Nathalia **Community Bank**® Branch
Numurkah branch

annual report 2012

Northern Victoria
Finances Limited

ABN 33 091 514 966

Contents

Chairperson's report

For year ending 30 June 2012

It is with great pleasure that I present my seventh Chairperson's report, reflecting on the successful year that the Nathalia **Community Bank®** Branch has had and contemplate the bright future ahead of us.

Growth for the last financial year is over $30 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 opening of the Nathalia Childcare facility. This project has cost approximately $1 million to build. Now completed, the benefits will reach the community in two ways. The facility offers 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 job opportunities. The Board acknowledges the incredible amount of time and effort by Peter Halden, Jim Liddell and Vic Dohnt to bring this project to completion.

Since inception the grants and sponsorship program has distributed in the vicinity of $270,000 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. The key financial information for our business for this year can be summarized as:

- Total business under management as at 30 June 2012 of $150.894 million (increased from $120.125 million last year),
- Number of accounts 7,285 (increased from 6,972 last year),
- Net profit before interest, taxes and extraordinary items $355,891,
- Dividend paid of 6.5 cents per share,
- Distribution to community groups $47,988,
- Total income 2011/12 financial year $1.387 million (increased from $1.239 million),
- Total expenses excluding tax, 2011/12 financial year $1.089 million (increased from $1.088 million).

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

I wish to pay a very special tribute to John Giffard who has decided not to renominate for a position on the Board after 13 years of service. In 1999 John was one of that innovative group of gentlemen who devoted so much time and effort to bring a **Community Bank®** branch to Nathalia.

John then went on to become a Director of the branch in 2000, serving as Secretary until 2004.

On behalf of the Directors, staff and the community I wish to congratulate and thank John for his outstanding contribution to the **Community Bank®** branch.

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®** company Board, we realise that the strength of our branch relies upon the strength of our community. It is the Boards' vision to keep moving forward into the future, building upon past successes.

Kaye · C · Bernhardt

Kaye Bernhardt
Chairperson

Manager's report

For year ending 30 June 2012

This year started with Nathalia **Community Bank®** Branch now the only bank remaining in Nathalia. Our business growth in Nathalia during 2011/12 ended just under $14 million. Other than the first full year of trading, this is by far the largest growth in our 12-year history. Thank you to the staff who are always striving to improve the service.

Numurkah continues to grow strongly, posting its highest tally yet of new business (almost $17 million for the year) and establishing itself as a full service branch in a relatively new market. We have seen a small profit turned for the year at Numurkah which is very exciting after passing the $50 million mark in overall business.

Despite strong volumes of new business the tight market environment has not seen a corresponding quantum lift in income, however we are still producing very good outcomes for our shareholders and the community.

Of course I could not describe the year without mention of our biggest community project to date, the Child Care Centre. The centre has taken an enormous amount of work and I would like to take every opportunity to thank all the volunteers that gave their time to make it happen. In particular the tireless work of Vic Dohnt who was there from the first sod to the last nail. The centre will open around September 2012 and will be further proof that supporting your local **Community Bank®** branch does have a direct benefit to the prosperity of the community.

Our staff have changed somewhat this past year and we welcome new faces to join us in helping our customers.

Thank you to all the customers who have supported both branches and I call on anyone reading this Annual Report to take another look at their own finances and come in to review your options to bank locally. We need all your banking and insurance business.

Peter Halden
Senior Branch Manager

Directors' report

For the financial year ended 30 June 2012

Your Directors submit the financial report of the company for the financial year ended 30 June 2012.

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.

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

Operating results

The profit of the company for the financial year after the provision for income tax was $168,596 (2011: $102,737).

	Year ended 30 June 2012	
Dividends	**Cents per share**	**$'000**
Final dividends recommended:	7.5	29,344
Dividends paid in the year:		
- As recommended in the prior year report	7.5	29,344

Financial position

The net assets of the company have increased from $1,029,643 at 30 June, 2011 to $1,188,778 at 30 June 2012. The increase is largely due to improved operating performance of the company.

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.

Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 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.

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

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.

Remuneration report

Raelene Pearce received $0 (2011: $4,000) 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.

Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an Auditor of the company.

Directors' meetings

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

Director	Board meetings#
James Crawford Liddell	7 (12)
Ian James Brereton	8 (12)
John Charles Giffard	4 (12)
Raelene June Pearce	9 (12)
Kaye Bernhardt	11 (12)
Mark Peterson	11 (12)
Helen Ginnivan	9 (12)
John Sheehan	8 (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.

Non audit services

The Directors in accordance with advice from the audit committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external Auditor's independence for the following reasons:

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

Auditor independence declaration

The Auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 9 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Nathalia, Victoria on 28 September 2012.

Kaye C. Bernhardt
Chairperson

Auditor's independence declaration

Richmond
Sinnott &
Delahunty
Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

Telephone: (03) 5445 4200
Fax: (03) 5444 4344
Email: rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

28 September 2012

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

Dear Directors

To the Directors of Northern Victoria Finances Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

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

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

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

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners:
Warren Sinnott
Cara Hall
Brett Andrews
Philip Delahunty
Kathie Teasdale
David Richmond

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue	2	1,386,548	1,239,153
Employee benefits expense	3	(562,896)	(581,641)
Depreciation and amortisation expense	3	(89,862)	(87,363)
Finance costs	3	(58,662)	(50,067)
Other expenses		(377,899)	(351,148)
Operating profit/(loss) before charitable donations & sponsorships		**297,229**	**168,934**
Charitable donations and sponsorship		(47,988)	(17,888)
Profit/(loss) before income tax expense		**249,241**	**151,046**
Income tax expense / (benefit)	4	80,645	48,309
Net profit/(loss) for the year		**168,596**	**102,737**
Other comprehensive income			
Revaluation of land and buildings	16	19,883	150,708
Total comprehensive income for the year		**188,479**	**253,445**
Earnings per share (cents per share)			
- basic for profit for the year	24	43.09	26.26
- diluted for profit for the year	24	43.09	26.26

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2012

	Note	2012 $	2011 $
Assets			
Current assets			
Cash and cash equivalents	6	98,581	89,489
Receivables	7	145,679	116,861
Total current assets		**244,260**	**206,350**
Non-current assets			
Property, plant and equipment	9	2,227,604	1,305,492
Intangible assets	10	130,386	156,386
Total non-current assets		**2,357,990**	**1,461,878**
Total assets		**2,602,250**	**1,668,228**
Liabilities			
Current liabilities			
Payables	11	52,866	69,921
Borrowings	12	111,140	86,447
Provisions	13	49,949	43,702
Tax liabilities	8	49,754	36,753
Total current liabilities		**263,709**	**236,823**
Non-current liabilities			
Borrowings	12	1,149,763	401,762
Total non current liabilities		**1,149,763**	**401,762**
Total liabilities		**1,413,472**	**638,585**
Net assets		**1,188,778**	**1,029,643**
Equity			
Issued capital	14	391,256	391,256
Retained earnings	15	316,767	177,515
Asset revaluation reserve	16	480,755	460,872
Total equity		**1,188,778**	**1,029,643**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Cash receipts in the course of operations		1,491,786	1,341,147
Cash payments in the course of operations		(1,129,460)	(1,049,290)
Interest received		4,181	-
Borrowing costs		(58,662)	(50,067)
Income tax paid		(67,644)	6,283
Net cash flows from operating activities	**17b**	**240,201**	**248,073**
Cash flows from investing activities			
Payments for property, plant and equipment		(999,766)	(29,805)
Proceeds from sale of property, plant & equipment		25,307	-
Net cash flows used in investing activities		**(974,459)**	**(29,805)**
Cash flows from financing activities			
Dividends paid		(29,344)	(29,344)
Repayment of borrowings		-	(188,631)
Proceeds from borrowings		772,694	-
Net cash flows from / (used in) financing activities		**743,350**	**(217,975)**
Net increase in cash held		**9,092**	**293**
Cash and cash equivalents at start of year		89,489	89,196
Cash and cash equivalents at end of year	**17a**	**98,581**	**89,489**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2012

	Note	2012 $	2011 $
Issued 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		460,872	310,164
Revaluation of land and buildings	16	19,883	150,708
Balance at end of year		**480,755**	**460,872**
Retained earnings			
Balance at start of year		177,515	104,122
Profit after income tax expense		168,596	102,737
Dividends paid/proposed	23	(29,344)	(29,344)
Balance at end of year		**316,767**	**177,515**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of significant accounting policies

(a) Basis of preparation

Northern Victoria Finances Limited ('the company') is domiciled in Australia. The financial statements for the year ending 30 June 2012 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authorative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB.

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

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

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 28 September 2012.

(b) 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.

(c) 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.

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

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 land and 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 2012 the Directors assessed the value of the land and buildings and adjusted their carrying value during the period to the revaluation reserve. This resulted in an unchanged balance to the buildings value at year end.

A revaluation surplus of $19,883 (2011: $150,709) has been credited to the asset revaluation reserve included in the equity section of the balance sheet.

(d) Impairment 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.

(e) 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.

Note 1. Summary of significant accounting policies (continued)

(e) Goods and services tax (continued)

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.

(f) 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.

(g) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation changes for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

(h) 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.

(i) Revenue

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

(j) 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.

(k) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

(l) Borrowings

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

Note 1. Summary of significant accounting policies (continued)

(m) Provisions

Provisions are recognised when the company 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.

(n) 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.

(o) Comparative figures

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

(p) Critical accounting estimates and judgements

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

<u>Estimation of useful lives of assets</u>

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

<u>Income tax</u>

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

<u>Impairment</u>

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

Note 1. Summary of significant accounting policies (continued)

(q) 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 equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtors are experiencing significant financial difficulty or changes in economic conditions.

(r) Restatement of comparatives

Correction of error

An error was discovered in the preparation of the current year's financial statements whereby the land and building revaluation surplus of $150,708 was not disclosed as other comprehensive income in the Statement of Comprehensive Income for the year ended 30 June 2011. The revaluation of land and building had no impact on property, plant and equipment or asset revaluation reserve as the revaluation was recorded in that year.

	2012 $	2011 $

Note 2. Revenue

Revenue from continuing activities		
- services commissions	1,284,577	1,138,621
- other revenue	97,790	100,532
	1,382,367	**1,239,153**
Other revenue		
- interest received	4,181	-
	4,181	**-**
	1,386,548	**1,239,153**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	526,915	530,923
- superannuation costs	43,753	43,379
- workers' compensation costs	2,001	1,654
- other costs	(9,773)	5,685
	562,896	**581,641**
Depreciation of non-current assets:		
- plant and equipment	23,309	29,899
- motor vehicles	20,670	10,756
- buildings	19,883	20,708
Amortisation of non-current assets:		
- intangible assets	26,000	26,000
	89,862	**87,363**
Finance costs:		
- Interest paid	58,662	50,067
Bad debts	1,004	494

	2012 $	2011 $

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%	74,772	45,313
Add tax effect of:		
- Non-deductible expenses	5,873	2,996
Current income tax expense	**80,645**	**48,309**

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report	3,900	3,900
- Share registry services	3,418	2,863
	7,318	**6,763**

Note 6. Cash and cash equivalents

Cash at bank and on hand	**98,581**	**89,489**

Note 7. Receivables

Prepayments	16,960	8,023
Trade debtors	121,146	108,838
GST Recievable	2,573	-
Loan - Tunnel Developments Pty Ltd	5,000	-
	145,679	**116,861**

Note 8. Tax liabilities

Income tax payable	**49,754**	**36,753**

Note 9. Property, plant and equipment

Land		
At Directors valuation 2012	**180,000**	**180,000**
Buildings - Work in progress		
At cost	**936,389**	**28,860**

	2012 $	2011 $

Note 9. Property, plant and equipment (continued)

	2012 $	2011 $
Buildings		
At Directors valuation 2012	920,000	920,000
Less accumulated depreciation	-	-
	920,000	**920,000**
Fixtures & fittings		
At cost	41,746	41,746
Less accumulated depreciation	(9,710)	(6,599)
	32,036	**35,147**
Plant and equipment		
At cost	233,442	229,884
Less accumulated depreciation	(155,208)	(135,010)
	78,234	**94,874**
Motor vehicles		
At cost	88,679	77,274
Less accumulated depreciation	(7,734)	(30,663)
	80,945	**46,611**
Total written down amount	**2,227,604**	**1,305,492**
Movements in carrying amounts		
Land		
Carrying amount at beginning of year	180,000	50,000
Additions- at valuation	-	130,000
Carrying amount at end of year	**180,000**	**180,000**
Buildings - Work in progress		
Carrying amount at beginning of year	28,860	-
Additions	907,529	28,860
Carrying amount at end of year	**936,389**	**28,860**
Buildings		
Carrying amount at beginning of year	920,000	920,000
Additions	-	-
Revaluation	19,883	20,708
Depreciation expense	(19,883)	(20,708)
Carrying amount at end of year	**920,000**	**920,000**

	2012 $	2011 $
Note 9. Property, plant and equipment (continued)		
Fixtures & fittings		
Carrying amount at beginning of year	35,147	38,726
Additions	-	-
Disposals	-	-
Depreciation expense	(3,111)	(3,579)
Carrying amount at end of year	**32,036**	**35,147**
Plant and equipment		
Carrying amount at beginning of year	94,874	120,249
Additions	3,558	945
Disposals	-	-
Depreciation expense	(20,198)	(26,320)
Carrying amount at end of year	**78,234**	**94,874**
Motor vehicles		
Carrying amount at beginning of year	46,611	57,367
Additions	11,405	-
Disposals	-	-
Depreciation expense	22,929	(10,756)
Carrying amount at end of year	**80,945**	**46,611**

Note 10. Intangible assets

	2012 $	2011 $
Franchise fee & establishment costs		
At cost	193,636	193,636
Less accumulated amortisation	(63,250)	(37,250)
	130,386	**156,386**

Note 11. Payables

	2012 $	2011 $
Trade creditors	35,806	30,644
Other creditors and accruals	17,060	39,277
	52,866	**69,921**

	2012 $	2011 $

Note 12. Borrowings

	2012 $	2011 $
Current		
Motor vehicle finance chattel Mortgage	27,696	25,233
Loan	83,444	61,214
	111,140	**86,447**
Non current		
Motor vehicle finance chattel Mortgage	59,545	10,187
Loan	1,090,218	391,575
	1,149,763	**401,762**

The company has entered into two finance chattel mortage loans for two vehicles. The company also has secured commercial mortgage loans which are based on normal commercial terms and conditions.

Note 13. Provisions

	2012 $	2011 $
Employee benefits	42,005	36,640
Provision for dividends	5,422	5,022
Other provisions	2,522	2,040
	49,949	**43,702**
Movement in employee benefits		
Opening balance	36,640	32,049
Additional provisions recognised	22,477	40,840
Amounts utilised during the year	(17,112)	(36,249)
Closing balance	**42,005**	**36,640**

Note 14. Share capital

	2012 $	2011 $
391,256 Ordinary shares fully paid of $1 each	**391,256**	**391,256**

Note 15. Retained earnings

	2012 $	2011 $
Balance at the beginning of the financial year	177,515	104,122
Net profit after income tax	168,596	102,737
Dividends proposed or paid	(29,344)	(29,344)
Balance at the end of the financial year	**316,767**	**177,515**

	2012 $	2011 $

Note 16. Asset revaluation reserve

	2012 $	2011 $
Land	94,387	94,387
Buildings	386,368	366,485
	480,755	**460,872**
Land		
Balance at the beginning of the financial year	94,387	(35,613)
Revaluation of land	-	130,000
Balance at the end of the financial year	**94,387**	**94,387**
Buildings		
Balance at the beginning of the financial year	366,485	345,777
Revaluation of buildings	19,883	20,708
Balance at the end of the financial year	**386,368**	**366,485**

Note 17. Statement of cash flows

(a) Cash and cash equivalents

	2012 $	2011 $
Cash assets	**98,581**	**89,489**
(b) Reconciliation of profit from ordinary activities after tax to net cash from operating activities		
Profit after income tax	168,596	102,737
Non cash items		
- Depreciation	63,862	61,363
- Amortisation	26,000	26,000
- Net (profit)/loss from sale of plant & equipment	8,368	-
Changes in assets and liabilities		
- (Increase) decrease in receivables	(28,818)	(14,281)
- Increase (decrease) in payables	(17,055)	12,386
- Increase (decrease) in provisions	6,247	5,275
- (Increase) decrease in tax assets	13,001	54,593
Net cash flows from operating activities	**240,201**	**248,073**

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
Mark Peterson
Helen Ginnivan
John Sheehan

Raelene Pearce received $0 (2011: $4,000) 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	2012	2011
James Crawford Liddell	2,001	2,001
Ian James Brereton	500	500
John Charles Giffard	2,001	2,001
Raelene June Pearce	500	500
Kaye Bernhardt	500	500
Mark Peterson	400	400
Helen Ginnivan	300	300
John Sheehan	-	-

There was no movement in Directors' shareholdings during the year. Each share held 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. Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Note 19. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Nathalia, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank who account for 100% of the revenue (2011: 100%).

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.

Note 23. Dividends paid or provided for on ordinary shares

	2012 $	2011 $
(a) Dividends paid during the year		
Previous year final		
Franked dividends - 7.5 cents per share (2011: 7.5 cents per share)	**29,344**	**29,344**
(b) Dividends proposed and not recognised as a liability		
Final dividends recommended		
Franked dividends - 7.5 cents per share (2011: 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	248,401	193,328
- Franking credits that will arise from the payment / (refund) of income tax payable as at the end of the financial year	49,754	36,753
	298,155	**230,081**

	2012 $	2011 $

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:

	2012 $	2011 $
Profit after income tax expense	**168,596**	**102,737**
Weighted average number of ordinary shares for basic and diluted earnings per share	**391,256**	**391,256**

Note 25. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.

The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012 $	2011 $
Financial assets			
Cash & cash equivalents	6	98,581	89,489
Receivables	7	145,679	116,861
Total financial assets		**244,260**	**206,350**
Financial liabilities			
Payables	11	52,866	69,921
Total financial liabilities		**52,866**	**69,921**

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

Specific financial risk exposure and management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

Note 25. Financial risk management (continued)

(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	
	2012 $	2011 $
Cash and cash equivalents	98,581	89,489
Receivables	145,679	116,861
	244,260	**206,350**

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.

None of the assets of the company are past due (2011: 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.

(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.

Financial liability and financial asset maturity analysis

30 June 2012	**Total $**	**Within 1 year $**	**1 to 5 years $**	**Over 5 years $**
Financial liabilities due for payment				
Payables	(52,866)	(52,866)	–	–
Loans and borrowings	(1,260,903)	(111,140)	(1,149,763)	–
Total expected outflows	**(1,313,769)**	**(164,006)**	**(1,149,763)**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	98,581	98,581	–	–
Receivables	145,679	145,679	–	–
Total anticipated inflows	**244,260**	**244,260**	**–**	**–**
Net (outflow)/inflow on financial instruments	**(1,069,509)**	**80,254**	**(1,149,763)**	**–**

Note 25. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis (continued)

30 June 2011	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due for payment				
Payables	(69,921)	(69,921)	–	–
Loans and borrowings	(488,208)	(86,447)	(401,761)	–
Total expected outflows	**(558,129)**	**(156,368)**	**(401,761)**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	89,489	89,489	–	–
Receivables	116,861	116,861	–	–
Total anticipated inflows	**206,350**	**206,350**	**–**	**–**
Net (outflow)/inflow on financial instruments	**(351,779)**	**49,982**	**(401,761)**	**–**

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at 30 June 2012 and 30 June 2011.

(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 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.

Sensitivity analysis

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

	Carrying amount 2012 $	Carrying amount 2011 $
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	87,241	35,420
	87,241	**35,420**
Floating rate instruments		
Financial assets	98,580	89,490
Financial liabilities	1,173,662	452,788
	1,272,242	**542,278**

Note 25. Financial risk management (continued)

(c) Market risk (continued)

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 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

Capital management

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

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

(i) the Distribution Limit is the greater of:

  (a) 20% of the profit or funds of the 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 2012 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,

the Directors of the company declare that:

1 the financial statements and notes of the company as set out on pages 10 to 30 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2012 and of the performance for the year ended on that date;

2 in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Kaye. C. Bernhardt

Kaye C. Bernhardt
Chairperson

Signed at Nathalia, Victoria on 28 September 2012.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

Telephone: (03) 5445 4200
Fax: (03) 5444 4344
Email: rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF NORTHERN VICTORIA FINANCES LIMITED

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

(a) the financial report of Northern Victoria Finances Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

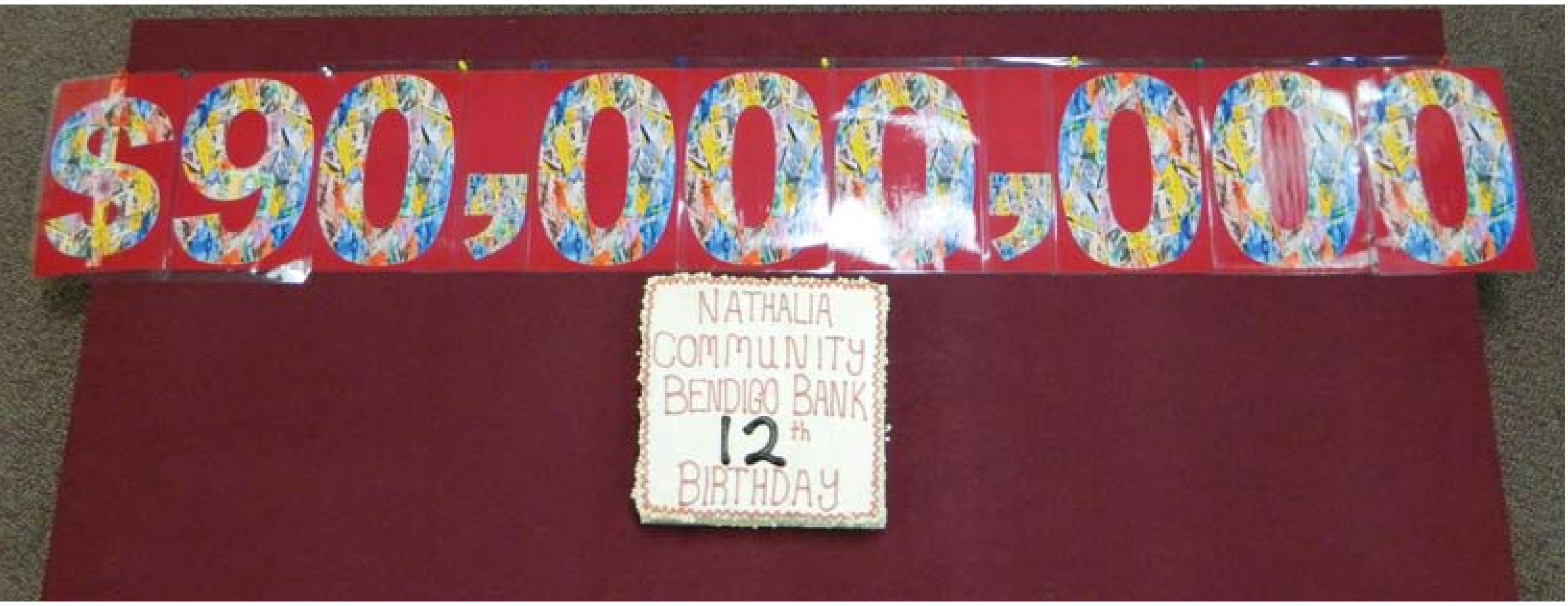
(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1(a).

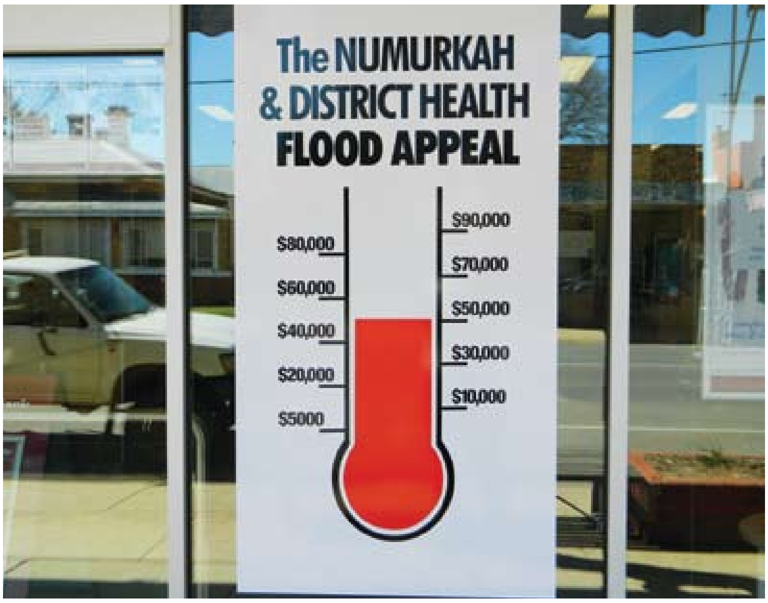
Richmond Sinnott + Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. SINNOTT
Partner

Dated at Bendigo, 28 September 2012





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 Bank

(BMPAR12134) (10/12)