ANNUAL REPORT 2013

Northern Victorian Finances Limited
ABN 33 091 514 966

Nathalia **Community Bank**® Branch

Numurkah Branch

Contents

Chairperson's report

For year ending 30 June 2013

It is with great pleasure that I present my eighth Chairperson's Report. Writing this report makes me stop, evaluate and reflect on another busy year for our community company. It has indeed been another successful year and I'm excited to contemplate the bright future ahead of us.

Growth for the last financial year is more than $12 million. This is truly a wonderful result for Nathalia and Numurkah **Community Bank®** branches. 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.

At the Victorian State Conference in March, we were extremely proud to win the Bendigo Bank Best Community Project Award. Along with the 18 other nominees, Peter Halden addressed the crowd for three minutes, outlining the Nathalia Early Learning Centre development. Peter's presentation was outstanding. He shone onstage and his enthusiasm for this project and what it could do for our community was evident to all present.

Numurkah branch also reached the finals in a different category, Best Community Promotion. Numurkah Branch Manager Lisa Liddell gave an excellent presentation on the Numurkah Hospital Project. She detailed the Numurkah branch's campaign to help rebuild the local hospital, left devastated by recent flooding. Approximately 200 branches were involved in the award process. It was fantastic for our branches to be recognised on such a big stage. It was an honor to receive these nominations (let alone win) and demonstrates that the commitment and efforts of our branches' managers, staff and board members is certainly paying off. It also makes us grateful for the continued support we receive from the Nathalia and Numurkah communities

In September, Nathalia **Community Bank®** Branch was one of six finalists for Bendigo and Adelaide Bank's National Hall of Fame at the National Conference in Brisbane. Although we were not successful this time, it was a great achievement and indeed an honor to be one of the national finalists. To quote Peter Halden: "It's nice recognition of the past 13 years of building the business and investing in our community."

Since inception, the grants and sponsorship program has distributed in the vicinity of $400,000 back into our community. The funds granted give assistance to many worthwhile organisations for projects taking place, right here, right now, within our communities. The key financial information for our business for this year can be summarised as:

- Total business under management as at 30 June 13 of $166,894,000 (increased from $150,894,000 last year)
- Number of accounts 7361 (increased from 7285 last year)
- Net profit before interest, taxes and extraordinary items $294,032
- Dividend paid of 6.5 cents per share
- Distribution to community groups $18,483
- Total income 12/13 financial year $1,492,729 (increased from $1.387 million)
- Total expenses excluding tax, 12/13 financial year $1,277,610 (increased from $1,089 million)

Disclosure – Changes to income commissions

Trading conditions are still difficult, with consumer confidence and demand for credit remaining low, and competition remaining very strong for retail deposits.

Chairperson's report (continued)

Not surprisingly, these factors continue to place pressure on the 50/50 margin share agreement between the Bank and its Community Bank® partners. As a result some Community Bank® companies have been receiving more than 50 per cent of revenue earned.

In 2011, and again in April this year, the Bank took steps to restore this balance, ensuring that the Community Bank® model produced a more appropriate balance of return for all stakeholders within this partnership model.

This has resulted in changes to some income commissions for Northern Victoria Finances.

Northern Victoria Finances has assessed the impact of the changes and estimates that this will result in a change to commission earnings of $9,029 for the 2012/13 financial year, and $36,116 for the 2013/14 financial year.

The impact on net profit for the 2012/13 financial year is $9,029 and for the 2013/14 financial year $36,116.

While the 2011 reductions were applied to both Nathalia and Numurkah branch product income, the 2013 change only affects Numurkah branch product income due to differences in the franchise agreements at the two sites.

Once again, 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® branch. By doing so, they are providing a tremendous service for this community.

Special thanks to our secretary Lanie Pearce, our past treasurer Jim Liddell and our present treasurer Mike Tymenson. Both these positions require many extra hours each month, which our office bearers do with a minimum of fuss, but a great deal of commitment.

On behalf of the board I would like to thank our past treasurer Jim Liddell for his untiring work in this role. I would also like to acknowledge the enormous amount of voluntary time and commitment that Jim and his sons give to our branch. Their financial expertise is beyond measure.

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. The Community Bank® branches offer a complete range of banking products and services. Our rates are always competitive in the broader marketplace. Banking with a Community Bank® ensures a strong and profitable bank able to fund larger projects, benefiting the whole community.

As a Community Bank® board, we realise that the strength of our branch relies upon the strength of our community. It is the board's vision to keep moving forward into the future, continue to build upon past successes and reinvest in these important communities.

Kaye. C. Bernhardt

Kaye Bernhardt
Chairperson

Senior Manager's report

For year ending 30 June 2013

2012/13 proved to be a mixed year for Northern Victoria Finances. While growth was well down from the dizzy heights of 2011/12, our overall footings growth exceeded 8 percent, which is a very sound figure indeed. Our Numurkah site, previously in a rapid start up growth phase, slowed but still exceeded 10 percent growth. Nathalia also showed a marked slowing of growth, but still increased footings by more than $6 million. The main factor in that growth was likely to be that the previous year saw unusually high growth performance due to the closure of the ANZ bank branch at June 2011.

For the first time, our Numurkah branch showed a profit over a full year of trading. Ably led by manager Lisa Liddell, the team is creating a wonderful working culture and continues to strengthen toward being the leading bank in Numurkah. Lisa has shown the way with her commitment to the Numurkah Hospital Flood appeal, which stands well in excess of $150,000 and growing. The popularity of the annual community grants functions shows how well received the bank is in the Numurkah community.

Highlights for our Nathalia branch:
- The undoubted highlight was the opening of the Nathalia Early Learning Centre, officially opened in December 2012 by Bendigo Bank Managing Director Mike Hirst. This facility, costing more than $1 million, has been long needed in Nathalia and serves as a permanent reminder of the wonderful goals we can achieve with support from our customers. Subsequently, our branch won a state award for this project which shows how well our branch compares among our it's peers.

Other highlights at a glance:
- June 2013 saw the branch break through the magical $100million in balances.
- We partnered with the Nathalia Secondary College (NSC) to bring the 'Switch to Save' power reduction program to Nathalia.
- I was personally pleased to be continuing in my role as Beacon Ambassador to the NSC. This wonderful program, run by Alan Sage, assists year 10 students become familiar in dealing with business leaders to ease their transition into work after leaving school.
- Joanne Terry passed 10 years service with our company, thankyou Jo.

Some comments on our financial performance:
The income of our business was again reduced this year by lower commissions from Bendigo Bank. Since the Global Financial Crisis (GFC) we have worked very hard to lower our cost ratios, which due to strong footings growth are now well down from 2008 levels. This reduction, together with our Numurkah branch being in profit, sees our overall financial performance steady while income has been flat.

With some exciting community projects pending in Nathalia, and the work being done to support the Numurkah Hospital, our branch still needs the support of shareholders to bank with us and make our business and therefore our community stronger.

We look forward to more very rewarding work in 2013/14.

Peter Halden
Senior Branch Manager

Directors' report

For the financial year ended 30 June 2013

Your directors submit their report of the company for the financial year ended 30 June 2013.

Directors

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

James Liddell
Director
Retired Retailer / Director of Private Companies
Board Member since 9 February 2000

John Giffard
Director
Administration Manager
Board Member since 9 February 2000
Resigned 12 November 2012

Kaye Bernhardt
Chairperson
Administrator
Board Member since 25 February 2002

Helen Ginnivan
Director
Assistant Principal
Board Member since 29 April 2002

Michael Tymensen
Director
Accountant
Board Member since 12 November 2012

Ian Brereton
Director
Pastry Cook / Small Business Operator
Board Member since 4 August 2003

Raelene Pearce
Company Secretary
Farmer
Board Member since 3 February 2004

Mark Peterson
Director
Dairy Farmer
Board Member since 22 May 2007

John Sheehan
Director
School Teacher
Board Member since 27 November 2006

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

No directors have material interests in contracts or proposed contracts with the company.

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $132,652 (2012: $168,596).

The net assets of the company have increased to $1,315,084 (2012: $1,188,778).

Dividends

Dividends	Year ended 30 June 2013	
	Cents per share	$'000
Dividends paid in the year (final dividend):	6.50	25,432

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to reporting date

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

Remuneration report

Remuneration policy

There has been no remuneration policy developed as director positions are held on a voluntary basis and directors are not remunerated for their services.

Remuneration benefits and payments

Other than detailed below, no director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

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 held during the year were 11. Attendances by each director during the year were as follows:

Director	Board meetings#
James Liddell	6 (11)
Ian Brereton	10 (11)
John Giffard	2 (5)
Raelene Pearce	11 (11)
Kaye Bernhardt	11 (11)
Mark Peterson	10 (11)
Helen Ginnivan	10 (11)
John Sheehan	5 (11)
Michael Tymensen	10 (11)

 # The first number is the meetings attended while in brackets is the number of meetings eligible to attend.
NIA - not a member of that Committee.

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation. However, the board believes that the company has adequate systems in place for the management of its environment requirements and is not aware of any breach of these environmental requirements as they apply to the company.

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.

Company secretary

Raelene Pearce has been the company secretary of Northern Victoria Finances Limited since 2004. Her experience includes participation in a company secretary workshop, and during recent years as an office-holder on various local committees.

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

Non audit services (continued)

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 the 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

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act.2001 is seen at page 5 of this financial report. No officer of the company is or has been a partner of the auditor of the company.

Signed In accordance with a resolution of the Board of directors at Nathalia, Victoria on 5 November 2013.

Kaye. C. Bernhardt

Kaye C. Bernhardt

Chairperson

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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Bendigo, Victoria
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5 November 2013

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 2013 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.

Philip Delahunty
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

The accompanying notes form part of these financial statements.

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2013

	Note	2013 $	2012 $
Revenue	2	1,492,729	1,386,548
Employee benefits expense	3	(649,063)	(562,896)
Depreciation and amortisation expense	3	(129,712)	(89,862)
Finance costs	3	(78,913)	(58,662)
Bad and doubtful debts expense	3	(1,509)	(1,004)
Other expenses		(418,413)	(376,895)
Operating profit before charitable donations & sponsorships		**215,119**	**297,229**
Charitable donations and sponsorships		(18,483)	(47,988)
Profit before income tax expense		**196,636**	**249,241**
Income tax expense	4	63,984	80,645
Net profit for the year		**132,652**	**168,596**
Other comprehensive income			
Revaluation of land and buildings	16	19,085	19,883
Total comprehensive income for the year		**151,737**	**188,479**
Profit attributable to:			
Members of the company		151,737	188,479
Total		**151,737**	**188,479**
Earnings per share (cents per share)			
- basic for profit for the year	23	33.90	43.09
- diluted for profit for the year	23	33.90	43.09

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2013

	Note	2013 $	2012 $
Assets			
Current Assets			
Cash and cash equivalents	6	61,161	98,581
Trade and other receivables	7	148,439	140,679
Total Current Assets		**209,600**	**239,260**
Non-Current Assets			
Property, plant and equipment	8	2,203,594	2,227,604
Intangible assets	9	104,386	130,386
Investments	10	19,839	5,000
Total Non-Current Assets		**2,327,819**	**2,362,990**
Total Assets		**2,537,419**	**2,602,250**
Liabilities			
Current Liabilities			
Trade and other payables	11	84,791	52,866
Borrowings	12	101,277	111,140
Provisions	13	74,977	49,949
Tax liabilities	4	30,496	49,754
Total Current Liabilities		**291,561**	**263,709**
Non-Current Liabilities			
Borrowings	12	930,774	1,149,763
Total Non-Current Liabilities		**930,774**	**1,149,763**
Total Liabilities		**1,222,335**	**1,413,472**
Net Assets		**1,315,084**	**1,188,778**
Equity			
Issued capital	14	391,256	391,256
Retained earnings	15	423,987	316,767
Asset revaluation reserve	16	499,841	480,755
Total Equity		**1,315,084**	**1,188,778**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
for the year ended 30 June 2013

	Note	Issued Capital $	Retained earnings $	Revaluation Reserve $	Total Equity $
Balance at 1 July 2011		391,256	177,515	460,872	1,029,643
Total comprehensive income for the year		-	168,596	-	168,596
Transactions with owners, in their capacity as owners					
Shares issued during the year		-	-	-	-
Revaluation of land and buildings	16	-	-	19,883	19,883
Dividends paid or provided	24	-	(29,344)	-	(29,344)
Balance at 30 June 2012		**391,256**	**316,767**	**480,755**	**1,188,778**
Balance at 1 July 2012		391,256	316,767	480,755	1,188,778
Total comprehensive income for the year		-	132,652	-	132,652
Transactions with owners, in their capacity as owners					
Shares issued during the year		-	-	-	-
Revaluation of land and buildings	16	-	-	19,086	19,086
Dividends paid or provided	24	-	(25,432)	-	(25,432)
Balance at 30 June 2013		**391,256**	**423,987**	**499,841**	**1,315,084**

Statement of Cash Flows for the year ended 30 June 2013

	Note	2013 $	2012 $
Cash flows from operating activities			
Receipts from clients		1,597,340	1,491,786
Payments to suppliers and employees		(1,157,712)	(1,129,460)
Borrowing costs		(78,913)	(58,662)
Income tax paid		(83,241)	(67,644)
Interest received		6	4,181
Net cash flows from/(used in) operating activities	**17b**	**277,840**	**240,201**
Cash flows from investing activities			
Purchase of property, plant and equipment		(60,616)	(999,766)
Proceeds from sale of property, plant & equipment		-	25,307
Net cash flows from/(used in) investing activities		**(60,616)**	**(974,459)**
Cash flows from financing activities			
Dividends paid		(25,432)	(29,344)
Proceeds (Repayments) of borrowings		(228,852)	772,694
Net cash flows from / (used in) financing activities		**(254,284)**	**743,350**
Net increase/(decrease) in cash held		**(37,420)**	**9,092**
Cash and cash equivalents at start of year		98,581	89,489
Cash and cash equivalents at end of year	**17a**	**61,161**	**98,581**

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2013

The financial statements and notes represent those of Northern Victoria Finances Limited.

Northern Victoria Finances Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 5 November 2013.

1. Summary of significant accounting policies

(a) Basis of preparation

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board 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 Australian Accounting Standards Board 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 (IFRS). Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

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

(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.

Notes to the financial statements (continued)

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	2.5%

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.

(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 Australian Taxation Office (ATO). 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 inclusive of the amount of GST receivable or payable.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position. Cash flows are presented on a gross basis.

The GST components of investing and financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

(f) Employee benefits

Provision is made for the company's liability for employee benefits arising from the services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to the employee benefits.

(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 charges for intangible assets are included under depreciation and amortisation expense per the Statement of Profit or Loss and Other Comprehensive Income

(h) Cash

Cash on hand and in banks are stated at nominal value. Bank overdrafts are shown as short term borrowings in current liabilities in the statement of financial position.

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

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

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 expected to be collected within 12 months at the end of the reporting period are classified as current assets. 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 and are recognised as a current liability.

(k) New accounting standards and interpretations not yet adopted

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

(i) AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 {2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

1. Summary of significant accounting policies (continued)

(k) New accounting standards and interpretations not yet adopted (continued)

(i) AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009) (continued)
AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is not expected to have an impact on the company's financial assets or financial liabilities.

(ii) AASB 13 Fair Value Measurement (2011)

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The company is currently reviewing its methodologies in determining fair values. AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(iii) AASB 119 Employee Benefits (2011)

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the company. However, the company may need to assess the impact of the change in measurement principles of expected return on plan assets. AASB 119 {2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(l) Loans and borrowings

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

(m) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which is probable that the outflow of economic benefits will result and the outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

(p) Critical accounting estimates and judgements (continued)

of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

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.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset or the provision for income tax liability. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment

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.

(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.

Fair value represents the amount for which an asset would be exchanged or a liability settled, between knowledgeable willing parties. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are applied to determine the fair value.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less 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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities
Non derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

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 to be 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 debtor is experiencing significant financial difficulty, default or delinquency in payments, indications that they will enter bankruptcy or other financial reorganisation and changes in arrears or economic conditions that correlate with defaults.

Derecognition of financial instruments

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

	2013 $	2012 $
2. Revenue and other Income		
Revenue		
- services commissions	1,352,712	1,284,577
- other revenue	140,011	97,790
	1,492,723	**1,382,367**
Other revenue		
- interest received	6	4,181
	6	**4,181**
Total Revenue	**1,492,729**	**1,386,548**

	2013 $	2012 $
3. Expenses		
Employee benefits expense:		
- wages and salaries	568,946	526,915
- superannuation costs	50,220	43,753
- workers' compensation costs	1,139	2,001
- payroll tax	1,667	-
- other costs	27,091	(9,773)
	649,063	**562,896**
Depreciation of non-current assets:		
- plant and equipment	18,893	23,309
- motor vehicles	15,175	20,670
- buildings	69,644	19,883
Amortisation of non-current assets:		
- intangible assets	26,000	26,000
	129,712	**89,862**
Finance costs:		
- Interest paid	78,913	58,662
Bad debts	1,509	1,004

Notes to the financial statements (continued)

	2013 $	2012 $
4. Tax expense		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 30% (2012: 30%)	58,991	74,772
Add tax effect of:		
- Prior year over provision for tax	(3,490)	-
- Utilisation of previously unrecognised carried forward tax losses	-	-
- Non-deductible expenses	8,483	5,873
Current income tax expense	**63,984**	**80,645**
Income tax attributable to the entity	**63,984**	**80,645**
The applicable weighted average effective tax rate is	32.54%	32.36%
Income tax payable	**30,496**	**49,754**

The applicable income tax rate is the Australian Federal tax rate of 30% (2012: 30%) applicable to Australian Resident companies.

	2013 $	2012 $
5. Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	4,700	3,900
- Share registry services	3,122	3,418
	7,822	**7,318**
6. Cash and cash equivalents		
Cash at bank and on hand	**61,161**	**98,581**
7. Trade and other receivables		
Current		
Trade debtors	133,624	121,146
Prepayments	14,815	16,960
GST Receivable	-	2,573
	148,439	**140,679**

7. Trade and other receivables (continued)

Credit Risk

The company has no significant concentration of credit risk with respect to any single group or company of counterparties.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

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

			Past due but not impaired			
	Gross Amount $	Past Due and impaired $	< 30 days $	31-60 days $	> 60 days $	Not past due $
2013						
Trade receivables	133,624	-	-	-	-	133,624
Other receivables	34,654	-	-	-	-	34,654
Total	**168,278**	**-**	**-**	**-**	**-**	**168,278**
2012						
Trade receivables	121,146	-	-	-	-	121,146
Other receivables	24,533	-	-	-	-	24,533
Total	**145,679**	**-**	**-**	**-**	**-**	**145,679**

	2013 $	2012 $
8. Property, plant and equipment		
Land		
At Directors valuation 2012	180,000	180,000
Buildings		
At cost	996,024	936,389
Less accumulated depreciation	(50,559)	-
	945,465	**936,389**

	2013 $	2012 $
8. Property, plant and equipment (continued)		
Buildings		
At Directors valuation 2013	920,000	920,000
Less accumulated depreciation	-	-
	920,000	**920,000**
Fixtures & Fittings		
At cost	41,746	41,746
Less accumulated depreciation	(12,400)	(9,710)
	29,346	**32,036**
Plant and equipment		
At cost	234,423	233,442
Less accumulated depreciation	(171,410)	(155,208)
	63,013	**78,234**
Motor vehicles		
At cost	88,679	88,679
Less accumulated depreciation	(22,909)	(7,734)
	65,770	**80,945**
Total written down amount	**2,203,594**	**2,227,604**
Movements in carrying amounts		
Land		
Balance at the beginning of the reporting period	180,000	180,000
Additions	-	-
Disposals	-	-
Depreciation expense	-	-
Balance at the end of the reporting period	**180,000**	**180,000**
Buildings – Cost		
Balance at the beginning of the reporting period	936.389	28,860
Additions	59,635	907,529
Disposals	-	-
Depreciation expense	(50,559)	-
Balance at the end of the reporting period	**945,465**	**936,389**

Notes to the financial statements (continued)

	2013 $	2012 $
8. Property, plant and equipment (continued)		
Movements in carrying amounts (continued)		
Buildings – Valuation		
Balance at the beginning of the reporting period	920,000	920,000
Additions	-	-
Revaluation	19,085	19,883
Depreciation expense	(19,085)	(19,883)
Balance at the end of the reporting period	**920,000**	**920,000**
Fixtures & Fittings		
Balance at the beginning of the reporting period	32,036	35,147
Additions	-	-
Disposals	-	-
Depreciation expense	(2,690)	(3,111)
Balance at the end of the reporting period	**29,346**	**32,036**
Plant and equipment		
Balance at the beginning of the reporting period	78,234	94,874
Additions	981	3,558
Disposals	-	-
Depreciation expense	(16,203)	(20,198)
Balance at the end of the reporting period	**63,012**	**78,234**
Motor Vehicles		
Balance at the beginning of the reporting period	80,945	46,611
Additions	-	11,405
Disposals	-	-
Depreciation expense	(15,175)	22,929
Balance at the end of the reporting period	**65,770**	**80,945**

	2013 $	2012 $

9. Intangible assets

Franchise & establishment fee		
At cost	193,636	193,636
Less accumulated amortisation	(89,250)	(63,250)
	104,386	**130,386**
Movements in carrying amounts		
Franchise & establishment fee		
Balance at the beginning of the reporting period	130,386	156,386
Additions	-	-
Disposals	-	-
Amortisation expense	(26,000)	(26,000)
Balance at the end of the reporting period	**104,386**	**130,386**

10. Investments

Non Current		
Loan to private company	19,839	5,000
	19,839	**5,000**

The purpose of this loan is to fund Tunnel Developments Pty Ltd to investigate the possibility of completing a residential development in Nathalia. This development would be a community based project to assist with the shortage of residential building blocks in Nathalia. If the project moves to the next stage, Northern Victoria Finances Ltd would convert this loan to equity. The project would be undertaken with the intention of making a profit. If the project does not proceed, the loan will be written off.

11. Trade and other payables

Current		
Unsecured Liabilities:		
Trade creditors	35,743	35,806
Other creditors and accruals	49,048	17,060
	84,791	**52,866**

12. Borrowings

	2013 $	2012 $
Current		
Motor vehicle finance Chattel Mortgage	27,696	27,696
Loan	73,581	83,444
	101,277	**111,140**
Non Current		
Motor vehicle finance Chattel Mortgage	35,927	59,545
Loan	894,847	1,090,218
	930,774	**1,149,763**

The company has entered into two finance chattel mortgage loans for two vehicles. The company also has secured commercial mortgage loans which are held on normal commercial terms and conditions, and are secured against the properties owned by the company.

13. Provisions

Employee benefits	67,429	42,005
Provision for dividends	5,401	5,422
Other provisions	2,167	2,522
	74,997	**49,949**
Movement in employee benefits		
Opening balance	42,005	36,640
Additional provisions recognised	25,424	22,477
Amounts utilised during the year	-	(17,112)
Closing balance	**67,429**	**42,005**
Current		
Annual Leave	43,307	42,005
	43,307	**42,005**
Non Current		
Long-service Leave	24,122	-
	24,122	**-**
Total provisions	**67,429**	**42,005**

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified

13. Provisions (continued)

as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

	2013 $	2012 $
14. Share Capital		
391,256 Ordinary Shares fully paid of $1 each	391,256	391,256
Less: Equity raising costs	-	-
	391,256	**391,256**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	391,256	391,256
Shares issued during the year	-	-
At the end of the reporting period	**391,256**	**391,256**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands.
The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

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 2013 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

	2013 $	2012 $
15. Retained earnings		
Balance at the beginning of the reporting period	316,767	177,515
Dividends payable	(25,432)	(29,344)
Profit after income tax	132,652	168,596
Balance at the end of the reporting period	**423,987**	**316,767**

16. Asset revaluation reserve

Land	94,387	94,387
Buildings	405,454	386,368
	499,841	**480,755**

Land		
Balance at the beginning of the financial year	94,387	94,387
Revaluation of land	-	-
Balance at the end of the financial year	**94,387**	**94,387**

Buildings		
Balance at the beginning of the financial year	386,368	366,485
Revaluation of buildings	19,086	19,833
Balance at the end of the financial year	**405,454**	**386,368**

17. Statement of cash flows

(a) *Cash and cash equivalents balances as shown in the statement of financial position can be reconciled to that shown in the statement of cash flows as follows:*

As per the statement of financial position	61,161	98,581
Less: Bank overdraft	-	-
As per the statement of cash flow	**61,161**	**98,581**

Notes to the financial statements (continued)

	2013 $	2012 $
17. Statement of cash flows (continued)		
(b) *Reconciliation of profit after tax to net cash provided from/(used in) operating activities*		
Profit after income tax	132,652	168,596
Non cash items		
- Depreciation	103,712	63,862
- Amortisation	26,000	26,000
- Net (profit)/loss from sale of plant and equipment	-	8,368
Changes in assets and liabilities		
- (Increase) decrease in receivables	(22,599)	(28,818)
- (Increase) decrease in tax asset	-	13,001
- (Decrease) / increase in income tax payable	(19,258)	-
- Increase (decrease) in payables	31,925	(17,055)
- Increase (decrease) in provisions	25,048	6,247
Net cash flows from/(used in) operating activities	**277,480**	**240,201**

18. Related party transactions

The company's main related parties are as follows:

(a) Key management personnel
Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any director (whether executive or otherwise) of that company is considered key management personnel.

(b) Other related parties
Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties
Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No director fees have been paid as the positions are held on a voluntary basis.

Notes to the financial statements (continued)

18. Related party transactions (continued)

(d) Key management personnel shareholdings

The number of ordinary shares in Northern Victoria Finances Limited held by each key management personnel of the company during the financial year is as follows:

Director	2013	2012
James Liddell	2,001	2,001
Ian Brereton	500	500
John Giffard	2,001	2,001
Raelene Pearce	500	500
Kaye Bernhardt	500	500
Mark Peterson	400	400
Helen Ginnivan	300	300
John Sheehan	-	-
Michael Tymensen	-	-

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

(e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

19. Events after the reporting period

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

20. Contingent liabilities and assets

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

21. 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 & Adelaide Bank Limited who account for 100% of the revenue (2012: 100%).

22. Company details

The registered office & principle place of business is: 42 Blake Street, Nathalia VIC 3638

	2013 $	2012 $
23. Earnings per share		
Basic earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year		
Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares)		
The following reflects the income and share data used in the basic and diluted earnings per share computations:		
Profit after income tax expense	132,652	168,596
Weighted average number of ordinary shares for basic and diluted earnings per share	391,256	391,256
24. Dividends paid or provided for on ordinary shares		
(a) Dividends provided for during the year		
Current year final		
Franked dividend – 6.5 cents per share (2012: 7.5c)	25,432	29,344
(b) Dividends proposed and not recognised as a liability		
Final dividends recommended		
Franked dividends – 0 cents per share (2012: 7.5 cents per share)	-	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	255,942	248,401
- Franking credits that will arise from the payment/(refund) of income tax payable as at the end of the financial year	33,514	49,754
	289,456	**298,155**

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 as detailed in the accounting policies are as follows:

	Note	2013 $	2012 $
Financial Assets			
Cash & cash equivalents	6	61,161	98,581
Trade and other receivables	7	148,439	140,679
Total Financial Assets		**209,600**	**239,280**
Financial Liabilities			
Trade and other payables	11	84,791	52,866
Loans and borrowings	12	1,032,051	1,260,903
Total Financial Liabilities		**1,116,842**	**1,313,769**

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.

(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.

Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness and their financial stability is monitored and assessed on a regular basis. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the statement of financial position.

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 Limited.

None of the assets of the company are past due (2012: 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.

25. Financial risk management (continued)

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited and therefore credit risk is considered minimal.

	2013 $	2012 $
Cash and cash equivalents:		
A Rated	61,161	98,581

(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 2013	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due for payment					
Trade and other payables	11	84,791	84,791	–	–
Loans and borrowings	12	1,032,051	101,277	930,774	–
Total expected outflows		**1,116,842**	**186,068**	**930,774**	**-**
Financial assets - cashflow realisable					
Cash & cash equivalents	6	61,161	61,161	–	–
Receivables	7	148,439	148,439	–	–
Total anticipated inflows		**209,600**	**209,600**	**-**	**-**
Net (outflow)/inflow on financial instruments		**(907,242)**	**25,532**	**(930,774)**	**-**
30 June 2012					
Financial liabilities due for payment					
Trade and other payables	11	52,866	52,866	–	–
Loans and borrowings	12	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	6	98,581	98,581	–	–
Receivables	7	140,679	140,679	–	–
Total anticipated inflows		**239,260**	**239,260**	**-**	**-**
Net (outflow)/inflow on financial instruments		**(1,074,509)**	**75,254**	**(1,149,763)**	**-**

25. Financial risk management (continued)

(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 the risk 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.

The weighted average interest rates of the company's interest-bearing financial assets are as follows:

	2013 $	2012 $
Financial assets		
Cash and cash equivalents (net of bank overdrafts)	6.14%	6.62%

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables:

	Profit $	Equity $
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	(9,709)	(9,709)
	(9,709)	(9,709)
Year ended 30 June 2012		
+/- 1% in interest rates (interest income)	(11,623)	(11,623)
	(11,623)	(11,623)

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.

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 6 to 28 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 2013 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.

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

Kaye C. Bernhardt

Director

Signed at Nathalia, Victoria on 5 November 2013.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

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

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www.rsdadvisors.com.au

5th November 2013

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

Dear Directors,

RE: AUDIT ENGAGEMENT LETTER

Scope

You have requested that we audit the 2012/13 financial report of Northern Victoria Finances Limited, which comprises the statement of financial position as at 30 June 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of expressing an opinion on the financial report.

We will conduct our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free of 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal control relevant to the entity'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. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial report that we have identified during the audit.

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with the 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. As part of our audit, we shall request written representations from management concerning assertions made in connection with the audit.

The directors of the company acknowledge and understand they have responsibility to provide us with:

(i) access to all information relevant to the preparation of the financial report;

(ii) additional information that we may request for the purposes of the audit engagement; and

(iii) unrestricted access to persons from whom we determine it is necessary to obtain evidence.

An audit of the financial report does not provide assurance that we shall become aware of all significant matters that might be identified in an audit. Further, our engagement cannot be relied upon to disclose whether fraud or errors, or illegal acts exist. However, we shall inform you of any material matters that come to our attention.

Independence

We confirm that, to the best of our knowledge and belief, we currently meet the independence requirements of the *Corporations Act 2001* in relation to the audit of the financial report. In conducting our audit of the financial report, should we become aware that we have contravened the independence requirements of the *Corporations Act 2001*, we shall notify you on a timely basis. As part of our audit process, we shall also provide you with a written independence declaration as required by the *Corporations Act 2001*.

The *Corporations Act 2001* includes specific restrictions on the employment relationships that can exist between the audited entity and its auditors. To assist us in meeting the independence requirements of the *Corporations Act 2001*, and to the extent permitted by law and regulation, we request you discuss with us:

- The provision of services offered to you by Richmond, Sinnott and Delahunty prior to engaging or accepting the service; and

- The prospective employment opportunities of any current or former partner or professional employee of Richmond, Sinnott and Delahunty prior to the commencement of formal employment discussions with the current or former partner or professional employee.

Presentation of Audited Financial Report on the Internet

If the Company intends to publish a hard copy of the audited financial report and auditor's report for members, and to electronically present the audited financial report and auditor's report on its internet web site please note the following information. When information is presented electronically on a web site, the security and controls over information on the web site should be addressed by the Company to maintain the integrity of the data presented. The examination of the controls over the electronic presentation of audited financial information on the entity's website is beyond the scope of the audit of the financial report. Responsibility for the electronic presentation of the financial report on the entity's website is that of the governing body of the Company.

Fees

Our fee of $3,100 (2012 - $2,900) plus GST for the audit as at 30 June 2013 audit is based on the time required by the individuals assigned to the engagement. Individual hourly rates vary according to the degree of responsibility involved and the experience and skill required.

We look forward to full co-operation with your staff and we trust that they will make available to us whatever records; documentation and other information are requested in connection with our audit.

This letter will be effective for future years unless it is terminated, amended or superseded.

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements for our audit of the financial report.

Yours faithfully,

Philip Delahunty
Partner
5 November 2013

Acknowledged on behalf of Northern Victoria Finances Limited by

Kaye C. Bernhardt
Kaye Bernhardt
5 November 2013

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Bendigo Bank