NorCen Financial Services Limited

ABN 32 119 493 113

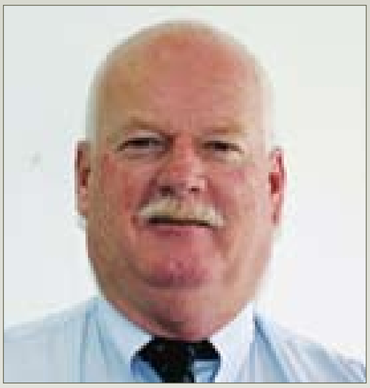
ANNUAL REPORT 2013

Wallan & District **Community Bank®** Branch

NorCen Financial Services Limited – Board of Directors

Greg Marshall

Wally Mott

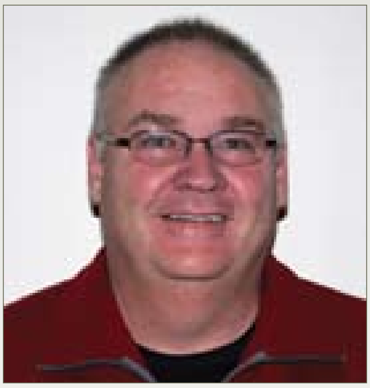


Peter Roylance

Peter Graham

David Wheeler

David Pettman



David Ford

Bruce Nicholls

Andrew Skora

Sue Marstaeller

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Chairman's report

For year ending 30 June 2013

It is with pleasure I bring you the Chairman's report for 2012/13. This has been a year of strong growth and activity for the Wallan & District **Community Bank®** Branch. Our Chairman, Peter Graham retired at the end of June to take on personal challenges, leaving a large hole in the organisation. Peter served this Board as a Director, Secretary and as Chairman for over seven years and we sincerely thank him for his leadership and the skills he brought to make this branch the success it is today. We miss him greatly already.

We were lucky to have had three new Directors come onto the Board during the year, Bruce Nicholls, David Wheeler (elected at the AGM), and David Ford, who joined the Board when our Secretary Denise Daday retired for personal reasons during the year. These gentlemen have brought skills and knowledge to the Board making it a well rounded, experienced team who work well together. It is a pity the gender balance is out of skew, but we will be working to correct this. We thank Denise for her hard work during the two and half years she served as Secretary to the Board.

We have since recruited Georgina Davie to take on the role as Secretary, in a part time capacity, and she has brought some great new skills to the Board and we welcome her expertise in making our jobs that little bit easier. Wally Mott, after serving in the position of Treasurer for over seven years, has decided to take a back seat for a short time and David Wheeler has taken up the mantle. We thank Wally for carefully and expertly guiding our Board through the early years to have us in a position where we will have over $2 million in income in the coming year, as well as being the envy of many other **Community Bank®** branches across Australia.

Due to Peter's retirement, I was elected as Interim Chair until the Annual General Meeting (AGM). I take great pride in leading this team of Directors along with our Manager and staff at the Wallan & District **Community Bank®** Branch who are all endeavouring to grow our business which assists our community.

We increased our staff levels with four new faces who fitted right into the tight knit team we have developed. One of our staff had a baby and another there's another on the way soon. We now employ 11 people from our original four staff, adding to the economy and employment of the area. More importantly, we have been able, with good training and management, to promote all staff to a higher level during this year. Our staff are friendly, committed and go way above and beyond for their customers as well as the organisation.

We have committed to purchase a new building in Kilmore to open our new branch venture thus adding to the benefit of that town, economically and visually. The Prospectus will be launched very soon and share sales will be open to the public. With the opening of the new branch still some time away, we were able to secure temporary premises to bring to our Kilmore customers most of the bank's services, before the branch opens in 2014. Customers are able to open accounts, take out loans, collect a Share Prospectus (when available) as well as other bank services (except deposits). This gives us a good head start, enabling us to start donating money to community groups sooner.

I wish to thank my fellow Directors for the time commitment they give to this company as volunteers to make this **Community Bank®** branch the envy of **Community Bank®** branches throughout Australia. We look forward to many exciting new happenings in 2014, with our expansion coming to fruition. All this could not be possible without our Manager Kevin Hannam at the helm, who holds the whole enterprise together. We sincerely thank Kevin who goes above and beyond for the Directors, his girls and his customers. We are extremely grateful to have his experience and expertise running our branch.

Here's to an exciting 2014.

Sue Marstaeller
Interim Chairman

Manager’s report

For year ending 30 June 2013

When you choose to bank with your local **Community Bank®** branch, you’re making a decision that benefits you and your community. This is evidenced by our sponsorships and grants of $336,000 awarded in the last financial year to local schools, sports clubs, fire brigades and not for profit organisations. Our patient shareholders have also been rewarded with a one for one bonus issue and dividends.

The Wallan & District **Community Bank®** Branch again exceeded budgets and expectations with growth in business of $30.2 million. The branch now holds in excess of $160 million of local business. Income is up 37%, Loans up 29%, Deposits 2.5% and we recorded a profit of $529,000. Anyone who comes into this branch will know how this is all possible. We have a friendly, committed team who go above and beyond our customers expectations. Tracey, Kirsty, Kate (on maternity leave), Laura, Michelle and our new girls, Leanne, Stacey, Shelley and Erin are an absolute pleasure to work with and provide you with a standard of service you just don’t get from other banks. That is why we are as successful as we are, and why the Wallan and District community benefits from this success. Saying this, we still need the continued support of our local community groups and their members to keep this momentum going.

The next 12 months will be hectic and exciting. We will have a new **Community Bank®** branch opening in Kilmore early next year. Support to the community via sponsorships and grants will grow. Our staff will have opportunities to further advance their careers. Every full time staff member has received a promotion in the last twelve months which is a testament to their work ethic and abilities. The Wallan branch continues to grow at a rate which all other **Community Bank®** branches envy.

To achieve what we have, it has taken more than hard work and great customer service. We need a hard working cohesive Board which in our case we have. The Board members all give a great deal of their personal time to administer a business that will turn over in excess of $2 million in income in the next 12 months. There are a number of exciting projects about to commence which will need an even greater time commitment from this dedicated Board previously led by Peter Graham. It was a shame to see Peter resign as the Chair of NorCen Financial Services Limited. He was a great support to me and the team and he will be missed. The team at Wallan have an excellent working relationship with the Board and Bendigo and Adelaide Bank.

We all look forward to the future and what we can achieve as a **Community Bank®** branch. The local community will continue to benefit from our success for years to come and we look forward to the continued reciprocal support of our local community.

Kevin Hannam
Branch Manager

Donations, sponsorships and grants

For year ending 30 June 2013

Beveridge Primary School	Neighbourhood Watch
Broadford Amateur Theatrical Society	Pyalong Netball Club
Broadford Fire Brigade	Riding for Disabled (RDA) Seymour
Broadford Football and Netball Club	Rotary Club Southern Mitchell
Broadford Golf Club	Royals Cricket Club
Broadford Junior Football Club	Salvation Army Pathways
Broadford Primary School	St Patricks Primary School
Clonbinane Fire Brigade	Transition Wallan
Darraweit Guim Fire Brigade	Upper Plenty Primary School
Enterprise Foundation	Variety Club Victoria
Glenaroua Fire Brigade	Wallan and District Cricket Club
GoPos Subsidy	Wallan Basketball Club
Kalkallo Fire Brigade	Wallan Chamber of Commerce
Kilmore Agricultural Society	Wallan Fire Brigade
Kilmore Broadford Netball Association	Wallan Football and Netball Club
Kilmore Country Music Festival	Wallan Kindergarten
Kilmore Cricket and Recreation Reserve	Wallan Playgroup
Kilmore Cricket Club	Wallan Primary School
Kilmore Fire Brigade	Wallan Public Hall Community Group
Kilmore Golf Club	Wallan Secondary College
Kilmore Historical Society	Wandong Fire Brigade
Kilmore Junior Football Club	Wandong-Heathcote Junction Community Group
Kilmore Mechanics Institute	Wandong Junior Football Club
Kilmore Mens Shed	Wandong Milo Cricket
Kilmore Racing Inc.	Wandong Primary School
Kilmore Tennis Club	Wandong Public Hall
Mitchell Community Radio	Wandong Stadium Project
Mitchell Rangers Soccer Club	Wandong What's News
Mitchell Shire	Willomavin Primary School
Mount Piper Primary School	

Total for 2013 - $335,454 (excluding GST)

Total since opening 22 June 2007 - $823,591

Directors' report

For the financial year ended 30 June 2013

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

Directors

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

Name and position held	Qualifications	Experience and other Directorships
Peter Roylance Director Electrical Supervisor Board member since May 2006		
Peter Graham Chairman Small Business Operator Board member since May 2006 Resigned 30 June 2013		
Susan Marstaeller Director Office Administrator Board member since May 2006		Councillor Mitchell Shire South Ward
Walter Mott Director Businessman Board member since May 2006		
Andrzej Skora Director Accountant Board member since May 2006	B. Bus (Acc)	
Greg Marshall Director Retired Board member since February 2010		
Denise Daday Director Businesswoman Board member since March 2011 Resigned 5 February 2013		

Directors (continued)

David Pettman Director Administration Manager Board member since June 2011		
Bruce Nicholls Director Businessman Appointed 13 November 2012	B. Com (Economics) Dip. Bus.	Director, Port of Melbourne Corporation
David Wheeler Director Retired Appointed 13 November 2012		
David Ford Director Senior OH&S Advisor Appointed 05 February 2013		

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

Directors WH Mott and D Wheeler have a beneficial interest in a commercial development which includes the site being purchased for the future Kilmore & District **Community Bank**® operation.

Principal activities

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

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

Review of operations

The profit of the company for the financial year after income tax was $374,942 (2012: $121,953), which is a 207% increase as compared with the previous year.

The net assets of the company have increased to $1,136,459 (2012: $835,047). The increase is largely due to improved operating performance of the company.

Dividends

	Year ended 30 June 2013	
	Cents per share	**$**
Dividends paid in the year (final dividend):	4.5	73,530

Significant changes in the state of affairs

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

Events subsequent to reporting date

The company is in the process of opening a branch in Kilmore. The new branch will incur costs and losses during it's establishment period. Furthermore the company has signed a contract for the purchase of premises in Kilmore to operate the franchise of the Kilmore & District **Community Bank**® Branch. This will not materially affect the ability of the company to gift, donate or sponsor community group as at a level equivalent to last year. Nor will it affect the ability of the company to pay a dividend to shareholders. The long term affect will be that the company will own its own premises, which will remove the instability of rent increases each year and providing long term gains for the company.

Remuneration report

Remuneration policy

The Board of NorCen Financial Services Ltd will pay Directors fees per financial year to cover Directors out of pocket expenses they incur in the course of their role as a Director of NorCen. This includes minor travel, and phone calls. Other claims for Conventions and/or Board approved functions are also claimable separately. Each Director will be paid for one position regardless of how many positions they hold and will be paid with the higher position's remuneration package.

NorCen Financial Services Limited Directors will only be paid once the Board has issued a dividend to shareholders. The Director will only be paid if a volunteer holds the position not an employee or contractor. The fees are to be reviewed each August by the Board to recommend as a resolutions to the Annual General Meeting in November for approval by shareholders.

The amounts are to be paid for the financial year in March of the year after approval of the Board and the shareholder at an Annual General Meeting. Chairs of each committee are to ensure that the KPI's for each committee are kept up to date and that all Directors on their committee are equally contributing.

i. Chairman of the company receives $4,000, and

ii. Deputy Chairman of the company receives $1,000, and

iii. Secretary of the company receives $3,000, and

iv. Treasurer of the company receives $3,000, and

v. Sub Committee Chairs of the company receives $1,000, and

vi. Ordinary Directors of the company receives $500

These amounts are subject to superannuation guarantee payments. If a Director leaves or commences service on the Board during the financial year a pro rata fee will be paid for time served during that year.

Remuneration report

Remuneration benefits and payments

Directors' fees	Primary benefits salary & fees 2013 $	Primary benefits salary & fees 2012 $
Peter Roylance	-	-
Peter Graham (resigned 30/06/13)	4,360	4,360
Susan Marstaeller	1,090	1,090
Walter Mott	3,270	3,270
Andrzej Skora	5,056	1,090
Greg Marshall	1,308	1,000
Denise Daday (resigned 05/02/13)	2,180	3,270
David Pettman	3,139	726
Bruce Nicholls	727	-
David Wheeler	727	-
David Ford (appointed 05/02/13)	818	-
Trevor Tobias (resigned 01/02/12)	-	635

Remuneration benefits and payments

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

Newspaper House Pty Ltd and James Yeates Printing Pty Ltd, of which Walter H Mott is a Director and shareholder, received a fee of $16,263 (2012: $11,419) for advertising and printing services supplied during the year ended 30 June 2013.

Kimo Pty Ltd of which Walter Mott is a Director and shareholder received a fee of $4,400 (2012: $9,600) for accounting services supplied during the year ended 30 June 2013.

Indemnifying Officers or Auditor

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

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

Directors' meetings

The number of Directors' meetings held during the year were 13. Attendances by each Director during the year were as follows:

Director	Board meetings#	Audit committee meetings#
Peter Roylance	8 (13)	N/A
Peter Graham	13 (13)	N/A
Susan Marstaeller	11 (13)	10 (10)
Walter Mott	12 (13)	10 (10)
Andrzej Skora	13 (13)	10 (10)
Greg Marshall	10 (13)	N/A
Denise Daday	7 (7)	N/A
David Pettman	12 (13)	N/A
Bruce Nicholls	7 (8)	N/A
David Wheeler	8 (8)	N/A
David Ford	6 (6)	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.

Likely developments

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

Environmental regulations

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

Proceedings on behalf of company

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

Company Secretary

Georgina Davie was appointed as a non voting Company Secretary on 5 February 2013 and is remunerated at commercial rates. Her experience includes various Human Resources and Administrator roles. Georgina has completed several Bendigo and Adelaide Bank Limited training courses - Company Secretary, conducting Annual General Meeting and Annual Report compilation. Georgina is a member of the Company's Share Registry, OH&S and Schools Committees.

Non audit services

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

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

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 11 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Wallan on 20 September 2013.

Susan Marstaeller
Director

Auditor's independence declaration

Richmond
Sinnott &
Delahunty
Chartered Accountants

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Bendigo, Victoria
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Fax: (03) 5444 4344
Email: rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the Directors of NorCen Financial Services Ltd

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2013 there has been no contraventions of:

(i) the Auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY

Chartered Accountants

Warren Sinnott
Partner

Bendigo

Dated at Bendigo, 20 September 2013

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

Financial statements

Statement of profit or loss and other comprehensive income for the year ended 30 June 2013

	Notes	2013 $	2012 $
Revenue	2	1,733,823	1,272,019
Employee benefits expense	3	(541,958)	(426,534)
Depreciation and amortisation expense	3	(16,989)	(29,518)
Bad and doubtful debts expense	3	(733)	(2,048)
Rental expense		(50,000)	(38,616)
Other expenses		(251,701)	(297,024)
Operating profit before charitable donations & sponsorships		**872,442**	**478,279**
Charitable donations and sponsorships		(335,454)	(291,044)
Profit before income tax expense		**536,988**	**187,235**
Tax expense	4	162,046	65,282
Profit for the year		**374,942**	**121,953**
Total comprehensive income		**374,942**	**121,953**
Profit attributable to:			
Members of the company		-	-
Total		**374,942**	**121,953**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	21	22.95	14.93
- diluted for profit / (loss) for the year	21	22.95	14.93

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2013

	Notes	2013 $	2012 $
Assets			
Current assets			
Cash and cash equivalents	6	886,966	507,585
Trade and other receivables	7	166,421	138,585
Total current assets		**1,053,387**	**646,170**
Non-current assets			
Property, plant and equipment	8	258,987	264,259
Deferred tax asset	4	-	19,827
Intangible assets	9	9,050	11,361
Total non-current assets		**268,037**	**295,447**
Total assets		**1,321,424**	**941,617**
Liabilities			
Current liabilities			
Trade and other payables	10	74,254	90,276
Provisions	11	13,118	16,294
Current tax liability	12	97,593	-
Total current liabilities		**184,965**	**106,570**
Total liabilities		**184,965**	**106,570**
Net assets		**1,136,459**	**835,047**
Equity			
Issued capital	13	799,019	799,019
Retained earnings	14	337,440	36,028
Total equity		**1,136,459**	**835,047**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2013

	Notes	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2011		**799,019**	**(36,904)**	**762,115**
Total comprehensive income for the year		**-**	**121,953**	**121,953**
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	22	-	(49,021)	(49,021)
Balance at 30 June 2012		**799,019**	**36,028**	**835,047**
Balance at 1 July 2012		**799,019**	**36,028**	**835,047**
Total comprehensive income for the year		**-**	**374,943**	**374,943**
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	22	-	(73,530)	(73,530)
Balance at 30 June 2013		**799,019**	**337,440**	**1,136,459**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2013

	Notes	2013 $	2012 $
Cash flows from operating activities			
Cash receipts in the course of operations		1,817,969	1,316,185
Cash payments in the course of operations		(1,317,947)	(1,140,493)
Interest received		25,308	27,932
Income tax paid		(63,014)	(98,325)
Net cash flows from operating activities	**15b**	**462,316**	**105,299**
Cash flows from investing activities			
Purchase of property, plant & equipment		(9,405)	(65,162)
Payments for intangible assets		-	(11,554)
Net cash flows (used in) investing activities		**(9,405)**	**(76,716)**
Cash flows from financing activities			
Dividends paid		(73,530)	(49,021)
Net cash flows (used in) financing activities		**(73,530)**	**(49,021)**
Net increase/(decrease) in cash held		**379,381**	**(20,438)**
Cash and cash equivalents at start of year		507,585	528,023
Cash and cash equivalents at end of year	**15a**	**886,966**	**507,585**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2013

The financial statements and notes represent those of NorCen Financial Services Ltd.

NorCen Financial Services Ltd (‘the company’) is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 20 September 2013.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

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

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

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

(b) Income tax

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

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

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

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

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

(c) Property, plant and equipment

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

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

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%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

(d) Impairment of assets

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

(e) Goods and services tax

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(f) Employee benefits

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

(g) Intangibles

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

(h) Cash

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

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

(i) Revenue

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

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

(j) Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables expected to be collected within 12 months at the end of the reporting period are classified as current assets. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company and are recognised as a current liability.

(k) New accounting standards and interpretations not yet adopted

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

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

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

(ii) AASB 13 Fair Value Measurement (2011)

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

(iii) AASB 119 Employee Benefits (2011)

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

(l) Loans and borrowings

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

(m) Provisions

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

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

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

(n) Share capital

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

(o) Comparative figures

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

Note 1. Summary of significant accounting policies (continued)

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

Impairment

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

(q) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

Fair value represents the amount for which an asset would be exchanged or a liability settled, between knowledgeable willing parties. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are applied to determine the fair value. Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities

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

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in payments, indications that they will enter bankruptcy or other financial reorganisation and changes in arrears or economic conditions that correlate with defaults.

Derecognition of financial instruments

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

Note 2. Revenue and other income

	2013 $	**2012 $**
Revenue		
- services commissions	1,708,515	1,244,087
	1,708,515	**1,244,087**
Other revenue		
- interest received	25,308	27,932
	25,308	**27,932**
Total revenue	**1,733,823**	**1,272,019**

Notes to the financial statements (continued)

	2013 $	2012 $

Note 3. Expenses

	2013 $	2012 $
Employee benefits expense		
- wages and salaries	417,278	350,845
- superannuation costs	40,579	34,474
- workers' compensation costs	1,822	1,474
- other costs	82,279	39,741
	541,958	**426,534**
Depreciation of non-current assets:		
- buildings	11,785	11,269
- plant & equipment	2,331	987
- computer software	562	565
Amortisation of non-current assets:		
- intangible assets	2,311	16,697
	16,989	**29,518**
Bad debts	733	2,048

Note 4. Tax expense

The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:

	2013 $	2012 $
Prima facie tax on profit/(loss) before income tax at 30% (2012: 30%)	161,097	56,171
Add tax effect of:		
- Adjustments in respect of current income tax of previous year	-	8,916
- Non-deductible expenses	949	195
Current income tax expense	**162,046**	**65,282**
Income tax attributable to the entity	**162,046**	**65,282**
The applicable weighted average effective tax rate is	30.18%	34.87%
Deferred tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**-**	**19,827**
Tax liabilites		
Current tax payable	**97,593**	**-**

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

	2013 $	2012 $

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report	**3,868**	**3,900**

Note 6. Cash and cash equivalents

Cash at bank and on hand	**886,966**	**507,585**

Note 7. Trade and other receivables

Current

Trade debtors	166,421	138,585
	166,421	**138,585**

Credit risk

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

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

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

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
2013						
Trade receivables	166,421	-	-	-	-	166,421
Total	**166,421**	**-**	**-**	**-**	**-**	**166,421**
2012						
Trade receivables	138,585	-	-	-	-	138,585
Total	**138,585**	**-**	**-**	**-**	**-**	**138,585**

	2013 $	2012 $

Note 8. Property, plant and equipment

	2013 $	2012 $
Buildings		
At cost	308,157	308,157
Less accumulated depreciation	(63,183)	(51,717)
	244,974	**256,440**
Plant and equipment		
At cost	18,176	9,127
Less accumulated depreciation	(4,276)	(1,965)
	13,900	**7,162**
Computer software		
At cost	17,301	17,301
Less accumulated depreciation	(17,188)	(16,644)
	113	**657**
Total written down amount	**258,987**	**264,259**
Movements in carrying amounts		
Buildings		
Balance at the beginning of the reporting period	256,440	217,844
Additions	-	58,063
Disposals	-	8,198
Depreciation expense	11,785	(11,269)
Balance at the end of the reporting period	**268,225**	**272,836**
Plant and equipment		
Balance at the beginning of the reporting period	7,162	1,375
Additions	8,388	6,773
Disposals	(52)	-
Depreciation expense	(1,598)	(986)
Balance at the end of the reporting period	**13,900**	**7,162**
Computer software		
Balance at the beginning of the reporting period	657	895
Additions	-	327
Disposals	-	-
Depreciation expense	(630)	(565)
Balance at the end of the reporting period	**27**	**657**

	2013 $	2012 $

Note 9. Intangible assets

	2013 $	2012 $
Franchise fee		
At cost	21,554	21,554
Less accumulated amortisation	(12,504)	(10,193)
	9,050	**11,361**
Establishment costs		
At cost	100,000	100,000
Less accumulated amortisation	(100,000)	(100,000)
	-	**-**
Total Intangible assets	**9,050**	**11,361**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	11,361	21,554
Additions	-	-
Disposals	-	-
Amortisation expense	(2,311)	(10,193)
Balance at the end of the reporting period	**9,050**	**11,361**
Preliminary expenses		
Balance at the beginning of the reporting period	-	100,000
Additions	-	-
Disposals	-	(100,000)
Amortisation expense	-	-
Balance at the end of the reporting period	**-**	**-**

Note 10. Trade and other payables

	2013 $	2012 $
Current		
Unsecured liabilities:		
Trade creditors	16,918	24,585
Other creditors and accruals	57,336	65,691
	74,254	**90,276**

	2013 $	2012 $

Note 11. Provisions

Employee benefits	**13,118**	**16,294**
Movement in employee benefits		
Opening balance	16,294	18,529
Additional provisions recognised	30,136	26,988
Amounts utilised during the year	(33,312)	(29,223)
Closing balance	**13,118**	**16,294**
Current		
Annual leave	**13,118**	**16,294**
Total provisions	**13,118**	**16,294**

Provision for employee benefits

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

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

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

	2013 $	2012 $

Note 12. Current tax liability

Income tax payable	**97,593**	**-**

Note 13. Share capital

817,010 Ordinary Shares fully paid of $1 each	817,010	817,010
Less: Equity raising costs	(17,991)	(17,991)
817,010 Bonus Shares issued August 2012 for no consideration at a rate of 1 for 1 held	-	-
	799,019	**799,019**

	2013 $	2012 $

Note 13. Share capital (continued)

Movements in issued capital

Ordinary shares	**-**	**-**
Fully paid ordinary shares:		
At the beginning of the reporting period	817,010	817,010
At the end of the reporting period	**817,010**	**817,010**
Bonus shares		
At the beginning of the reporting period	-	-
Bonus issue on August 2012 at a rate of 1 for 1 share held	817,010	-
At the end of the reporting period	**817,010**	**-**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands.

The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

Capital management

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

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

(i) the Distribution Limit is the greater of:

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

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

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2013 can be seen in the Statement of Profit or Loss and other Comprehensive Income.

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

Notes to the financial statements (continued)

	2013 $	2012 $

Note 14. Retained earnings

Balance at the beginning of the reporting period	36,028	(36,904)
Profit/(loss) after income tax	374,942	121,953
Dividends paid during the year	(73,530)	(49,021)
Balance at the end of the reporting period	**337,440**	**36,028**

Note 15. Statement of cash flows

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

As per the statement of financial position	886,966	507,585
As per the statement of cash flow	**886,966**	**507,585**

(b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities

Profit / (loss) after income tax	374,942	121,953
Non cash items		
- Depreciation	14,678	12,820
- Amortisation	2,311	16,697
- Fixed assets written off	-	8,197
Changes in assets and liabilities		
- (Increase) decrease in receivables	-	
-		
- (Increase) decrease in deferred tax asset	19,827	(19,827)
- (Increase) decrease in receivables	(27,836)	(48,075)
- Increase (decrease) in payables	(16,023)	28,985
- Increase (decrease) in provisions	(3,176)	(2,235)
- Increase (decrease) in income tax payable	97,593	(13,216)
Net cash flows from/(used in) operating activities	**464,329**	**107,311**

Note 16. Related party transactions

The company's main related parties are as follows:

(a) Key management personnel

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

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. Director remuneration benefit and payments have been paid as follows:

Remuneration benefits and payments

Directors' fees	Primary benefits salary & fees 2013 $	Primary benefits salary & fees 2012 $
Peter Roylance	-	-
Peter Graham (resigned 30/06/13)	4,360	4,360
Susan Marstaeller	1,090	1,090
Walter Mott	3,270	3,270
Andrzej Skora	5,056	1,090
Greg Marshall	1,308	1,000
Denise Daday (resigned 05/02/13)	2,180	3,270
David Pettman	3,139	726
Bruce Nicholls	727	-
David Wheeler	727	-
David Ford (appointed 05/02/13)	818	-
Trevor Tobias (resigned 01/02/12)	-	635

Newspaper House Pty Ltd and James Yeates Printing Pty Ltd, of which Walter H Mott is a Director and shareholder, received a fee of $16,123 (2012: $11,419) for advertising and printing services supplied during the year ended 30 June 2013.

Note 16. Related party transactions (continued)

(c) Transactions with key management personnel and related parties (continued)

Kimo Pty Ltd of which Walter Mott is a Director and shareholder received a fee of $4,400 (2012: $9,600) for accounting services supplied during the year ended 30 June 2013.

(d) Key management personnel shareholdings

The number of ordinary shares in NorCen Financial Services Ltd held by each key management personnel of the company during the financial year is as follows:

	2013	2012
Peter Roylance	2,002	1,001
Peter Graham	9,002	4,501
Susan Marstaeller	6,002	3,001
Walter Mott	111,736	55,868
Andrzej Skora	4,002	2,001
Greg Marshall	4,000	2,000
Denise Daday	5,000	2,500
David Pettman	5,000	2,500
Bruce Nicholls	31,824	-
David Wheeler	11,600	-
David Ford	22,000	15,000

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

(e) Other key management transactions

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

Note 17. Events after the reporting period

There have been no events after the end of the financial year that would materially affect the financial statements except for the company is in the process of opening a branch in Kilmore. The new branch will incur costs and losses during its establishment period. Furthermore the company has signed a contract for the purchase of premises in Kilmore to operate the franchise of the Kilmore **Community Bank®** Branch, this will not materially allow the ability of the company to gift, donate or sponsor community groups as at a level equivalent to last year. Nor will it effect the ability of the company to pay a dividend to shareholders.

Note 18. Contingent liabilities and assets

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

Note 19. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Wallan, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2012: 100%).

Note 20. Company details

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

	2013 $	2012 $

Note 21. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) 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 / (loss) 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:

	2013 $	2012 $
Profit after income tax expense	**374,942**	**121,953**
Weighted average number of ordinary shares for basic and diluted earnings per share	**1,634,020**	**817,010**

Note 22. Dividends paid or provided for on ordinary shares

	2013 $	2012 $
(a) Dividends provided for during the year		
(i) Final dividend		
Franked dividends - 4.5 cents per share (2012- 6 cents per share)	**73,530**	**49,021**
(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	77,700	60,243
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	97,593	(19,827)
	175,293	**40,416**

Note 23. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 as detailed in the accounting policies are as follows:

	Note	2013 $	2012 $
Financial assets			
Cash & cash equivalents	6	886,966	507,585
Trade and other receivables	7	166,421	138,585
Total financial assets		**1,053,387**	**646,170**
Financial liabilities			
Trade and other payables	10	74,254	90,276
Total financial liabilities		**74,254**	**90,276**

Financial risk management policies

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

Specific financial risk exposure and management

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

(a) credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the company it arises from receivables and cash assets.

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

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

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

None of the assets of the company are past due (2012: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

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

	2013 $	2012 $

Note 23. Financial risk management (continued)

(a) Credit risk (continued)

Cash and cash equivalents:

A rated	**886,966**	**507,585**

(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:

	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2013					
Financial liabilities due					
Trade and other payables	10	74,254	74,254	–	–
Total expected outflows		**74,254**	**74,254**	**–**	**–**
Financial assets - realisable					
Cash & cash equivalents	6	886,966	886,966	–	–
Trade and other receivables	7	166,421	166,421	–	–
Total anticipated inflows		**1,053,387**	**1,053,387**	**–**	**–**
Net (outflow)/inflow financial instruments		**979,133**	**979,133**	**–**	**–**

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2012					
Financial liabilities due					
Trade and other payables	10	90,276	90,276	–	–
Total expected outflows		**90,276**	**90,276**	**–**	**–**
Financial assets - realisable					
Cash & cash equivalents	6	507,585	507,585	–	–
Trade and other receivables	7	138,585	138,585	–	–
Total anticipated inflows		**646,170**	**646,170**	**–**	**–**
Net (outflow)/inflow financial instruments		**555,894**	**555,894**	**–**	**–**

(c) Market risk

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

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

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

Financial assets	2013 %	2012 %
Cash and cash equivalents (net of bank overdrafts)	7.16%	7.35%

<u>Sensitivity analysis</u>

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

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

	2013 $	2012 $

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

	Profit $	Equity $
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	8,870	8,870
	8,870	**8,870**
Year ended 30 June 2012		
+/- 1% in interest rates (interest income)	5,076	5,076
	5,076	**5,076**

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

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

Directors' declaration

In accordance with a resolution of the Directors of 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 12 to 35 are in accordance with the Corporations Act 2001 and:

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

   (ii) give a true and fair view of the company's financial position as at 30 June 2013 and of the performance for the year ended on that date;

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

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

Susan Marstaeller
Director

Signed at Wallan on 20 September 2013.

Independent audit report

Richmond
Sinnott &
Delahunty
Chartered Accountants

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INDEPENDENT AUDITOR'S 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 Limited, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other 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 entity comprising the company and the entities it controlled at the year's end.

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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, 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 about whether the financial report is free from material misstatement.

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of NorCen Financial Services Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of NorCen Financial Services Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

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

Richmond Sinnott + Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. SINNOTT
Partner

Dated at Bendigo, 20 September 2013

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ABN: 32 119 493 113

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Bendigo Bank