043,758
Employee benefits expense	3	(581,641)	(458,312)
Charitable donations and sponsorship		(17,888)	(75,765)
Depreciation and amortisation expense	3	(87,363)	(78,193)
Finance costs	3	(50,067)	(38,761)
Other expenses		(351,148)	(324,402)
Profit before income tax expense		**151,046**	**68,325**
Income tax expense	4	48,309	22,660
Profit after income tax expense		**102,737**	**45,665**
Other comprehensive income		-	-
Total comprehensive income		**102,737**	**45,665**
Earnings per share (cents per share)			
- basic for profit for the year	24	26.26	11.67
- diluted for profit for the year	24	26.26	11.67

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2011

	Note	2011 $	2010 $
Current assets			
Cash and cash equivalents	6	89,489	89,196
Receivables	7	116,861	102,580
Tax assets	8	-	17,840
Total current assets		**206,350**	**209,616**
Non-current assets			
Property, plant and equipment	9	1,305,492	1,186,342
Intangible assets	10	156,386	182,386
Total non-current assets		**1,461,878**	**1,368,728**
Total assets		**1,668,228**	**1,578,344**
Current liabilities			
Payables	11	69,921	57,535
Loans and borrowings	12	86,447	41,044
Provisions	13	43,702	37,888
Tax liabilities	8	36,753	-
Total current liabilities		**236,823**	**136,467**
Non-current liabilities			
Loans and borrowings	12	401,762	636,335
Total non current liabilities		**401,762**	**636,335**
Total liabilities		**638,585**	**772,802**
Net assets		**1,029,643**	**805,542**
Equity			
Share capital	14	391,256	391,256
Retained earnings	15	177,515	104,122
Asset revaluation reserve	16	460,872	310,164
Total equity		**1,029,643**	**805,542**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2011

	Note	2011 $	2010 $
Cash flows from operating activities			
Cash receipts in the course of operations		1,341,147	1,118,278
Cash payments in the course of operations		(1,049,290)	(958,581)
Interest received		-	12
Borrowing costs		(50,067)	(38,761)
Income tax paid		6,283	(36,462)
Net cash flows from operating activities	**17b**	**248,073**	**84,486**
Cash flows from investing activities			
Payments for property, plant and equipment		(29,805)	(131,869)
Purchase of intangible assets		-	(110,000)
Proceeds from sale of property, plant & equipment		-	880
Net cash flows used in investing activities		**(29,805)**	**(240,989)**
Cash flows from financing activities			
Dividends paid		(29,344)	(15,350)
Repayment of borrowings		(188,631)	(80,529)
Proceeds from borrowings		-	274,951
Net cash flows from / (used in) financing activities		**(217,975)**	**179,072**
Net increase / (decrease) in cash held		**293**	**22,569**
Cash and cash equivalents at start of year		89,196	66,627
Cash and cash equivalents at end of year	**17a**	**89,489**	**89,196**

The accompanying notes form part of these financial statements.

Statement of changes in equity
for the year ended 30 June 2011

	Note	2011 $	2010 $
Share capital			
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		310,164	362,409
Revaluation of land and buildings		150,708	(52,245)
Balance at end of year		**460,872**	**310,164**
Retained earnings			
Balance at start of year		104,122	58,457
Profit after income tax expense		102,737	45,665
Dividends paid/proposed	23	(29,344)	-
Balance at end of year		**177,515**	**104,122**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

Northern Victoria Finances Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2011 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 30 September 2011.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. 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. These changes are not expected to have a material impact on the Company's financial statements.

(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 2010 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the reporting 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 reporting 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.

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.

During the year ended 30 June 2008 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. At 30 June 2011 the Directors assessed the value of the buildings as being unchanged and adjusted their carrying value accordingly.

A revaluation surplus/(deficit) of $150,709 (2010: ($52,245)) has been credited to the asset revaluation reserve included in the equity section of the balance sheet.

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.

Notes to the financial statements continued

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

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 Statement of Financial Position. Cash flows are included in the Statement of Cash Flows 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 reporting 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 statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

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.

Loans and borrowings

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

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

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.

Share 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.

Comparative figures

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

Note 2. Revenue from continuing operations

	2011 $	2010 $
Operating activities		
- services commissions	1,138,621	957,164
- other revenue	100,532	86,582
	1,239,153	**1,043,746**
Non-operating activities:		
- interest received	-	12
	-	**12**
	1,239,153	**1,043,758**

Notes to the financial statements continued

	2011 $	2010 $

Note 3. Expenses

Employee benefits expense		
- wages and salaries	530,923	415,733
- superannuation costs	43,379	37,214
- workers' compensation costs	1,654	401
- other costs	5,685	4,964
	581,641	**458,312**
Depreciation of non-current assets:		
- plant and equipment	29,899	23,499
- motor vehicles	10,756	13,239
- buildings	20,708	21,767
Amortisation of non-current assets:		
- intangibles	26,000	19,688
	87,363	**78,193**
Finance costs:		
- Interest paid	**50,067**	**38,761**
Bad debts	**494**	**1,165**

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%	45,313	20,498
Add tax effect of:		
- Non-deductible expenses	2,996	2,162
Current income tax expense	**48,309**	**22,660**

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	3,900	3,900
- Share registry services	2,863	2,748
	6,763	**6,648**

Notes to the financial statements continued

	2011 $	2010 $

Note 6. Cash and cash equivalents

Cash at bank and on hand	**89,489**	**89,196**

Note 7. Receivables

Prepayments	8,023	9,665
Trade debtors	108,838	92,915
	116,861	**102,580**

Note 8. Tax assets/liabilities

Income tax receivable/(payable)	**(36,753)**	**17,840**

Note 9. Property, plant and equipment

Land		
At market value	50,000	50,000
Land		
At cost	158,860	-
Buildings		
At market value	920,000	920,000
Less accumulated depreciation	-	-
	920,000	**920,000**
Fixtures & fittings		
At cost	41,746	41,746
Less accumulated depreciation	(6,599)	(3,020)
	35,147	**38,726**
Plant and equipment		
At cost	229,884	228,939
Less accumulated depreciation	(135,010)	(108,690)
	94,874	**120,249**

Notes to the financial statements continued

	2011 $	2010 $
Note 9. Property, plant and equipment (continued)		
Motor vehicles		
At cost	77,274	77,274
Less accumulated depreciation	(30,663)	(19,907)
	46,611	**57,367**
Total written down amount	**1,305,492**	**1,186,342**
# Based on valuation by Goulburn Valley Property Services and Director assessment- refer note 1 for more details.		
Movements in carrying amounts		
Land		
Carrying amount at beginning of year	50,000	124,012
Additions	28,860	-
Revaluation	130,000	(74,012)
Depreciation expense	-	-
Carrying amount at end of year	**208,860**	**50,000**
Buildings		
Carrying amount at beginning of year	920,000	920,000
Additions	-	-
Revaluation	20,708	21,767
Depreciation expense	(20,708)	(21,767)
Carrying amount at end of year	**920,000**	**920,000**
Fixtures & fittings		
Carrying amount at beginning of year	38,726	-
Additions	-	41,746
Disposals	-	-
Depreciation expense	(3,579)	(3,020)
Carrying amount at end of year	**35,147**	**38,726**

	2011 $	2010 $

Note 9. Property, plant and equipment (continued)

	2011 $	2010 $
Plant and equipment		
Carrying amount at beginning of year	120,249	50,605
Additions	945	90,123
Disposals	-	-
Depreciation expense	(26,320)	(20,479)
Carrying amount at end of year	**94,874**	**120,249**
Motor vehicles		
Carrying amount at beginning of year	57,367	70,606
Additions	-	-
Disposals	-	-
Depreciation expense	(10,756)	(13,239)
Carrying amount at end of year	**46,611**	**57,367**

Note 10. Intangible assets

	2011 $	2010 $
Franchise fee & establishment costs		
At cost	193,636	193,636
Less accumulated amortisation	(37,250)	(11,250)
	156,386	**182,386**

Note 11. Payables

	2011 $	2010 $
Trade creditors	30,644	30,632
Other creditors and accruals	39,277	26,903
	69,921	**57,535**

Note 12. Loans and borrowings

	2011 $	2010 $
Current		
Motor vehicle finance chattel Mortgage	25,233	25,233
Loan	61,214	15,811
	86,447	**41,044**

	2011 $	2010 $

Note 12. Loans and borrowings (continued)

Non current		
Motor vehicle finance chattel Mortgage	10,187	32,331
Loan	391,575	604,004
	401,762	**636,335**

The entire balance of one bank loan is treated as non current as repayments have been made in advance of required schedule. The second bank loan has been split between current and non current.

Note 13. Provisions

Provision for dividends	5,022	4,482
Employee benefits	36,640	32,049
Other provisions	2,040	1,357
	43,702	**37,888**
Movement in employee benefits		
Opening balance	32,049	36,422
Additional provisions recognised	40,840	31,979
Amounts utilised during the year	(36,249)	(36,352)
Closing balance	**36,640**	**32,049**

Note 14. Share capital

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

Note 15. Retained earnings

Balance at the beginning of the financial year	104,122	58,457
Net profit after income tax	102,737	45,665
Dividends proposed or paid	(29,344)	-
Balance at the end of the financial year	**177,515**	**104,122**

	2011 $	2010 $

Note 16. Asset revaluation reserve

Land	94,387	38,400
Buildings	366,484	345,776
	460,871	**384,176**
Land		
Balance at the beginning of the financial year	(35,613)	38,400
Revaluation of land	130,000	(74,013)
Balance at the end of the financial year	**94,387**	**(35,613)**
Buildings		
Balance at the beginning of the financial year	345,776	324,009
Revaluation of buildings	20,708	21,767
Balance at the end of the financial year	**366,484**	**345,776**

Note 17. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	**89,489**	**89,196**
(b) Reconciliation of profit from ordinary activities after tax to net cash from operating activities		
Profit after income tax	102,737	45,665
Non cash items		
- Depreciation	61,363	58,505
- Amortisation	26,000	19,688
- Net (profit)/loss from sale of plant & equipment	-	(880)
Changes in assets and liabilities		
- (Increase) decrease in receivables	(14,281)	(21,902)
- Increase (decrease) in payables	12,386	2,186
- Increase (decrease) in provisions	5,275	(4,974)
- (Increase) decrease in tax assets	54,593	(13,802)
Net cash flows from operating activities	**248,073**	**84,486**

Note 18. 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

John Sheehan

Mark Peterson

Raelene Pearce received $4,000 (2010: nil) for providing Company Secretary services during the year.

No other Director or related entity has entered into a material contract with the Company.

Directors' shareholdings	**2011**	**2010**
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
John Sheehan	-	-
Mark Peterson	400	400

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

Note 19. Contingent liabilities and assets

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

Note 20. Significant events after the balance date

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There are no other 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.

Notes to the financial statements continued

Note 21. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Nathalia, Victoria.

Note 22. 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 VIC 3638

	2011 $	2010 $
Note 23. Dividends paid or provided for on ordinary shares		
(a) Dividends paid during the year		
Previous year final		
Franked dividends - 7.5 cents per share (2010: 4 cents per share)	**29,344**	**15,650**
(b) Dividends proposed and not recognised as a liability		
Final dividends recommended		
Franked dividends - 7.5 cents per share (2010: 7.5 cents per share)	**29,344**	**29,344**
(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	193,328	212,193
- Franking credits that will arise from the payment / (refund) of income tax payable as at the end of the financial year	36,753	(17,840)
	230,081	**194,353**

	2011 $	2010 $

Note 24. 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:

	2011 $	2010 $
Profit after income tax expense	**102,737**	**45,665**
Weighted average number of ordinary shares for basic and diluted earnings per share	**391,256**	**391,256**

Note 25. 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 reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2011 $	**2010 $**
Cash assets	89,489	89,196
Receivables	116,861	102,580
	206,350	**191,776**

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

Note 25. Financial risk management (continued)

(a) Credit risk (continued)

None of the assets of the Company are past due (2010: 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 2011					
Payables	69,921	(69,921)	(69,921)	–	–
Loans and borrowings	488,209	(780,182)	(112,982)	(318,726)	(348,474)
	558,130	**(850,103)**	**(182,903)**	**(318,726)**	**(348,474)**
30 June 2010					
Payables	57,535	(57,535)	(57,535)	–	–
Loans and borrowings	677,379	(1,050,970)	(101,597)	(320,458)	(628,915)
	734,914	**(1,108,505)**	**(159,132)**	**(320,458)**	**(628,915)**

(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 25. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis

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

	Carrying amount	
	2011	**2010**
	$	**$**
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(35,420)	(57,564)
	(35,420)	**(57,564)**
Variable rate instruments		
Financial assets	89,489	89,196
Financial liabilities	(452,789)	(619,815)
	(363,300)	**(530,619)**

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 2010 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 Statement of Financial Position. 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 Statement of Financial Position.

Note 25. Financial risk management (continued)

(e) Capital 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 2011 can be seen in the Statement of Comprehensive Income.

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

Directors' 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 2011 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards 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, Chairperson

Signed at Nathalia, Victoria on 30 September 2011.

Independent audit report

Richmond Sinnott & Delahunty

Chartered Accountants

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF NORTHERN VICTORIA FINANCES LIMITED

SCOPE

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Northern Victoria Finances Limited, for the year ended 30 June 2011.

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.

Partners: Kenneth J Richmond • Warren J Sinnott • Philip P Delahunty • Brett A Andrews
Level 2, 10–16 Forest Street, Bendigo 3550. PO Box 30 Bendigo 3552
Ph: 03 5443 1177 Fax: 03 5444 4344 Email: rsd@rsdadvisors.com.au
ABN 60 616 244 309

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 2011 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 J Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 30 September 2011

Nathalia **Community Bank®** Branch
42 Blake Street, Nathalia VIC 3638
Phone: (03) 5866 3159   Fax: (03) 5866 2964

Numurkah branch
27 Melville Street, Numurkah VIC 3636
Phone: (03) 5862 3135   Fax: (03) 5862 2149

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

www.bendigobank.com.au/nathalia
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.

(BMPAR11051) (08/11)

Bendigo Bank