



annual report **2012**

NorCen Financial
Services Limited
ABN 32 119 493 113

NorCen Financial Services Limited – Board of Directors



Andrew Skora



David Pettman



Denise Daday



Greg Marshall



Peter Graham



Peter Roylance



Sue Marstaeller



Wally Mott

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Chairman's report

For year ending 30 June 2012

It gives me a great deal of pleasure to present the 2011/12 Chairman's report on behalf of the Board of NorCen Financial Services Limited after a little over a year in this role. This year one Director, Trevor Tobias, resigned after approximately four and a half years service and we thank him for his contribution and wish him well in his future ventures. I would also like to thank the Directors who have worked hard in their various portfolios and sub-committees demonstrating strong business disciplines and developing excellent connection with the communities in the district.

On behalf of the Board I am pleased to present to the shareholders, customers and members of the community, our company's performance and activity for the financial year ending 30 June 2012. Despite another year of global financial uncertainty and a slowing Australian economy the company has performed well and achieved excellent business growth and exceeded our budget. In the 12 months to 30 June 2012 our footings have grown from approximately \$89 million to approximately \$131 million that is a remarkable effort on the part of the branch and the company.

Last year we were pleased to deliver a 6 cents dividend and our first return to our shareholders since the branch opened in June 2007. Our shareholder returns for 2012 will be announced shortly and ratified at the upcoming 2012 AGM.

We attribute the excellent growth to a number of factors but primarily we believe the public in the district is coming to the realisation that we are not just another bank but here primarily to support the community and make this a more desirable place to live and visit. Our grants and sponsorship programs resulted in over \$200,000 being distributed back to the community organisations here.

The Board acknowledges the performance of our Branch Manager Kevin Hannam, and his dedicated team who have been the key to our new business development and rapid growth by delivering excellent customer service and having the willingness to support our numerous community events and sponsorship functions.

As announced at last year's AGM, we have been working on a campaign to determine if we can expand our banking services to Kilmore. The response to this initiative has been very promising and we are confident it will proceed. As a part of the preparation for this Kilmore project and to provide equity to our original or existing shareholders we have recently made a "one for one" bonus share issue. Residents of the district will also be given an opportunity to purchase shares in NorCen for the Kilmore branch when a prospectus is issued in the coming months. More detailed information on this new business opportunity will be announced at the upcoming AGM.

Further details of our business results and financial position are provided in the following pages of the report.

To our shareholders and members of the community I would like to thank you for your on-going support of the company and for banking at the Wallan & District **Community Bank**[®] Branch.



Peter Graham
Chairman

Manager's report

For year ending 30 June 2012

The results achieved for the past year exceeded our budgets and my ambitious expectations, forecast in last year's report. Despite a noticeable slowdown in the Australian economy we managed the following achievements:

- 51.3% increase in income to \$1.244 million (up from \$822,000 last year).
- 64.7% increase in our loan portfolio to \$81.2 million.
- 24.4% increase in deposits to \$50.4 million.
- The total business held at the branch as at 30 June 2012 is \$131.6 million, a growth of \$41.8 million in 12 months.

These results are well above any other branch in this region and possibly the country. Having the best team working for Wallan & District **Community Bank**[®] Branch has allowed us to record results the envy of the whole **Community Bank**[®] network. Kate Boulton, Tracey Charry, Kirsty Goddard, Angela Carroll, Michelle Arbon and Laura Moran have worked extremely hard over the past 12 months, providing excellent service, which every one of our customers would attest to. Their dedication and commitment to excellence is very much appreciated by me as the Branch Manager.

Without doubt, our greatest achievement this year was the increase in Grants and Sponsorships from \$60,000 to \$200,000 and the commencement of dividend payments to our patient shareholders. This is a significant amount of money. The benefit of the **Community Bank**[®] model is that this will be ongoing. This of course is dependant on the continued support of the Wallan community. We would like the parents of the school children receiving considerable grants, the members of the sporting clubs and Fire Brigades who we have supported and the not-for-profit organisations who have received large sponsorships, to support this branch by bringing all their banking to the Wallan & District **Community Bank**[®] Branch. Our growth expectations for the next 12 months have been tempered slightly by the economy and strong competition from the major banks for deposit funds. This will be offset by our proposed expansion into Kilmore which we are looking forward to. The success we have worked hard for in Wallan will be duplicated in Kilmore.

To achieve growth of \$41.8 million in a 12-month period requires everyone associated with the Wallan & District **Community Bank**[®] Branch working in harmony. Chairman Peter Graham, and his Board have always fully supported the branch team and this is greatly appreciated. Our Bendigo Bank Regional Manager, Steve Atkinson, and his Regional Office team have also supported us to make these achievements possible.

The Bendigo and Adelaide Banks' corporate vision is to be Australia's leading customer-connected bank. This is something we have already achieved in Wallan.



Kevin Hannam
Branch Manager

Sponsorships and grants

For year ending 30 June 2012

Donations, sponsorships and grants for the year ending 30 June 2012

Beam Environmental Group	Pyalong Netball Club
Berry St L2P	Pyalong Riding Club
Broadford & District Historical Soc	Rotary Club Southern Mitchell
Broadford Fire Brigade	Seymour P12 College
Broadford Secondary College	St Patricks Primary School
Clonbinane Fire Brigade	St Pats Netball Club
Darraweit Guim Fire Brigade	Standard Bred Riding Group
Edenhope Comm Bank	Upper Plenty Mechanics Inst
Enterprise Foundation	Upper Plenty Primary School
Girls nite in	Variety Club Vic
Goulburn Family Care	Wallan & District Cricket Club
Heartbeat Epworth	Wallan Bowls Club
Hidden Valley Golf	Wallan Chamber Commerce
Kilmore Agricultural Society	Wallan Fire Brigade
Kilmore Cricket & Recreation Res	Wallan Football & Netball Club
Kilmore Fire Brigade	Wallan Junior Football Club
Kilmore Football Club	Wallan Primary School
Kilmore Golf Club	Wallan Public Hall Community Group
Kilmore Hospital	Wallan Secondary College
Kilmore Junior Football Club	Wallan Senior Citizens
Kilmore Racing Inc	Wandong Fire Brigade
Mini Field of Women	Wandong Heathcote Junction Community Group
Mitchell Community Health	Wandong Netball Club
Mitchell Rangers Football Club	Wandong Primary School
Mitchell Shire Training Awards Plus	Wandong Public Hall
Police Anti Theft Signs	Wandong What's News
Probus Club	

Total for 2012 – \$293,181

Total since opening 22 June 2007 – \$463,724

Directors' report

For the financial year ended 30 June 2012

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

Directors

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

Peter Roylance

Director
Electrical Supervisor
Board member since May 2007

Peter Graham

Chairman
Small Business Operator
Board member since May 2007

Susan Marstaeller

Director
Office Administrator
Board member since May 2007

Walter Mott

Director
Businessman
Board member since May 2007

Andrzej Skora

Director
Accountant
Board member since May 2007

Trevor Tobias

Director
Company Director
Resigned 1 February 2012

Greg Marshall

Director
Retired
Board member since February 2010

Denise Daday

Director
Businesswoman
Board member since March 2011

David Pettman

Director
Administration Manager
Board member since June 2011

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®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank.

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

Operating results

The profit of the company for the financial year after provision for income tax was \$121,953 (2011: \$145,680).

Financial position

The net assets of the company have increased from \$762,115 at 30 June 2011 to \$835,047 in 2012. The increase is largely due to improved operating performance of the company.

Directors' report (continued)

Dividends

A dividend of 6 cents per share fully franked was paid to shareholders on the 30 March 2012.

Significant changes in the state of affairs

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

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

Events after the reporting period

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

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

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Remuneration Report

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 \$11,419 (2011: \$1,900) for advertising and printing services supplied during the year ended 30 June 2012.

Kimo Pty Ltd of which Walter Mott is a Director and shareholder received a fee of \$9,600 (2011: \$nil) for accounting services supplied during the year ended 30 June 2012.

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.

Directors' report (continued)

Indemnifying Officers or Auditor

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

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

Directors' meetings

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

Director	Board meetings#	Audit committee meetings#
Peter Roylance	8 (12)	N/A
Peter Graham	9 (12)	N/A
Susan Marstaeller	11 (12)	10(10)
Walter Mott	11 (12)	10(10)
Andrzej Skora	10 (12)	10(10)
Trevor Tobias (resigned 1 February 2012)	2 (7)	N/A
Greg Marshall	10 (12)	N/A
Denise Daday	12 (12)	N/A
David Pettman	11(12)	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

Denise Daday was appointed Company Secretary on 30 June 2011. Her experience includes Australian Institute of Directors course, Bendigo Bank courses, being a Director, conducting an Annual General Meeting, Company Secretary course.

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, Susan Marstaeller and Walter Mott;
- 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)

Auditor independence declaration

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

Signed in accordance with a resolution of the Board of Directors at Wallan on 11 September 2012.

A handwritten signature in black ink that reads "Peter Graham". The signature is written in a cursive style with a large initial 'P'.

Peter Graham
Chairperson

Auditor's independence declaration



**Richmond
Sinnott &
Delahunty**

Chartered Accountants

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The Directors
NorCen Financial Services Ltd
1/51 High Street
Wallan VIC

To the Directors of NorCen Financial Services Ltd

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

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

- (i) no contraventions of the Auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY

Chartered Accountants



Warren Sinnott

Partner

Bendigo

Dated at Bendigo, 11 September 2012

Richmond Sinnott & Delahunty
ABN 60 616 244 309

Liability limited by a scheme
approved under Professional
Standards Legislation

Partners:

Warren Sinnott
Cara Hall
Brett Andrews

Philip Delahunty
Kathie Teasdale
David Richmond

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Revenue	2	1,272,019	848,045
Employee benefits expense	3	(426,534)	(343,334)
Depreciation and amortisation expense	3	(29,518)	(33,012)
Other expenses		(337,688)	(212,789)
Operating profit before charitable donations & sponsorships		478,279	258,910
Charitable donations and sponsorship		(291,044)	(48,038)
Profit before income tax expense		187,235	210,872
Income tax expense	4	(65,282)	(65,192)
Net profit for the year		121,953	145,680
Other comprehensive income		-	-
Total comprehensive income for the year		121,953	145,680
Earnings per share (cents per share)			
- basic for profit for the year	21	14.93	17.83
- diluted for profit for the year	21	14.93	17.83

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of financial position as at 30 June 2012

	Note	2012 \$	2011 \$
Asset			
Current assets			
Cash and cash equivalents	6	507,585	528,023
Receivables	7	138,585	90,510
Current tax receivable	4	19,827	-
Total current assets		665,997	618,533
Non-current assets			
Property, plant and equipment	8	264,259	220,114
Intangible assets	9	11,361	16,504
Total non-current assets		275,620	236,618
Total assets		941,617	855,151
Liabilities			
Current liabilities			
Payables	10	90,276	61,291
Current tax payable	4	-	13,216
Provisions	11	16,294	18,529
Total current liabilities		106,570	93,036
Total liabilities		106,570	93,036
Net assets		835,047	762,115
Equity			
Issued capital	12	799,019	799,019
Retained earnings/ (accumulated losses)	13	36,028	(36,904)
Total equity		835,047	762,115

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of cash flows for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Cash flows from operating activities			
Cash receipts in the course of operations		1,316,185	871,454
Cash payments in the course of operations		(1,140,493)	(642,419)
Interest received		27,932	12,667
Income tax paid		(98,325)	-
Net cash flows from/(used in) operating activities	14b	105,299	241,702
Cash flows from investing activities			
Payments for property, plant and equipment		(65,162)	-
Payments for intangible assets		(11,554)	-
Net cash flows used in investing activities		(76,716)	-
Cash flows from financing activities			
Dividends paid		(49,021)	-
Net cash flows used in financing activities		(49,021)	-
Net increase/(decrease) in cash held		(20,438)	241,702
Cash and cash equivalents at start of year		528,023	286,321
Cash and cash equivalents at end of year	14a	507,585	528,023

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Note	2012 \$	2011 \$
Issued capital			
Balance at start of year		799,019	799,019
Issue of share capital		-	-
Share issue costs		-	-
		799,019	799,019
Retained earnings/ (accumulated losses)			
Balance at start of year		(36,904)	(182,584)
Net profit for the year		121,953	145,680
Dividends paid	20	(49,021)	-
Balance at end of year		36,028	(36,904)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of significant accounting policies

(a) Basis of preparation

NorCen Financial Services Ltd ('the company') is domiciled in Australia. The financial statements for the year ending 30 June 2012 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing **Community Bank**[®] services.

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

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

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

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

The financial statements were authorised for issue by the Directors on 11 September 2012.

(b) Income tax

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

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

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

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

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

(c) Property, plant and equipment

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

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

Class of asset	Depreciation rate
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.

(d) Impairment of assets

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

(e) Goods and services tax

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

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

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(f) Employee benefits

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

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

(g) Intangibles

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

(h) Cash

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

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

(i) Revenue

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

(j) Receivables and payables

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

(k) New accounting standards for application in future periods

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

(l) Borrowings

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

(m) Provisions

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(n) Share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(o) Comparative figures

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

(p) Critical accounting estimates and judgements

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

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 provision for income tax.

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. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Classification and subsequent measurement (continued)

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

(i) Loans and receivables

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

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

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

	2012	2011
	\$	\$
Note 2. Revenue		
Revenue from continuing activities		
- services commissions	1,244,087	835,378
- other revenue	-	-
	1,244,087	835,378
Other revenue		
- interest received	27,932	12,667
- other revenue	-	-
	27,932	12,667
	1,272,019	848,045

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 3. Expenses		
Employee benefits expense		
- wages and salaries	350,845	300,604
- superannuation costs	34,474	26,675
- workers' compensation costs	1,474	556
- other costs	39,741	15,499
	426,534	343,334
Depreciation of non-current assets:		
- buildings	11,269	10,398
- plant & equipment	987	223
- computer software	565	389
Amortisation of non-current assets:		
- intangible assets	16,697	22,002
	29,518	33,012
Bad debts	2,048	1,095
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%	56,171	63,261
Add tax effect of:		
- Non-deductible expenses	195	1,931
- Underprovision of tax in prior year	8,916	-
Current income tax expense	65,282	65,192
Income tax expense	65,282	65,192
Current tax payable/(receivable)	(19,827)	13,216
Note 5. Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	3,900	3,900
Note 6. Cash and cash equivalents		
Cash at bank and on hand	507,585	528,023

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 7. Receivables		
Trade debtors	138,585	90,510

Note 8. Property, plant and equipment

Buildings

At cost	308,157	259,941
Less accumulated depreciation	(51,717)	(42,097)
	256,440	217,844

Plant & equipment

At cost	9,127	2,354
Less accumulated depreciation	(1,965)	(979)
	7,162	1,375

Computer software

At cost	17,301	16,974
Less accumulated depreciation	(16,644)	(16,079)
	657	895

Total written down amount	264,259	220,114
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Movements in carrying amounts

Buildings

Carrying amount at beginning of year	217,844	228,242
Additions	58,063	-
Disposals	8,198	-
Depreciation expense	(11,269)	(10,398)
Carrying amount at end of year	256,440	217,844

Plant & equipment

Carrying amount at beginning of year	1,375	1,598
Additions	6,773	-
Disposals	-	-
Depreciation expense	(986)	(223)
Carrying amount at end of year	7,162	1,375

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 8. Property, plant and equipment (continued)		
Computer software		
Carrying amount at beginning of year	895	1,284
Additions	327	-
Disposals	-	-
Depreciation expense	(565)	(389)
Carrying amount at end of year	657	895

Note 9. Intangible assets

Franchise fee		
At cost	21,554	10,000
Less accumulated amortisation	(10,193)	(8,494)
	11,361	1,506
Establishment costs		
At cost	100,000	100,000
Less accumulated amortisation	(100,000)	(85,002)
	-	14,998
	11,361	16,504

Note 10. Payables

Trade creditors	24,585	24,055
Other creditors and accruals	65,691	37,236
	90,276	61,291

Note 11. Provisions

Employee benefits	16,294	18,529
Movement in employee benefits		
Opening balance	18,529	9,413
Additional provisions recognised	26,988	10,736
Amounts utilised during the year	(29,223)	(1,620)
Closing balance	16,294	18,529

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 12. Share capital		
817,010 Ordinary shares fully paid	817,010	817,010
less Equity raising costs	(17,991)	(17,991)
	799,019	799,019

The company has authorised share capital amounting to 817,010 ordinary shares.

Note 13. Retained earnings/ (accumulated losses)

Balance at the beginning of the financial year	(36,904)	(182,584)
Profit after income tax	121,953	145,680
Dividends paid during the year	(49,021)	-
Balance at the end of the financial year	36,028	(36,904)

Note 14. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	507,585	528,023
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(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities

Profit after income tax	121,953	145,680
Non cash items		
- Depreciation	12,820	11,010
- Amortisation	16,697	22,002
- Fixed assets written off	8,197	-
Changes in assets and liabilities		
- (Increase) decrease in deferred tax asset	(19,827)	51,976
- (Increase) decrease in receivables	(48,075)	(45,086)
- Increase (decrease) in payables	28,985	33,788
- Increase (decrease) in provisions	(2,235)	9,116
- Increase (decrease) in income tax payable	(13,216)	13,216
Net cash flows used in operating activities	105,299	241,702

Notes to the financial statements (continued)

Note 15. Director and related party disclosures

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

Peter Roylance
Peter Graham
Susan Marstaeller
Walter Mott
Andrzej Skora
Trevor Tobias (resigned 1 February 2012)
Greg Marshall
Denise Daday
David Pettman

Newspaper House Pty Ltd and James Yeates Printing Pty Ltd, of which Walter H Mott is a Director and shareholder, received a fee of \$11,419 (2011: \$1,900) for advertising and printing services supplied during the year ended 30 June 2012.

Kimo Pty Ltd of which Walter Mott is a Director and shareholder received a fee of \$9,600 (2011: \$nil) for accounting services supplied during the year ended 30 June 2012.

Directors' shareholdings	2012	2011
Peter Roylance	1,001	1,001
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 (resigned 1 February 2012)	501	501
Greg Marshall	2,000	2,000
Denise Daday	2,500	2,500
David Pettman	2,500	-

There was one movement in Directors' shareholdings during the year as disclosed above. Each share held has a paid upvalue of \$1 and is fully paid.

Note 16. Events after the reporting period

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

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

Notes to the financial statements (continued)

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. 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 Wallan, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank who account for 100% of the revenue (2011: 100%).

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.

	2012	2011
	\$	\$

Note 20. Dividends paid or provided for on ordinary shares

(a) Dividends provided for during the year

(i) Final dividend		
Franked dividends - 6 cents per share (2011- nil)	49,021	-

(b) 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	60,243	-
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	(19,827)	13,216
	40,416	13,216

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:

Profit after income tax expense	121,953	145,680
Weighted average number of ordinary shares for basic and diluted earnings per share	817,010	817,010

Notes to the financial statements (continued)

Note 22. Financial risk management

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

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

	Note	2012 \$	2011 \$
Financial assets			
Cash & cash equivalents	6	507,585	528,023
Receivables	7	138,585	90,510
Total financial assets		646,170	618,533
Financial liabilities			
Payables	10	90,276	61,291
Total financial liabilities		90,276	61,291

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.

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

The company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2012 \$	2011 \$
Cash and cash equivalents	507,585	528,023
Receivables	138,585	90,510
	646,170	618,533

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

None of the assets of the company are past due (2011: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

Notes to the financial statements (continued)

Note 22. Financial risk management (continued)

(a) Credit risk

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

(b) Liquidity risk

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

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

Financial liability and financial asset maturity analysis

	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
30 June 2012				
Financial liabilities due for payment				
Payables	(90,276)	(90,276)	-	-
Total expected outflows	(90,276)	(90,276)	-	-
Financial assets - cashflow realisable				
Cash & cash equivalents	507,585	507,585	-	-
Receivables	138,585	138,585	-	-
Total anticipated inflows	646,170	646,170	-	-
Net (outflow)/inflow on financial instruments	555,894	555,894	-	-

	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
30 June 2011				
Financial liabilities due for payment				
Payables	(61,291)	(61,291)	-	-
Total expected outflows	(61,291)	(61,291)	-	-
Financial assets - cashflow realisable				
Cash & cash equivalents	528,023	528,023	-	-
Receivables	90,510	90,510	-	-
Total anticipated inflows	618,533	618,533	-	-
Net (outflow)/inflow on financial instruments	557,242	557,242	-	-

Notes to the financial statements (continued)

Note 22. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial assets pledged as collateral

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

(c) Market risk

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

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

Sensitivity analysis

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

	Carrying amount	
	2012	2011
	\$	\$
Fixed rate instruments		
Financial assets	490,302	502,740
Financial liabilities	-	-
	490,302	502,740
Floating rate instruments		
Financial assets	17,270	24,873
Financial liabilities	-	-
	17,270	24,873

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Notes to the financial statements (continued)

Note 22. Financial risk management (continued)

(d) Price risk (continued)

Fair values

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

Capital management

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

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

(i) the Distribution Limit is the greater of:

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

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

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


The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2012 can be seen in the Statement of Comprehensive Income.

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

Directors' declaration

In accordance with a resolution of the Directors of NorCen Financial Services Ltd, the Directors of the company declare that:

- 1 the financial statements and notes of the company as set out on pages 10 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 2012 and of the performance for the year ended on that date;
- 2 in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Peter Graham
Chairperson

Signed at Wallan on 11 September 2012.

Independent audit report



**Richmond
Sinnott &
Delahunty**

Chartered Accountants

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF NORCEN FINANCIAL SERVICES LTD

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

Independent audit report (continued)

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

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

Independence

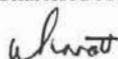
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

- (a) the financial report of NorCen Financial Services Ltd is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1(a).

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants



W. J. SINNOTT
Partner

Dated at Bendigo, 11 September 2012



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