Annual Report 2014

NorCen Financial Services Limited

ABN 32 119 493 113

Wallan & District **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2014

It is with great pleasure I bring you the Chairman's report for 2013/14. This has been another year of strong growth and activity for Wallan & District **Community Bank**® Branch, in a financial climate that has been challenging for most institutions. Wallan, for the fourth consecutive year, exceeded all expectations having growth in excess of $30 million. This is a phenomenal statistic and there is no other **Community Bank**® branch that can lay claim to being in this league. This is all due to the remarkable management of Kevin Hannam and his dedicated staff.

Because of this very profitable financial year, we donated over $437,000 to 71 organisations. The total donations to the Mitchell Shire community since opening in 2007, is over $1.2 million, which makes us incredibly proud, as the company has been operating just seven years. This money has made a huge difference to so many clubs, schools and community groups. With our profit we were able to again pay our shareholders another dividend, thanking them for their confidence in supporting us those seven years ago.

We welcomed another new Director to the Board this year, Kit Holland, who joined us after completing a probationary period, in March 2014. I am thrilled to have another female member on the Board, which helps improve our gender balance in representing the whole community.

We proudly employ 10 local staff, boosting the economy and employment within the Mitchell Shire. More importantly, we have continued training, so all staff can perform many varied roles within the business. This will be timely as our Kilmore & District **Community Bank**® Branch is due to open later this year. We will be employing a number of new staff to service both branches as some existing Wallan staff may move to the new Kilmore & District **Community Bank**® Branch, located at 75a Sydney Street, Kilmore.

It has been a challenging year with the logistics of opening a new branch being quite daunting but with the expertise of our Directors, we have ploughed on and are very excited with the opening of Kilmore & District **Community Bank**® Branch, in the near future. This new branch will be a boon to the town of Kilmore and its surrounds and we hope to assist many more organisations in the Southern Mitchell area with profits from this branch joining the profits from Wallan & District **Community Bank**® Branch.

I wish to thank my fellow Directors for the time commitment they give to NorCen Financial Services Limited as volunteers, especially this year opening a new branch. We are the envy of **Community Bank**® branches throughout Australia with our ever-growing success. We look forward to many exciting new happenings in 2015, with our expansion to Kilmore being imminent.

I also wish to thank our Company Secretary, Georgie Davie for her outstanding ability to make us all look good and keep us on the straight and narrow. Her work and assistance has been a great benefit to the Board, shareholders and especially me. We also continue to have strong partnerships with key Bendigo Bank regional staff that assist us in many ways.

All this could not be possible without our Branch Manager, Kevin Hannam, who holds the entire enterprise together. We sincerely thank Kevin, who goes above and beyond for the Directors, his staff and his customers. We are extremely appreciative to have his knowledge and expertise running our very successful branch. Our thanks also goes to our wonderful staff who meet our customers' needs so well, and also are a great asset in their promotion of the branch and helping with the community work we do. They always go "above and beyond" their roles as **Community Bank**® branch staff.

We look forward to 2015.

Sue Marstaeller
Chairman

Manager's report

For year ending 30 June 2014

It is with great pleasure I again report on the outstanding performance of our local Wallan & District **Community Bank**® Branch. Wallan again exceeded all expectations this financial year, recording in excess of $30 million growth in business for the fourth consecutive year. No other **Community Bank**® branch can lay claim to this achievement and I am, as is the Board, extremely proud of this. Far more importantly though, is our ever increasing contribution to the local community. Sponsorships and grants exceeded $437,000 this year, taking our total to more than $1.2 million since we opened only seven years ago. This is why we are here. But it's **Bigger** than that. We increase community prosperity by employing 10 local staff, we shop locally and use local trades, whenever possible.

The highlights of the 2013/14 financial year were:

- Business on the books increased to $192.3 million, an 18.9% increase on last year;
- Income up 11.2% to $1.928 million;
- 7,000 accounts now held;
- Loans growth of 17.4% to $130 million; and
- Deposit growth of 22.5% to $62 million.

To achieve these results after four years of strong growth is a testament to the dedication and abilities of our Wallan & District **Community Bank**® Branch staff. Everyone who has dealt with this branch would be aware of the professionalism and friendliness of our people. Tracey, Kirsty, Kate, Laura, Leanne, Michelle, Stacey, Shelley and Erin, provide a quality service that far exceeds every other bank in our area. Continually "Telling the Story", and our local community buying into our **Community Bank**® branch, has enabled us to create an ongoing philanthropic organisation that will be here for many years to come, and one that in all probability, will not be duplicated.

Success comes with hard work. This is evident by the hours committed to our company by a dedicated Board, led by Sue Marstaeller as Chair. Also a big thank-you to our Company Secretary, Georgie Davie, who has assisted the branch and the Board achieve what we have set out to do. We also have the full support of our Bendigo Bank Partners, especially our Regional Manager, Jodie McLeod and her team.

Looking back at our achievements gives me a great deal of satisfaction, but looking ahead to what we can achieve excites me even more. After a prolonged period of frustration, our Kilmore & District **Community Bank**® Branch is now very close to opening. Our success at Wallan will be duplicated in Kilmore allowing us to share in the prosperity across the local schools, sporting clubs, hospital, and many, many more not-for-profit organisations. It will be an exciting time and I invite everyone to join us and enjoy the ride.

Kevin Hannam
Branch Manager

Directors' report

For the financial year ended 30 June 2014

Your Directors present their report of the company for the financial year ended 30 June 2014. The information in the preceding operating and financial review forms part of this Directors' report for the financial year ended 30 June 2014 and is to be read in conjunction with the following information:

Directors

The following persons were Directors of Norcen Financial Services Limited during or since the end of the financial year up to the date of this report:

Name and position held	Qualifications	Experience and other Directorships
Walter Mott Director Businessman Board member since May 2006		Chairman and Director of several companies including property development, media, publications and farming. Strong local community involvement.
Susan Marstaeller Chairperson Councillor Board member since May 2006		Councillor for Mitchell Shire Council. Twice Mayor of Mitchell Shire Council. Finance, Audit and Governance experience. Justice of the Peace Victoria.
Bruce Nicholls Deputy Chairperson Businessman Board Member since November 2012	B. Com (Economics) Dip. Bus.	Foundation Fellow of the Australian Institute of Company Directors. Former Trade Commissioner. Former RACA Chairman.
Greg Marshall Director Retired Board member since February 2010		Over 20 years' Company Director experience. 45 years' experience in Commercial Building.
Andrzej Skora Director Accountant Board member since May 2006	B. Bus (Acc)	Local Accountant. Registered Tax Agent.
Peter Roylance Director Electrical Supervisor Board member since May 2006		Over 40 years' experience as a qualified Electrical Fitter. Over 43 years' experience as a volunteer fire fighter including 23 as CFA Captain. Former Company Chairman.

Directors' report (continued)

Directors (continued)

Name and position held	Qualifications	Experience and other Directorships
David Ford Director Senior OH&S Advisor Board Member since February 2013		Senior OH&S Advisor for the past 6 years, 15 years in the industry. Local School Council President.
David Pettman Director Administration Manager Board member since June 2011		Over 10 years' Quarry Management experience. Strong local community and Council involvement.
Kathleen Holland Director Medical Administrator Board member since March 2014	B. Sc	Medical Administrator with over 10 years' experience managing a private clinic.
David Wheeler Director Businessman		Current small business operator and Kilmore Steering Committee. Diverse background in Real Estate, Finance and Retail Sectors. Over 15 years' Company Director experience.

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

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

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $327,000 (2013 profit: $374,943), which is a 7% decrease as compared with the previous year.

The net assets of the company have increased to $1,381,758 (2013: $1,136,459). The increase is largely due to operating profit.

Dividends

	Year ended 30 June 2014	
	Cents per share	**$**
Dividends paid in the year - final dividend:	5	81,701

Significant changes in the state of affairs

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

Events subsequent to reporting date

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

Remuneration report

Remuneration policy

The Board of NorCen Financial Services Ltd will reimburse Directors' expenses per financial year to cover Directors out of pocket costs they incur in the course of their role as a Director of NorCen. This includes minor travel, phone calls etc. Other claims for Conventions and/or Board approved functions are also claimable separately.

Each Director will be paid for one position no matter how many positions they hold.

The higher amount will be paid for multiple positions.

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 June - July 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 $5,000, and

ii. Deputy Chairman of the company receives $1,500, and

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

iv. Treasurer of the company receives $4,000, and

v. Sub Committee Chairs of the company receives $1,500, 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 benefits and payments

Norcen Financial Services Limited has accepted the Bendigo and Adelaide Bank Limited's **Community Bank®** Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be nil for the year ended 30 June 2014.

Remuneration report (continued)

Remuneration benefits and payments (continued)

	2014 $
Kathleen Holland	500
Walter Mott	1,500
Susan Marstaeller	5,000
Bruce Nicholls	1,500
Greg Marshall	1,500
Andrzej Skora	1,500
Peter Roylance	1,500
David Ford	1,500
David Pettman	1,500
David Wheeler	3,000
	19,000

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 $15,760 (2013: $16,263) for advertising and printing services supplied during the year ended 30 June 2014.

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' report (continued)

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 #
Kathleen Holland	4 (4)	N/A
Walter Mott	10 (13)	1 (2)
Susan Marstaeller	11 (13)	2 (2)
Bruce Nicholls	11 (13)	N/A
Greg Marshall	10 (13)	N/A
Andrzej Skora	9 (13)	N/A
Peter Roylance	4 (13)	N/A
David Ford	13 (13)	N/A
David Pettman	11 (13)	N/A
David Wheeler	12 (13)	2 (2)

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 Bank training courses - Company Secretary, conducting Annual General Meeting, Annual Report compilation and Low Volume Market operation Accreditation.

Directors' report (continued)

Non audit services

The Board of 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 10 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 17 September 2014.

S Marstaeller

Sue Marstaeller
Director

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants
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www.rsdadvisors.com.au

17 September 2014

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

Dear Directors,

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 2014 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.

P. P. Delahunty
Partner
Richmond Sinnott & Delahunty

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

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

Financial statements

Statement of profit or loss and Other Comprehensive Income for the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue	2	1,929,604	1,733,823
Employee benefits expense	3	(672,833)	(541,958)
Depreciation and amortisation expense	3	(17,239)	(16,989)
Bad and doubtful debts expense	3	(1,187)	(733)
Rental expense		(69,638)	(50,000)
Other expenses		(255,542)	(251,700)
Operating profit before charitable donations & sponsorships		**913,165**	**872,443**
Charitable donations and sponsorships		(437,388)	(335,454)
Profit before income tax expense		**475,777**	**536,989**
Tax expense	4	148,777	162,046
Profit for the year		**327,000**	**374,943**
Other comprehensive income		-	-
Total comprehensive income		**327,000**	**374,943**
Profit attributable to members of the company		327,000	374,943
Total comprehensive income attributable to members of the company		**327,000**	**374,943**
Earnings per share (cents per share)			
- basic for profit for the year	20	20.01	22.95
- diluted for profit for the year	20	20.01	22.95

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2014

	Note	2014 $	2013 $
Assets			
Current assets			
Cash and cash equivalents	6	1,118,854	886,966
Trade and other receivables	7	180,526	166,421
Total current assets		**1,299,380**	**1,053,387**
Non-current assets			
Property, plant and equipment	8	244,059	258,987
Intangible assets	9	6,739	9,050
Total non-current assets		**250,798**	**268,037**
Total assets		**1,550,178**	**1,321,424**
Liabilities			
Current liabilities			
Trade and other payables	10	107,340	74,254
Income tax payable	4	23,599	97,593
Provisions	11	37,481	13,118
Total current liabilities		**168,420**	**184,965**
Total liabilities		**168,420**	**184,965**
Net assets		**1,381,758**	**1,136,459**
Equity			
Issued capital	12	799,019	799,019
Retained earnings	13	582,739	337,440
Total equity		**1,381,758**	**1,136,459**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2014

	Note	Issued capital $	Retained earnings $	Total equity $
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	21	-	(73,530)	(73,530)
Balance at 30 June 2013		**799,019**	**337,440**	**1,136,459**
Balance at 1 July 2013		**799,019**	**337,440**	**1,136,459**
Total comprehensive income for the year		-	327,000	327,000
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	21	-	(81,701)	(81,701)
Balance at 30 June 2014		**799,019**	**582,739**	**1,381,758**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		2,065,310	1,817,969
Payments to suppliers and employees		(1,526,256)	(1,317,947)
Interest received		39,032	25,308
Income tax paid		(264,497)	(63,014)
Net cash provided by operating activities	**14**	**313,589**	**462,316**
Cash flows from investing activities			
Purchase of property, plant & equipment		-	(9,405)
Net cash flows used in investing activities		**-**	**(9,405)**
Cash flows from financing activities			
Dividends paid		(81,701)	(73,530)
Net cash used in financing activities		**(81,701)**	**(73,530)**
Net increase in cash held		**231,888**	**379,381**
Cash and cash equivalents at beginning of financial year		886,966	507,585
Cash and cash equivalents at end of financial year	**6**	**1,118,854**	**886,966**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2014

These financial statements and notes represent those of Norcen Financial Services Limited.

Norcen Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 17 September 2014.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. 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, 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.

Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank®** branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch;
- Training for the Branch Managers and employees in banking, systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency (continued)

- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

(b) Income tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax assets are measured at the amounts expected to be recovered from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can 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) Fair value of assets and liabilities

The company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an assets or would have to pay to transfer a liability in an orderly (ie enforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closes equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(c) Fair value of assets and liabilities (continued)

The fair value of the liabilities and the entity's own equity instruments may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted, and where significant, are detailed in the respective note to the financial statements.

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

<u>Property</u>

Freehold land and buildings are measured at cost and therefore are carried at cost less accumulated depreciation and any accumulated impairment. In the even the carrying amount of land and buildings is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of land and buildings is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

<u>Plant and equipment</u>

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses related to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

<u>Depreciation</u>

The depreciable amount of all fixed assets including buildings and capitalised leased assets, is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of asset	Depreciation rate
Buildings	4%
Plant & equipment	10 - 40%

Note 1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Depreciation (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An assets' carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(e) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset - but not the legal ownership - are transferred to entities in the company, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

(f) Impairment of assets

At each reporting period, the company assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(g) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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 with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or 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)

(h) Employee benefits

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations.

The company's obligation for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(i) 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.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within 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.

(k) 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, dividend and fee revenue is recognised when earned.

All revenue is stated net of the amount of goods and services tax (GST).

Note 1. Summary of significant accounting policies (continued)

(l) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(m) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(n) New and amended accounting policies adopted by the company

Employee benefits

The company adopted AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) from the mandatory application date of 1 January 2013. The company has applied these Standards retrospectively in accordance with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors and the transitional provisions of AASB 119 (September 2011).

For the purpose of measurement, AASB 119 (September 2011) defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. In accordance with AASB 119 (September 2011), provisions for short-term employee benefits are measured at the (undiscounted) amounts expected to be paid to employees when the obligation is settled, whereas provisions that do not meet the criteria for classification as short-term (other long-term employee benefits) are measured at the present value of the expected future payments to be made to employees.

As the company expects that all of its employees would use all of their annual leave entitlements earned during a reporting period before 12 months after the end of the reporting period, adoption of AASB 119 (September 2011) did not have a material impact on the amounts recognised in respect of the company’s employee provisions. Note also that adoption of AASB 119 (September 2011) did not impact the classification of leave entitlements between current and non-current liabilities in the company’s financial statements.

AASB 119 (September 2011) also introduced changes to the recognition and measurement requirements applicable to termination benefits and defined benefit plans. As the company did not have any of these types of obligations in the current or previous reporting periods, these changes did not impact the company’s financial statements.

Fair value measurement

The company has applied AASB 13: Fair Value Measurement and the relevant consequential amendments arising from the related Amending Standards prospectively from the mandatory application date of 1 January 2013 and in accordance with AASB 108 and the specific transitional requirements in AASB 13.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(n) New and amended accounting policies adopted by the company (continued)

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

No material adjustments to the carrying amounts of any of the company's assets or liabilities were required as a consequence of applying AASB 13. Nevertheless, AASB 13 requires enhanced disclosures regarding assets and liabilities that are measured at fair value and fair values disclosed in the company's financial statements.

The disclosure requirements in AASB 13 need not be applied by the company in the comparative information provided for periods before initial application of AASB 13 (that is, periods beginning before 1 January 2013). However, as some of the disclosures now required under AASB 13 were previously required under other Australian Accounting Standards, such as AASB 7: Financial Instruments: Disclosures, the company has provided this previously provided information as comparatives in the current reporting period.

(o) New accounting standards for application in future periods

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

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

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

This Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impractical at this stage to provide a reasonable estimate of such impact.

(ii) AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the company's financial statements.

(iii) AASB 2013-3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the company's financial statements.

(p) Loans and borrowings

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

(q) 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.

Note 1. Summary of significant accounting policies (continued)

(q) Provisions (continued)

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.

(r) 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.

(s) Comparative figures

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

(t) Critical accounting estimates and judgements

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

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

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

<u>Employee benefits provision</u>

Assumptions required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. Treatment of leave under updated AASB 119 standard.

<u>Income tax</u>

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.

<u>Impairment</u>

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

Note 1. Summary of significant accounting policies (continued)

(u) 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.

Amortised cost is calculated as the amount at 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.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability.

(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

A financial asset (or group of financial assets) 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(s).

In the case of financial assets carried at amortised cost loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency on interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial asset is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Note 1. Summary of significant accounting policies (continued)

(u) Financial instruments (continued)

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.

	2014 $	**2013 $**

Note 2. Revenue and other income

	2014 $	2013 $
Revenue		
- services commissions	1,877,993	1,708,515
	1,877,993	**1,708,515**
Other revenue		
- interest received	40,413	25,308
- other revenue	11,198	-
	51,611	**25,308**
Total revenue	**1,929,604**	**1,733,823**

Note 3. Expenses

	2014 $	2013 $
Employee benefits expense		
- wages and salaries	540,112	417,278
- superannuation costs	49,149	40,579
- other costs	83,572	84,101
	672,833	**541,958**
Depreciation of non-current assets:		
- plant and equipment	14,928	14,678
Amortisation of non-current assets:		
- intangible assets	2,311	2,311
	17,239	**16,989**
Bad debts	1,187	733

	2014 $	2013 $

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:

	2014 $	2013 $
Prima facie tax on profit/(loss) before income tax at 30% (2013: 30%)	142,733	161,097
Add tax effect of:		
- Adjustments in respect of current income tax of previous year	-	-
- Utilisation of previously unrecognised carried forward tax losses	-	-
- Non-deductible expenses	6,044	949
Current income tax expense	**148,777**	**162,046**
Income tax attributable to the entity	**148,777**	**162,046**
The applicable weighted average effective tax rate is	31.27%	30.18%
Income tax liability		
Income tax payable	23,599	97,593

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

	2014 $	2013 $
- Audit or review of the financial report	4,582	3,868
- Taxation services	-	-
- Share registry services	-	-
	4,582	**3,868**

Note 6. Cash and cash equivalents

	2014 $	2013 $
Cash at bank and on hand	**1,118,854**	**886,966**

Note 7. Trade and other receivables

Current

	2014 $	2013 $
Trade debtors	172,955	166,421
Other assets	7,571	-
	180,526	**166,421**

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 7. The main sources of credit risk to the company are considered to relate to the classes of assets described as trade and other receivables.

Note 7. Trade and other receivables (continued)

Credit risk (continued)

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	
2014						
Trade receivables	172,955	-	-	-	-	172,955
Total	**172,955**	**-**	**-**	**-**	**-**	**172,955**
2013						
Trade receivables	166,421	-	-	-	-	166,421
Total	**166,421**	**-**	**-**	**-**	**-**	**166,421**

	2014 $	2013 $
Note 8. Property, plant and equipment		
Buildings		
At cost	308,157	308,157
Less accumulated depreciation	(74,678)	(63,183)
	233,479	**244,974**
Plant and equipment		
At cost	18,176	18,176
Less accumulated depreciation	(7,596)	(4,276)
	10,580	**13,900**
Computer Software		
At cost	17,301	17,301
Less accumulated depreciation	(17,301)	(17,188)
	-	**113**
Total written down amount	**244,059**	**258,987**

	2014 $	2013 $

Note 8. Property, plant and equipment (continued)

Movements in carrying amounts

Buildings		
Balance at the beginning of the reporting period	244,974	256,440
Additions	-	-
Disposals	-	-
Depreciation expense	(11,495)	(11,466)
Balance at the end of the reporting period	**233,479**	**244,974**
Plant and equipment		
Balance at the beginning of the reporting period	13,900	7,162
Additions	-	8,388
Disposals	-	-52
Depreciation expense	(3,320)	(1,598)
Balance at the end of the reporting period	**10,580**	**13,900**
Computer Software		
Balance at the beginning of the reporting period	27	657
Additions	-	-
Disposals	-	-
Depreciation expense	(27)	(630)
Balance at the end of the reporting period	**-**	**27**

Note 9. Intangible assets

Franchise fee		
At cost	21,554	21,554
Less accumulated amortisation	(14,815)	(12,504)
	6,739	**9,050**
Preliminary expenses		
At cost	100,000	100,000
Less accumulated amortisation	(100,000)	(100,000)
	-	**-**
Total Intangible assets	**6,739**	**9,050**

	2014 $	2013 $

Note 9. Intangible assets (continued)

Movements in carrying amounts

	2014 $	2013 $
Franchise fee		
Balance at the beginning of the reporting period	9,050	11,361
Additions	-	-
Disposals	-	-
Amortisation expense	(2,311)	(2,311)
Balance at the end of the reporting period	**6,739**	**9,050**

Note 10. Trade and other payables

Current

	2014 $	2013 $
Unsecured liabilities:		
Trade creditors	29,284	16,919
Other creditors and accruals	78,056	57,335
	107,340	**74,254**

Note 11. Provisions

	2014 $	2013 $
Employee benefits	**37,481**	**13,118**
Movement in employee benefits		
Opening balance	13,118	16,294
Additional provisions recognised	34,958	30,136
Amounts utilised during the year	(10,595)	(33,312)
Closing balance	**37,481**	**13,118**
Current		
Annual leave	23,788	13,118
Long-service leave	13,693	-
	37,481	**13,118**
Total provisions	**37,481**	**13,118**

Note 11. Provisions (continued)

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.

Note 12. Share capital

	2014 $	2013 $
1,634,020 (2013: 817,010) ordinary shares fully paid to $1 each	817,010	817,010
Less: Equity raising costs	(17,991)	(17,991)
	799,019	**799,019**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	1,634,020	817,010
Shares issued during the year	-	817,010
At the end of the reporting period	**1,634,020**	**1,634,020**

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

Note 12. Share capital (continued)

Capital management (continued)

(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 2014 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

	2014 $	**2013 $**
Note 13. Retained earnings		
Balance at the beginning of the reporting period	337,440	36,028
Profit/(loss) after income tax	327,000	374,943
Dividends paid during the year	(81,701)	(73,531)
Balance at the end of the reporting period	**582,739**	**337,440**
Note 14. Statement of cash flows		
Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities		
Profit / (loss) after income tax	327,000	374,943
Non cash items		
- Depreciation	14,928	14,677
- Amortisation	2,311	2,311
- Fixed assets written off	-	409
Changes in assets and liabilities		
- (Increase) decrease in receivables	(14,105)	(27,836)
- Increase (decrease) in payables	(40,908)	98,975
- Increase (decrease) in provisions	24,363	(3,176)
Net cash flows from/(used in) operating activities	**313,589**	**460,303**

Note 15. Related party transactions

The company's main related parties are as follows:

(a) Key management personnel

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

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

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

The Norcen Financial Services Limited has accepted the Bendigo and Adelaide Bank Limited's **Community Bank**® Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits.

The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be nil for the year ended 30 June 2014.

	2014
Kathleen Holland	500
Walter Mott	1,500
Susan Marstaeller	5,000
Bruce Nicholls	1,500
Greg Marshall	1,500
Andrzej Skora	1,500
Peter Roylance	1,500
David Ford	1,500
David Pettman	1,500
David Wheeler	3,000
	19,000

Note 15. Related party transactions (continued)

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 $15,760 (2013: $16,263) for advertising and printing services supplied during the year ended 30 June 2014.

(d) Key management personnel shareholdings

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

	2014	2013
Kathleen Holland	2,000	-
Walter Mott	116,736	111,736
Susan Marstaeller	5,002	6,002
Bruce Nicholls	31,824	31,824
Greg Marshall	4,000	4,000
Andrzej Skora	4,002	4,002
Peter Roylance	2,002	2,002
David Ford	32,000	22,000
David Pettman	5,000	5,000
David Wheeler	11,600	11,600

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 16. Events after the reporting period

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

Note 17. Contingent liabilities and assets

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

Notes to the financial statements (continued)

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 Limited who account for 100% of the revenue (2013: 100%).

Note 19. Company details

The registered office and principle place of business is: 1/51 High Street, Wallan VIC 3756.

	2014 $	2013 $

Note 20. 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:

	2014 $	2013 $
Profit/(loss) after income tax expense	**327,000**	**374,943**
Weighted average number of ordinary shares for basic		
and diluted earnings per share	**1,634,020**	**1,531,054**

Note 21. Dividends paid or provided for on ordinary shares

	2014 $	2013 $
(a) Dividends provided for during the year		
Final fully franked ordinary dividend of 5 cents per share (2013: 4.5) franked at the tax rate of 30% (2013: 30%).	81,701	73,530
(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	281,569	77,700
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	23,599	97,593
	305,168	**175,293**

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 as detailed in the accounting policies are as follows:

	Note	2014 $	2013 $
Financial assets			
Cash and cash equivalents	6	1,118,854	886,966
Trade and other receivables	7	180,526	166,421
Total financial assets		**1,299,380**	**1,053,387**
Financial liabilities			
Trade and other payables	10	107,340	74,254
Total financial liabilities		**107,340**	**74,254**

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 main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk. There have been no substantial 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. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

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

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

None of the assets of the company are past due (2013: 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.

Note 22. Financial risk management (continued)

(a) Credit risk (continued)

	Note	2014 $	2013 $
Cash and cash equivalents:			
A rated		**1,118,854**	**886,966**

(b) Liquidity risk

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

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

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

30 June 2014	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due					
Trade and other payables	10	107,340	107,340	-	-
Total expected outflows		**107,340**	**107,340**	**-**	**-**
Financial assets - realisable					
Cash & cash equivalents	6	1,118,854	1,118,854	-	-
Trade and other receivables	7	180,526	180,526	-	-
Total anticipated inflows		**1,299,380**	**1,299,380**	**-**	**-**
Net (outflow)inflow on financial instruments		**1,192,040**	**1,192,040**	**-**	**-**

Note 22. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2013	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
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 on financial instruments		**979,133**	**979,133**	**-**	**-**

(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.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the company to interest rate risk are fixed interest securities, and cash and cash equivalents.

<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.

Note 22. Financial risk management (continued)

(c) Market risk (continued)

	Profit $	Equity $
Year ended 30 June 2014		
+/- 1% in interest rates (interest income)	11,189	11,189
	11,189	**11,189**
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	8,870	8,870
	8,870	**8,870**

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

<u>Fair values</u>

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statemetn 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 an unrecognised financial at year end.

Directors' declaration

In accordance with a resolution of the Directors of Norcen Financial Services Limited, the Directors of the company declare that:

1 the financial statements and notes, as set out on pages 11 to 37 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 2014 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.

Sue Marstaeller
Director

Signed at Wallan on 17 September 2014.

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 2014, 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 2014 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
Chartered Accountants

P. P. Delahunty
Partner

Dated at Bendigo, 17 September 2014

NorCen Financial Services Limited – Board of Directors


Sue Marstaeller


Bruce Nicholls


Peter Roylance


David Wheeler


David Pettman


David Ford


Wally Mott


Andrew Skora


Greg Marshall


Kit Holland

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