

NorCen Financial  
Services Ltd

ABN 32 119 493 113

# annual report 2011



Wallan & District **Community Bank**<sup>®</sup> Branch

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# Chairman's report

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For year ending 30 June 2011

It is a real pleasure to write my first Chairman's report on behalf of NorCen Financial Services Ltd. It has been a very eventful and exciting year for the branch, the Company as well the Directors. I was appointed to this role to replace Paul Gardiner whose employer transferred him away from the district in March of this year. Although his tenure as Chair of the Company was relatively brief, Paul was a committed leader and his contribution to the Company was commendable.

The change of Chairperson also triggered another change on the Board with the appointment of Denise Daday as Company Secretary who was elected to the Board at the last AGM and whose corporate experience both here and abroad will undoubtedly be an asset to the Company. I would also like to recognise Graham Freeman, one of the founding members, who retired from the Board in this past year and thank him for his contribution. It is with pleasure that I welcome another new Director, David Pettman, who was appointed to the Board in June 2011. Sadly I would like to acknowledge the sudden and recent passing of our former Director and founding member of the Steering Committee, Graeme Bruce. He was also a very highly regarded member of our community.

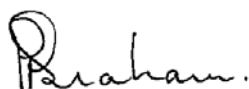
On 26 June 2011, the Board held a General Meeting of the Company when shareholders were asked to consider a Company name change from Wallan & District Financial Services Limited to NorCen Financial Services Ltd. Approved by the shareholders on the night, this change better aligns the Company name with the catchment area in which we operate.

Despite the recent economic difficulties we have all faced your Company has performed very well growing the Bank footings from approximately \$58 million to \$89 million this year and producing a profit before tax of \$210,870. For this result we are greatly appreciative of our Branch Manager and his dedicated staff who are relentless in their endeavours to provide outstanding service to our growing customer base and significant business growth. In the past year as a direct result of this growth we have added one new part time branch staff member to the team and also made renovations to increase the branch office space to accommodate our financial advisor, business banker and lending staff.

As a result of the successful year the Company has had the Board has decided to reward the shareholders with a dividend of 6 cents per share. We also take this opportunity to thank you for your support of our Company and Bendigo and Adelaide Bank Ltd. We would like to encourage those shareholders who are not yet banking with our branch to consider a change and experience the high level of service our staff deliver.

The Company also continues to fulfil one of its key objectives, that is to return its profits to the community in the form of grants, sponsorships and donations. In the 2010/11 financial year this amounted to a total of \$55,450 to 32 different organisations. This financial year we have budgeted \$150,000 to be returned to the community and we could well exceed that amount.

I am pleased to present more detail information about the financial results of the Company in the following pages.



**Peter Graham**  
**Chairman**

# Manager's report

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For year ending 30 June 2011

This year has resulted in a number of highlights for the Wallan & District **Community Bank**<sup>®</sup> Branch. Our growth in all areas of the business exceeded budget, and our own expectations.

**Highlights for the 2010-2011 year:**

337% increase in Profit to \$260k.

297% growth in lending of \$23.8 million.

\$7 million growth in deposits.

47% growth in income to \$847,000.

129 Insurance policies sold.

Total Footings increased by \$30.9 million to \$89.8 million.

Community Grants/Sponsorships in excess of \$60,000.

The above is a testament to the hard work and dedication of the branch staff. During the year Kate Boulton was promoted to Customer Relationship Manager, Tracey Charry to Customer Relationship Officer and Kirsty Goddard to Senior Customer Service Officer. These promotions were well deserved. We also put on an additional Part Time Customer Service Officer, Michelle Arbon and increased the hours of our other Part Time CSO, Angela Carroll. The branch continually receives compliments from our customers and I thank the team for going above and beyond our customers' and my expectations. The branch has recently been extended with three new offices being constructed and a Board room fitted out next door.

Our aim for the next twelve months is to continue the growth of the book. We have budgeted for growth of \$16 million but this will be exceeded, and my expectations are to record growth in excess of that achieved last financial year. This will take the total business in the branch to more than \$120 million and will allow us to hand out more than \$150,000 in Grants and Sponsorships, and increase the return to shareholders via dividends. To achieve this, we will require the support of our shareholders (many who do not bank with us yet) and the whole Wallan & District community.

I would like to acknowledge Chairperson Peter Graham, and the Board of Directors of NorCen Financial Services Ltd. They have supported me and the staff 100%. As our business grows, so does their responsibilities and time required to ensure the Company meets its fiduciary requirements. The workload on the Directors has increased in proportion to the growth of the branch. I would like to thank our customers and the Wallan and District community for supporting our **Community Bank**<sup>®</sup> branch and helping make it the success it is. The **Community Bank**<sup>®</sup> concept was founded on the belief that successful customers and successful communities create a successful bank - in that order. Wallan & District **Community Bank**<sup>®</sup> Branch is testament to this concept.



**Kevin Hannam**  
**Branch Manager**

# Bendigo and Adelaide Bank Ltd report

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For year ending 30 June 2011

As **Community Bank**<sup>®</sup> shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about organising and strengthening community.

Together, we have reached new heights and achieved many great successes, all of which has been underpinned by our commitment and dedication to the communities we're a part of.

Together we're making extraordinary progress, with more than \$58.25 million returned to support community groups and endeavours since the network was established in 1998.

The returns grow exponentially each year, with \$469 thousand returned within the first five years, \$8.15 million within the first eight and \$22.58 million by the end of the first decade of operation. Based on this, we can predict the community returns should top \$100 million within the next three years, which equates to new community facilities, better health care, increased transport services and generally speaking, more prosperous communities.

Together, we haven't just returned \$58.25 million; there is also the flow on economic impact to consider. Bendigo and Adelaide Bank is in the process of establishing an evidential basis that captures the complete picture and the economic outcomes these initiatives generate. However, the tangible outcomes are obvious. We see it in tenanted shops, increased consumer traffic, retained local capital and new jobs but we know that there are broader elements of community strength beyond the economic indicators, which demonstrate the power of our community models.

It is now evident that branches go through a clear maturity phase, building customer support, generating surpluses and establishing a sustainable income stream. This enables Boards to focus less on generating business and more on the community's aspirations. Bendigo is facilitating this through Director engagement and education, community consultations and other community solutions (Community Enterprise Foundation<sup>™</sup>, Community Sector Banking, Community Telco, Generation Green<sup>™</sup> and Community Enterprises) that will provide Boards with further development options.

In Bendigo, your **Community Bank**<sup>®</sup> Board has a committed and successful partner. Our past efforts and continued commitment to be Australia's leading customer-connected bank, that is relevant, connected and valued, is starting to attract attention and reap rewards.

In January, a Roy Morgan survey into customer satisfaction saw Bendigo Bank achieve an industry leading score among Australian retail banks. This was the first time Bendigo Bank has led the overall results since August 2009.

In May, Fitch Ratings upgraded Bendigo and Adelaide Banks Long-Term Issuer Default Rating (IDR) to A- from BBB+. This announcement saw us become the first Australian bank – and one of the very few banks globally – to receive an upgrade since the Global Financial Crisis.

Standard & Poor's revised credit rating soon followed seeing Bendigo and Adelaide Bank shift from BBB+ stable, to BBB+ positive. These announcements reflect the hard and diligent work by all our staff, our sound risk management practices, low-risk funding and balance sheet structure, sound capital ratios and a sustained improvement in profitability.

The strength of our business model – based on our commitment to our customers and the communities that we operate in – is being recognised by all three ratings agencies.

## Bendigo and Adelaide Bank Ltd report continued

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Over the past year the bank has also added more than 700 additional ATMs through a network sharing agreement with Suncorp Bank, which further enhances our customers' convenience and expands our footprint across the country. In addition to this a further 16 **Community Bank**<sup>®</sup> branches were opened.

The bank has also had a renewed focus on business banking and re-launched our wealth management services through Bendigo Wealth, which oversees the Adelaide Bank, Leveraged Equities, Sandhurst Trustees and financial planning offering.

The **Community Bank**<sup>®</sup> model is unique and successful, it's one of our major points of difference and it enables us to connect with more than 550,000 customers, in excess of 270 communities and make a difference in the lives of countless people.

We are very proud of the model we have developed and we're very thankful for the opportunity to partner with communities to help build their balance sheets.

We thank you all for the part you play in driving this success.



**Russell Jenkins**  
**Executive Customer and Community**

# Sponsorships and grants

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For year ending 30 June 2011

These community groups, organisations or sporting clubs have benefited from your Wallan & District **Community Bank**<sup>®</sup> Branch in the last 12 months:

## Donations – Sponsorships – Gifts

Apex Club of Mitchell	Wallan Play Group
Broadford Junior Football & Netball Club	Wallan Chamber of Commerce
Freedom Care Inc	Wallan Secondary College
Kilmore Agricultural Society	Wallan Basketball Inc
Kilmore Racing Inc	Wallan Football & Netball Club
Kilmore & District Hospital	Wallan Community Group
Killara Children's Centre	Wallan Bowls Club
Kilmore Kookaburra Guides	Wallan Junior Football Club
Kilmore Junior Football Club	Wallan & District Cricket Club
Mitchell Ranges Soccer Club	Wallan & District Junior Basketball Association
Mitchell Photographpy Club	Wombats Junior Golf Club Hidden Valley
Rotary Club of South Mitchell	What's New Newspaper
State Emergency Service Kilmore	Wandong Primary School
Variety Club Victoria	Wandong Music Festival
Wallan Police Anti Theft Signs	Wandong & Heathcote Junction Community Group
Wallan Primary School	Wallan Mechanics Institute Committee of Management

Banking at your Wallan & District **Community Bank**<sup>®</sup> Branch or at the Bendigo Bank Agency at Broadford has enabled these community distributions.

# Directors' report

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For the financial year ended 30 June 2011

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

## Directors

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

**Peter Roylance**

Director  
Electrical Supervisor

**Paul Gardiner** (resigned 22 March 2011)

Chairman  
Police Officer

**Graham Freeman** (resigned 17 November 2010)

Director  
Semi-Retired

**Peter Graham**

Chairman  
Small Business Operator

**Susan Marstaeller**

Director  
Office Administrator

**Walter Mott**

Director  
Businessman

**Andrzej Skora**

Director  
Accountant

**Trevor Tobias**

Director  
Company Director

**Greg Marshall**

Director  
Retired

**Denise Daday** (appointed 18 November 2010)

Director  
Businesswoman

**David Pettman** (appointed 28 June 2011)

Director  
Administration Manager

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

## Principal activities

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

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

## Review of operations

The Company changed its name from Wallan & District Financial Services Limited to Norcen Financial Services Ltd on 18 July 2011.

The profit of the Company for the financial year after provision for income tax was \$145,680 (2010: \$48,220).



# Directors' report continued

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## **Significant changes in the state of affairs**

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

## **Significant events after the balance date**

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

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

## **Likely developments**

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

## **Remuneration report**

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 apart from the following.

Newspaper House Pty Ltd and James Yeates Printing Pty Ltd, of which Walter H Mott is a Director and shareholder, received a fee of \$1,900 (2010: \$1,916) for advertising and printing services supplied during the year ended 30 June 2011.

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

## **Indemnification and insurance of Directors and Officers**

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

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

# Directors' report continued

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## Directors' meetings

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

Director	Board meetings #	Audit committee meetings #
Peter Roylance	9 (11)	N/A
Paul Gardiner (resigned 22 March 2011)	8 (8)	N/A
Graham Freeman (resigned 17 November 2010)	4 (4)	N/A
Peter Graham	8 (11)	N/A
Susan Marstaeller	9 (11)	9 (11)
Walter Mott	10 (11)	N/A
Andrzej Skora	9 (11)	9 (11)
Trevor Tobias	9 (11)	N/A
Greg Marshall	7 (11)	N/A
Denise Daday (appointed 18 November 2010)	7 (7)	N/A
David Pettman (appointed 28 June 2011)	1 (1)	N/A

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

N/A - not a member of that Committee.

## Company Secretary

Peter Graham was Company Secretary of Norcen Financial Services Ltd since inception. Denise Daday was appointed Company Secretary on 30 June 2011.

## Corporate governance

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

- The establishment of an audit committee. Members of the audit committee are Andrzej Skora and Susan Marstaeller;
- Director approval of operating budgets and monitoring of progress against these budgets;
- Ongoing Director training; and
- Monthly Director meetings to discuss performance and strategic plans.

# Directors' report continued

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## **Auditor Independence Declaration**

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



30 August 2011

The Directors  
Norcen Financial Services Ltd  
1/51 High Street  
WALLAN VIC 3756

Dear Directors


### **Auditor's Independence Declaration**

In relation to our audit of the financial report of Norcen Financial Services Ltd for the year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



**Warren Sinnott**  
**Partner**  
**Richmond Sinnott & Delahunty**

Signed in accordance with a resolution of the Board of Directors at Wallan on 30 August 2011.



# Financial statements

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## Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Revenue from continuing operations	2	848,045	582,923
Employee benefits expense	3	(343,334)	(269,738)
Charitable donations and sponsorship		(48,038)	(23,936)
Depreciation and amortisation expense	3	(33,012)	(36,002)
Other expenses		(212,789)	(175,893)
<b>Profit before income tax expense</b>		<b>210,872</b>	<b>77,354</b>
Income tax expense	4	(65,192)	(29,134)
<b>Profit after income tax expense</b>		<b>145,680</b>	<b>48,220</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>145,680</b>	<b>48,220</b>
<b>Earnings per share (cents per share)</b>			
- basic for profit for the year	21	17.83	5.90
- diluted for profit for the year	21	17.83	5.90

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of financial position as at 30 June 2011

	Note	2011 \$	2010 \$
<b>Current assets</b>			
Cash and cash equivalents	6	528,023	286,321
Receivables	7	90,510	45,424
<b>Total current assets</b>		<b>618,533</b>	<b>331,745</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	220,114	231,124
Deferred tax asset	4	-	51,976
Intangible assets	9	16,504	38,506
<b>Total non-current assets</b>		<b>236,618</b>	<b>321,606</b>
<b>Total assets</b>		<b>855,151</b>	<b>653,351</b>
<b>Current liabilities</b>			
Payables	10	61,291	27,503
Current tax payable	4	13,216	-
Provisions	11	18,529	9,413
<b>Total current liabilities</b>		<b>93,036</b>	<b>36,916</b>
<b>Total liabilities</b>		<b>93,036</b>	<b>36,916</b>
<b>Net assets</b>		<b>762,115</b>	<b>616,435</b>
<b>Equity</b>			
Share capital	12	799,019	799,019
Accumulated losses	13	(36,904)	(182,584)
<b>Total equity</b>		<b>762,115</b>	<b>616,435</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of cash flows for the year ended 30 June 2011

	Note	2011 \$	2010 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		871,454	587,460
Cash payments in the course of operations		(642,419)	(486,546)
Interest received		12,667	6,397
<b>Net cash flows from/(used in) operating activities</b>	<b>14b</b>	<b>241,702</b>	<b>107,311</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		-	(1,565)
<b>Net cash flows used in investing activities</b>		<b>-</b>	<b>(1,565)</b>
<b>Net increase/(decrease) in cash held</b>		<b>241,702</b>	<b>105,746</b>
Cash and cash equivalents at start of year		286,321	180,575
<b>Cash and cash equivalents at end of year</b>	<b>14a</b>	<b>528,023</b>	<b>286,321</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

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

	Note	2011 \$	2010 \$
<b>Share capital</b>			
Balance at start of year		799,019	799,019
Issue of share capital		-	-
Share issue costs		-	-
		<b>799,019</b>	<b>799,019</b>
<b>Accumulated losses</b>			
Balance at start of year		(182,584)	(230,804)
Profit after income tax expense		145,680	48,220
Dividends paid	20	-	-
<b>Balance at end of year</b>		<b>(36,904)</b>	<b>(182,584)</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2011

## Note 1. Basis of preparation of the financial report

### (a) Basis of preparation

Norcen Financial Services Ltd ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2011 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank**<sup>®</sup> services.

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

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

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

### (b) Statement of compliance

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

### (c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2010 financial statements.

#### Income tax

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

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

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

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

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



# Notes to the financial statements continued

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

### **Property, plant and equipment**

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

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

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

<b>Class of asset</b>	<b>Depreciation rate</b>
Buildings	4%
Computer software	40%

Plant & equipment is calculated on a diminishing value basis with rates between 10-33% used.

### 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.

### **Recoverable amount of assets**

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

### **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.

# Notes to the financial statements continued

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

### **Employee benefits (continued)**

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

### **Goods and services tax**

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

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

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

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

### **Intangibles**

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

### **Cash**

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

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

### **Revenue**

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

### **Receivables and payables**

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

### **Loans and borrowings**

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

# Notes to the financial statements continued

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

### 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.

### Provisions

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

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

### Comparative figures

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

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>

## Note 2. Revenue from continuing operations

### Operating activities

- services commissions	835,378	576,526
- other revenue	-	-
	<b>835,378</b>	<b>576,526</b>

### Non-operating activities:

- interest received	12,667	6,397
- other revenue	-	-
	<b>12,667</b>	<b>6,397</b>
	<b>848,045</b>	<b>582,923</b>

## Notes to the financial statements continued

	2011 \$	2010 \$
<b>Note 3. Expenses</b>		
<b>Employee benefits expense</b>		
- wages and salaries	300,604	219,363
- superannuation costs	26,675	21,041
- workers' compensation costs	556	829
- other costs	15,499	28,505
	<b>343,334</b>	<b>269,738</b>
<b>Depreciation of non-current assets:</b>		
- buildings	10,398	10,398
- plant & equipment	223	261
- computer software	389	3,347
<b>Amortisation of non-current assets:</b>		
- intangibles	22,002	21,996
	<b>33,012</b>	<b>36,002</b>
Bad debts	1,095	931

## Note 4. Income tax expense

The prima facie tax on loss before income tax is reconciled to the income tax benefit as follows:

Prima facie tax on loss before income tax at 30%	63,261	23,206
Add tax effect of:		
- Non-deductible expenses	1,931	5,928
<b>Current income tax expense</b>	<b>65,192</b>	<b>29,134</b>
<b>Income tax expense</b>	<b>65,192</b>	<b>29,134</b>
<b>Deferred tax assets</b>		
<b>Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.</b>	<b>-</b>	<b>51,976</b>
<b>Current tax payable</b>	<b>13,216</b>	<b>-</b>

## Notes to the financial statements continued

	2011 \$	2010 \$
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### Note 5. Auditors' remuneration

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

<b>- Audit or review of the financial report of the Company</b>	<b>3,900</b>	<b>3,900</b>
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### Note 6. Cash and cash equivalents

<b>Cash at bank and on hand</b>	<b>528,023</b>	<b>286,321</b>
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### Note 7. Receivables

<b>Trade debtors</b>	<b>90,510</b>	<b>45,424</b>
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### Note 8. Property, plant and equipment

#### **Buildings**

At cost	259,941	259,941
Less accumulated depreciation	(42,097)	(31,699)
	<b>217,844</b>	<b>228,242</b>

#### **Plant & equipment**

At cost	2,354	2,354
Less accumulated depreciation	(979)	(756)
	<b>1,375</b>	<b>1,598</b>

#### **Computer software**

At cost	16,974	16,974
Less accumulated depreciation	(16,079)	(15,690)
	<b>895</b>	<b>1,284</b>

<b>Total written down amount</b>	<b>220,114</b>	<b>231,124</b>
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## Notes to the financial statements continued

	2011 \$	2010 \$
Note 8. Property, plant and equipment (continued)		
<b>Movements in carrying amounts</b>		
<b>Buildings</b>		
Carrying amount at beginning of year	228,242	238,640
Additions	-	-
Disposals	-	-
Depreciation expense	(10,398)	(10,398)
<b>Carrying amount at end of year</b>	<b>217,844</b>	<b>228,242</b>
<b>Plant &amp; equipment</b>		
Carrying amount at beginning of year	1,598	1,859
Additions	-	-
Disposals	-	-
Depreciation expense	(223)	(261)
<b>Carrying amount at end of year</b>	<b>1,375</b>	<b>1,598</b>
<b>Computer software</b>		
Carrying amount at beginning of year	1,284	3,066
Additions	-	1,565
Disposals	-	-
Depreciation expense	(389)	(3,347)
<b>Carrying amount at end of year</b>	<b>895</b>	<b>1,284</b>

## Note 9. Intangible assets

<b>Franchise fee</b>		
At cost	10,000	10,000
Less accumulated amortisation	(8,494)	(6,495)
	<b>1,506</b>	<b>3,505</b>
<b>Establishment costs</b>		
At cost	100,000	100,000
Less accumulated amortisation	(85,002)	(64,999)
	<b>14,998</b>	<b>35,001</b>
	<b>16,504</b>	<b>38,506</b>

## Notes to the financial statements continued

	2011 \$	2010 \$
<b>Note 10. Payables</b>		
Trade creditors	24,055	2,500
Other creditors and accruals	37,236	25,003
	<b>61,291</b>	<b>27,503</b>

## Note 11. Provisions

<b>Employee benefits</b>	<b>18,529</b>	<b>9,413</b>
<b>Movement in employee benefits</b>		
Opening balance	9,413	8,108
Additional provisions recognised	10,736	5,448
Amounts utilised during the year	(1,620)	(4,143)
<b>Closing balance</b>	<b>18,529</b>	<b>9,413</b>

## Note 12. Share capital

817,010 Ordinary shares fully paid of \$1 each	817,010	817,010
less Equity raising costs	(17,991)	(17,991)
	<b>799,019</b>	<b>799,019</b>

## Note 13. Accumulated losses

Balance at the beginning of the financial year	(182,584)	(230,804)
Profit after income tax	145,680	48,220
<b>Balance at the end of the financial year</b>	<b>(36,904)</b>	<b>(182,584)</b>

## Note 14. Statement of cash flows

### (a) Cash and cash equivalents

<b>Cash assets</b>	<b>528,023</b>	<b>286,321</b>
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### (b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities

Profit after income tax	145,680	48,220
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## Notes to the financial statements continued

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Note 14. Statement of cash flows (continued)</b>		
Non cash items		
- Depreciation	11,010	14,006
- Amortisation	22,002	21,996
Changes in assets and liabilities		
- (Increase) decrease in deferred tax asset	51,976	29,134
- (Increase) decrease in receivables	(45,086)	(24,156)
- Increase (decrease) in payables	33,788	16,806
- Increase (decrease) in provisions	9,116	1,305
- Increase (decrease) in income tax payable	13,216	-
<b>Net cash flows used in operating activities</b>	<b>241,702</b>	<b>107,311</b>

## Note 15. Director and related party disclosures

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

Peter Roylance  
Paul Gardiner (resigned 22 March 2011)  
Graham Freeman (resigned 17 November 2010)  
Peter Graham  
Susan Marstaeller  
Walter Mott  
Andrzej Skora  
Trevor Tobias  
Greg Marshall  
Denise Daday (appointed 18 November 2010)  
David Pettman (appointed 28 June 2011)

Newspaper House Pty Ltd and James Yeates Printing Pty Ltd, of which Walter H Mott is a Director and shareholder, received a fee of \$1,900 (2010: \$1,916) for advertising and printing services supplied during the year ended 30 June 2011. No other Director or related entity has entered into a material contract with the Company.



## Notes to the financial statements continued

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### Note 15. Director and related party disclosures (continued)

<b>Directors' shareholdings</b>	<b>2011</b>	<b>2010</b>
Peter Roylance	1,001	1,001
Paul Gardiner (resigned 22 March 2011)	1,000	1,000
Graham Freeman (resigned 17 November 2010)	501	501
Peter Graham	4,501	4,501
Susan Marstaeller	3,001	3,001
Walter Mott	55,868	55,868
Andrzej Skora	2,001	2,001
Trevor Tobias	501	501
Greg Marshall	2,000	2,000
Denise Daday (appointed 18 November 2010)	2,500	2,500
David Pettman (appointed 28 June 2011)	-	-

There was no movements in Directors' shareholdings during the year. Each share held has a paid upvalue of \$1 and is fully paid.

### Note 16. Subsequent events

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

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

### Note 17. Contingent liabilities and assets

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

### Note 18. Segment reporting

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

### Note 19. Corporate information

Norcen Financial Services Ltd is a Company limited by shares incorporated in Australia.

The registered office and principal place of business is: 1/51 High Street, Wallan.

## Notes to the financial statements continued

	2011 \$	2010 \$
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### Note 20. Dividends paid or provided for on ordinary shares

The Directors recommend that no dividend be paid for the current year.

#### (a) 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	-	-
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	13,216	-
	<b>13,216</b>	-

### Note 21. 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:

<b>Profit after income tax expense</b>	<b>145,680</b>	<b>48,220</b>
<b>Weighted average number of ordinary shares for basic and diluted earnings per share</b>	<b>817,010</b>	<b>817,010</b>

### Note 22. Financial risk management

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

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

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board 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.

## Notes to the financial statements continued

### Note 22. 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	
	2011 \$	2010 \$
Cash assets	528,023	286,321
Receivables	90,510	45,424
	<b>618,533</b>	<b>331,745</b>

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

None of the assets of the Company are past due (2010: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

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

#### (b) Liquidity risk

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

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

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

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$
<b>30 June 2011</b>					
Payables	61,291	(61,291)	(61,291)	-	-
	<b>61,291</b>	<b>(61,291)</b>	<b>(61,291)</b>	-	-

## Notes to the financial statements continued

Note 22. Financial risk management (continued)

### (b) Liquidity risk (continued)

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$
<b>30 June 2010</b>					
Payables	27,503	(27,503)	(27,503)	-	-
	<b>27,503</b>	<b>(27,503)</b>	<b>(27,503)</b>	<b>-</b>	<b>-</b>

### (c) Market risk

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

#### Interest rate risk

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

#### Sensitivity analysis

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

	Carrying amount	
	2011 \$	2010 \$
<b>Fixed rate instruments</b>		
Financial assets	502,740	240,153
Financial liabilities	-	-
	<b>502,740</b>	<b>240,153</b>
<b>Variable rate instruments</b>		
Financial assets	24,873	45,758
Financial liabilities	-	-
	<b>24,873</b>	<b>45,758</b>

#### 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.

# Notes to the financial statements continued

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Note 22. Financial risk management (continued)

**(c) Market risk (continued)**

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2010 there was also no impact. As at both dates this assumes all other variables remain constant.

**(d) Net fair values**

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

**(e) Capital management**

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

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

- (i) the Distribution Limit is the greater of:
  - (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
  - (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and
- (ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2011 can be seen in the Statement of Comprehensive Income.

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

# Directors' declaration

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In accordance with a resolution of the Directors of Norcen Financial Services Ltd, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



**Peter Graham, Chairperson**

Signed at Wallan on 30 August 2011.

# Independent audit report

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## **INDEPENDENT AUDIT REPORT TO THE MEMBERS OF NORCEN FINANCIAL SERVICES LTD**

### **SCOPE**

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Norcen Financial Services Ltd, for the year ended 30 June 2011.

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

### *Audit approach*

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

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

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

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

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

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

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Partners: Kenneth J Richmond • Warren J Sinnott • Philip P Delahunty • Brett A Andrews  
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# Independent audit report continued

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## **INDEPENDENCE**

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

## **AUDIT OPINION**

In our opinion, the financial report of Norcen Financial Services Ltd is in accordance with:

- (a) the Corporations Act 2001 including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

*Richmond Sinnott & Delahunty*

**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants

*W. J. Sinnott*

**W. J. SINNOTT**  
Partner  
Bendigo

Date: 30 August 2011







Wallan & District **Community Bank**<sup>®</sup> Branch  
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Franchisee: NorCen Financial Services Ltd  
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ABN: 32 119 493 113

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(BMPAR11102) (09/11)

