



annual report **2012**

North Central
Financial Services Limited

ABN 22 094 331 665

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Chairman's report

For year ending 30 June 2012

The past year has been a successful one for our company, with a solid profit and returning the business back to levels attained prior to the funds transfer to the new Donald & District **Community Bank**[®] Branch. As at 30 June 2012, our total business was a little over \$73 million. Very similar to last year's figure, having picked up the \$9-9.5 million withdrawn with the close of the Donald Agency.

Profit level has been very good but with a general tightening of margins and an uncertain economic outlook, we would expect this figure to reduce in the 2012/13 financial year. Funding for all banks is expensive and likely to remain so, as a result margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Ratings Upgrade

In December 2011, Bendigo and Adelaide Bank joined Australia's A-rated banks following an upgrade announced by Standard & Poor's (S&P).

S&P's decision to raise the Bank's long term rating from BBB+ to A- means the Bank, including its **Community Bank**[®] partners, is now rated 'A' by all three of the world's leading credit rating agencies.

Dividend

The Board has approved the payment of 7 cents per share dividend to shareholders for the 2012 year. Total direct dividends paid to date equate to approximately one third of the initial one dollar investment per share. This is just reward for everyone who was prepared to support the establishment of our **Community Bank**[®] branch.

Sponsorship

This year we have again sponsored a variety of groups and organisations within our district. Approximately \$35,000 has been distributed and is no doubt a significant boost to these groups and reinforces the benefits of our own **Community Bank**[®] branch.

Community support

Thanks to the support of **Community Bank**[®] customers and shareholders the Australia-wide network has now returned more than \$80 million to support and strengthen local communities. These community grants and sponsorships have made a significant difference to a number of local organisations and we look forward to continuing to support these groups and others as more people bank with us and we become more successful.

Our 2012 Grants Program allocated a little over \$158,000 to the following organisations:

- | | |
|---|----------|
| • Charlton Back-to Committee – 150 year history and back to costs | \$23,810 |
| • Charlton Park – mower for surrounds and community use | \$25,000 |
| • Wycheproof Bowls Club – carpet replacement | \$6,325 |
| • Charlton Golden Grains Museum – building repairs | \$29,100 |
| • Birchip Pre School – building renovations | \$15,300 |
| • Charlton Park – kids playground | \$9,000 |
| • Charlton Forum – community and economic growth seeding funding | \$45,000 |

Applications which did not meet the CEF criteria under the Grants Program, but which were supported by way of direct sponsorship were:

- | | |
|---|---------|
| • Birchip Netball Club – padding for goal posts | \$750 |
| • Charlton Croquet club – new mower | \$4,000 |

Chairman's report (continued)

The Board has deposited funds in the Community Enterprise Foundation™, the philanthropic arm of the Bendigo and Adelaide Bank. We have sufficient funds lodged to cover our initial commitment of \$100,000 for the Charlton Park community facility. In addition to this we have made a further pledge of \$100,000 over 5 years, with the first instalment of \$20,000 set aside this year.

Staff

There have been no staff changes for the year. The Board very much appreciates the fantastic customer service provided by Tracy, Leanne and Vicki.

Brett has had another very active year, enthusiastically re building our business volume and sourcing banking opportunities. Growth targets and budgets met and exceeded in many cases. No one could ever doubt your commitment to the **Community Bank**® branch Brett, thanks for another solid year's work.

John Harley continues in the position of company Secretary. I would like to thank John for carrying out all the associated duties in his usual highly efficient manner.

Directors

Directors due to retire this year are: Simon Peck, Robin McRae and Peter Rogan. All have indicated their intention to renominate and have the full support of the Board.

Russell English resigned as a Director in May this year. Russell was our Steering Committee Secretary and also more importantly, was the man who generated the idea of a **Community Bank**® branch in Charlton. He was instrumental in the formation of the original Committee, contributed countless hours as Secretary, and willingly transferred his agency business over at the opening of the **Community Bank**® branch. Russell was a very astute and thoughtful contributor to Board meetings. Thank you most sincerely Russ, we wish you every happiness in your new home in Bendigo.

Nominations for Directors positions have been advertised to shareholders and will be voted on at the AGM. Voting on all resolutions is by way of proxy, or in person at the AGM. Voting papers must be returned to the company Secretary by the due date.

Agencies

We took control of the Birchip Agency on 1 September. This has been a painstakingly slow process, but we expect it to provide a platform for growth into the future. Boort is scheduled to also transfer to us very soon, with factors beyond anyone's control delaying this at present. Wycheproof Agency also on our books, remains steady in its business.

As I have mentioned previously, these are only small agencies with very limited returns to us. However, the potential benefit lies in the ability of our Manager Brett to work the business area, something he does very well.

Looking forward

Clearly, growing our business is our top priority. This can be done in many ways and is not the sole task of our Manager and staff.

All of us have the ability to refer business to our local branch. Housing finance, investments and everyday banking can all be set up by our staff with no fuss, no additional expense, and the knowledge you are helping to make a difference to our small rural community. Bendigo and Adelaide Bank remains very competitive in all areas of banking with the significant point of difference being top quality customer service.

To all Board members I say a sincere thank you for your time and careful deliberations on all put before you. Our Board members are very focussed and determined to achieve the best possible community outcome.



Peter Rogan
Chairman

Manager's report

For year ending 30 June 2012

Time to reflect once again on our great local **Community Bank**[®] branch, and let you know how we have supported Charlton and surrounding districts the past 12 months, and more importantly to signify our most successful year for our Business, since opening in October 2003.

The most significant achievement being our 2012 Annual Grants Program, where we were able to provide more than \$160,000 to local community organisations to make their great ideas happen, just with this program alone, which doesn't include more than \$40,000 we provided in sponsorship and other funding.

Our support and partnerships with our communities is always the primary focus for our **Community Bank**[®] branch, and me as Manager, but we must also talk about our strongest profit result ever achieved, this year, again through very tough financial periods, with margins on our income reduced.

Sources believe our margins will only continue to be reduced the next 12 months and beyond, but we are still focused and optimistic that we can achieve great results for our business and Charlton and district communities over the next 12 months, and beyond, provided we retain and increase our customer base.

Our business has been able to generate an operating profit before charitable donations and sponsorship of \$283,114, enabling us to fund above Grants Program, but to also invest additional significant funds into the Community Enterprise Foundation[™], for future projects.

The season was mixed for our farmers, with some areas having a good harvest and others still below expectations, and then the price not being favourable did not support any of our Agribusiness sector.

We were still able to obtain almost \$2 million new Farm Management Deposit funds and hoping we can achieve similar results next year, with the season looking favourable at present and grain prices favourable, compared to 12 months ago.

Local businesses are still finding it slow the past 6-12 months and we have been working closely with various local Business Development and commerce groups to enhance economy growth for businesses in Charlton. We have provided \$45,000 to Charlton Forum to work with local government, who are confident this seeding funding will increase to well over \$200,000 towards new employment for a business development/economic officer in Charlton for next few years. We look forward to this great outcome, partnering this project to strengthen the sustainability of the Charlton business community.

Shareholders

Our shareholders, who are still so crucial to our business, will benefit again this year, with our Board approving a 7c dividend, taking our dividend distributions to 33c, since opening and makes it our 5th consecutive year of dividend payments.

The business continues to grow and through a lot of tireless work right throughout the past 12 months and more, we were able to grow significantly with almost \$74 million in business, as at 30 June 2012 (allowing for \$10 million run off in October). Fantastic results and the reason we could support and fund so many vital community projects.

Going to print, our business sits above \$75 million and we anticipate this growth will continue over the next 12 months, with some continued hard work, but also if we can promote and highlight again the importance of all our existing customers and shareholders banking with us. Then telling their family, friends, ex-Charlton residents and work colleagues to contact us to discuss and review where they are currently banking?

Manager's report (continued)

Agencies

We continue to operate the Wycheproof Bendigo Bank Agency out of the Wycheproof Pharmacy, which is a very important Agency to our business. This Agency provides a great real time banking option for the Wycheproof and surrounding community, with our branch and Manager only a phone call away to catch up with these customers. The staff at the Agency are very experienced and continue to provide fantastic service to our customers.

As part of our business plan and development we took over the Birchip Agency 1 September, which is located in the Birchip Community Pharmacy, which has also recently been taken over by a new proprietor. At this time we are also upgrading the Birchip Agency to real time banking (online – same as Wycheproof Agency) and will then be able to provide Birchip and surrounding community with increased banking services. Again our branch and Manager will only be a phone call away to catch up with these customers on a regular basis.

Continuing to expand our presence in the surrounding districts is crucial to our business and the ability to continue to grow, but allow us to generate income to partner and support significant local community projects.

Charlton Park 2020 Project

Charlton & District **Community Bank**[®] Branch was delighted to announce they will commit at least \$200,000 to the actual building phase of the Charlton Park 2020 project.

This committee of enthusiastic community people have been working very hard the past few years to explore possibility for a new Multipurpose Facility at Charlton Park.

The new facility is a \$6 million project and will provide the first sports and recreation infrastructure (bricks & mortar) for Charlton for 50 years other than the stadium constructed in conjunction with the Department of Education many years ago.

The existing facilities at Charlton Park were flooded in January 2011 floods, but are also very old and past their use-by date and will require increasing maintenance and exorbitant, non manageable costs.

On behalf of our branch I'm hoping our shareholders and everyone could get on Board the project, by financially supporting this important project for the Charlton and district communities.

Simply find further details about this project and how you can support it, by going to their Facebook page, search – "Charlton Park 2020".

Charlton Back-To (Easter 2013)

Our Community Grants Program this year has provided \$23,810 to a major event for the Charlton Community – their Back To – being held Easter Weekend next year.

We ask all our shareholders to come back and support this weekend and spread word about this major event for the community

10th Birthday Celebrations (October 2013)

Hard to believe for so many Board members, shareholders, staff, customers and other involved at the start, that our **Community Bank**[®] branch turns 10 years in October next year.

Please all mark your diaries now and also spread the news about this date, as we will be celebrating with everyone involved to start this great business, along with those our have and continue to support our incredible business.

Staff

I'd like again take this opportunity to thank Tracy Dalrymple, our Customer Relationship Manager, for her efficient and productive work the past 12 months and our two part time CSO's, Leanne Gretgrix, Senior Customer Service Officer and Vikki Stevens, Customer Service Officer for their continued service and support they provide our many customers.

Manager's report (continued)

You have each played an important role in the success of our branch this year, and your hard work has cemented our reputation of being customer-focussed and community driven.

Together, we have achieved so much the past 12 months and ask our staff and the Board, along with our shareholders, customers and community groups we have supported, to reflect on just some of our milestones and achievements.

I would like to thank you for all your efforts and each of you should all feel proud of the contribution you have made to this great result for your local **Community Bank**[®] branch.

Looking forward to another exciting and rewarding 12 months and seeing everyone involved with our business continue to enjoy their connections with the Charlton & District **Community Bank**[®] Branch and please stay tuned for our 10-year celebrations October next year.

Regards,



Brett Schofield
Branch Manager

Directors' report

For the financial year ended 30 June 2012

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

Directors

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

Peter Rogan

Chairman
Occupation: Farmer
Board member since 2003

Alan Getley

Director
Occupation: Real Estate Agent
Board member since Oct 2008

Robin McRae

Director
Occupation: Employment Consultant
Board member since Jan 2008

Russell Andrew English

(retired March 2012)
Director
Occupation: Retired
Board member since 2003

Barry John McKenzie

Director
Occupation: Learning Network Coordinator
Board member since 2003

Matthew Simon Peck

Director
Occupation: Teacher
Board member since 2003

Glenda Litton

Director
Occupation: Retired
Board member since March 2010

Jon Whykes

Director
Occupation: Farmer
Board member since October 2010

Kerry Addlem

Director
Occupation: Registered Nurse
Board member since October 2010

Alison Tormey

(appointed June 2012)
Director
Occupation: Supermarket Proprietor
Board member since June 2012

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.

Operating results

The net profit of the company for the financial year after provision for income tax was \$1,505 (2011: \$12,850).

Directors' report (continued)

Financial position

The net assets of the company have decreased by \$50,745 from June 30, 2011 to \$352,374 in 2012. The decrease is largely due to lower operating performance of the company.

Dividends	Year ended 30 June 2012	
	Cents per share	\$
Dividends paid	9.5	52,250

Significant changes in the state of affairs

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

Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

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

Remuneration report

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

Indemnifying Officers or Auditor

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

Directors' report (continued)

Indemnifying Officers or Auditor (continued)

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

Directors' meetings

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

Director	Board meetings#	Audit committee meetings#
Peter Rogan	11 (12)	N/A
Alan Getley	12 (12)	N/A
Robin McRae	10 (12)	4 (4)
Russell Andrew English (retired March 2012)	8 (9)	N/A
Barry John McKenzie	10 (12)	N/A
Matthew Simon Peck	12 (12)	N/A
Glenda Litton	9 (12)	4 (4)
Jon Whykes	11 (12)	N/A
Kerry Addlem	11 (12)	N/A
Alison Tormey	1 (1)	N/A

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

N/A - not a member of that Committee.

Company Secretary

John Harley was appointed as company Secretary in April 2008. John is a retired principal of Charlton College and he has had extensive experience at committee level in a number of community organisations, including acting as Secretary.

Corporate Governance

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

- (a) The establishment of an audit committee. Members of the audit committee are Glenda Litton and Robin McRae;
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

Directors' report (continued)

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 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

The Auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 11 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Charlton on 12 September 2012.



**Peter Rogan,
Chairman**

Auditor's independence declaration



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www.rsdadvisors.com.au

12 September 2012

The Directors
North Central Financial Services Limited
PO Box 75
CHARLTON VIC 3525

To the Directors of North Central Financial Services Limited

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

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

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

Richmond Sinnott & Delahunty
RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Warren Sinnott

Warren Sinnott
Partner
Dated at Bendigo, 12 September 2012

Richmond Sinnott & Delahunty
ABN 60 616 244 309

Liability limited by a scheme
approved under Professional
Standards Legislation

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

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Revenues from ordinary activities	2	749,334	767,084
Employee benefits expense	3	(256,001)	(243,416)
Depreciation and amortisation expense	3	(24,633)	(22,833)
Other expenses		(185,587)	(201,941)
Operating profit/(loss) before charitable donations & sponsorships		283,113	298,894
Charitable donations & sponsorship		(278,504)	(279,385)
Profit before income tax expense		4,609	19,509
Income tax expense	4	3,104	6,659
Profit after income tax expense		1,505	12,850
Other comprehensive income		-	-
Total comprehensive income		1,505	12,850
Earnings per share (cents per share)			
- basic for profit for the year	21	0.27	2.34
- diluted for profit for the year	21	0.27	2.34

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of financial position as at 30 June 2012

	Note	2012 \$	2011 \$
Assets			
Current assets			
Cash and cash equivalents	6	269,123	299,200
Receivables	7	68,791	84,407
Total current assets		337,914	383,607
Non-current assets			
Property, plant and equipment	8	62,894	53,870
Intangible assets	9	17,884	31,607
Total non-current assets		80,778	85,477
Total assets		418,692	469,084
Liabilities			
Current liabilities			
Current tax payable	4	6,633	3,529
Payables	10	33,033	41,388
Provisions	11	26,652	21,048
Total current liabilities		66,318	65,965
Total liabilities		66,318	65,965
Net assets		352,374	403,119
Equity			
Share capital	12	526,840	526,840
Accumulated losses	13	(174,466)	(123,721)
Total equity		352,374	403,119

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of cash flows for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Cash flows from operating activities			
Cash receipts in the course of operations		775,099	813,125
Cash payments in the course of operations		(748,406)	(787,019)
Interest received		15,393	15,412
Income tax refunded / (paid)		-	1,500
Net cash flows provided from operating activities	14b	42,086	43,018
Cash flows from investing activities			
Payments for property, plant and equipment		(43,912)	(3,500)
Proceeds from sale of property, plant and equipment		23,999	-
Net cash flows used in investing activities		(19,913)	(3,500)
Cash flows from financing activities			
Dividends paid		(52,250)	(38,501)
Net cash flows used in investing activities		(52,250)	(38,501)
Net decrease in cash held		(30,077)	1,017
Cash and cash equivalents at start of year		299,200	298,183
Cash and cash equivalents at end of year	14a	269,123	299,200

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Note	2012 \$	2011 \$
Share capital			
Balance at start of year		526,840	526,840
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		526,840	526,840
Retained earnings / (accumulated losses)			
Balance at start of year		(123,721)	(98,070)
Profit after income tax expense		1,505	12,850
Dividends paid	20	(52,250)	(38,501)
Balance at end of year		(174,466)	(123,721)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of significant accounting policies

(a) Basis of preparation

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

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

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

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

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

The financial statements were authorised for issue by the Directors on 12 September 2012.

(b) Income tax

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

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

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

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

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

(c) Property, plant and equipment

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

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

Class of asset	Depreciation rate
Motor vehicles	15%
Plant & equipment	2.5 - 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 taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(f) Employee benefits

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

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

(g) Intangibles

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

(h) Cash

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

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

(i) Revenue

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

(j) Receivables and payables

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

(k) New accounting standards for application in future periods

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

(l) 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, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(n) Share capital

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

(o) Comparative figures

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

(p) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

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

Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

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

(q) Financial instruments

Initial recognition and measurement

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

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Classification and subsequent measurement (continued)

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

(i) Loans and receivables

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

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

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

	2012	2011
	\$	\$
Note 2. Revenue		
Revenue from continuing activities		
- services commissions	727,800	745,553
- other revenue	22	-
	727,822	745,553
Other revenue		
- interest received	21,512	21,531
	21,512	21,531
	749,334	767,084

Note 3. Expenses

Employee benefits expense

- wages and salaries	224,809	214,516
- superannuation costs	20,567	19,603
- workers' compensation costs	755	811
- other costs	9,870	8,486
	256,001	243,416

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- plant and equipment	10,911	9,111
Amortisation of non-current assets:		
- intangibles	13,722	13,722
	24,633	22,833
Bad debts	254	166

Note 4. Income tax expense

The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:

Prima facie tax on profit before income tax at 30%	1,383	5,853
Add tax effect of:		
- Non-deductible expenses	1,681	2,196
- (Over)/Under provision of tax in prior years	40	(1,390)
Current income tax expense	3,104	6,659
Income tax payable	6,633	3,529

Note 5. Auditors' remuneration

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

- Audit of the financial report of the company	3,900	3,900
- Share registry services	2,930	2,852
	6,830	6,752

Note 6. Cash and cash equivalents

Cash at bank and on hand	269,123	299,200
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Note 7. Receivables

Trade debtors	64,326	80,241
Prepayments	4,465	4,166
	68,791	84,407

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 8. Property, plant and equipment		
Plant and equipment		
At cost	58,096	52,715
Less accumulated depreciation	(33,687)	(27,910)
Total written down amount	24,409	24,805
Motor vehicle		
At cost	38,532	34,194
Less accumulated depreciation	(48)	(5,129)
Total written down amount	38,484	29,065
Total written down amount	62,893	53,870
Movements in carrying amounts		
Plant and equipment		
Carrying amount at beginning of the year	24,805	25,287
Additions	5,381	3,500
Disposals	-	-
Depreciation expense	(5,777)	(3,982)
Carrying amount at end of the year	24,409	24,805
Motor vehicle		
Carrying amount at beginning of the year	29,065	34,194
Additions	38,531	-
Disposals	(23,978)	-
Depreciation expense	(5,134)	(5,129)
Carrying amount at end of the year	38,484	29,065
Note 9. Intangible assets		
Franchise fee		
At cost	68,862	68,862
Less accumulated amortisation	(50,978)	(37,255)
	17,884	31,607

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 10. Payables		
Trade creditors	18,346	20,264
Other creditors and accruals	14,687	21,124
	33,033	41,388

Note 11. Provisions

Employee benefits	26,652	21,048
Movement in employee benefits		
Opening balance	21,048	13,728
Additional provisions recognised	19,459	14,255
Amounts utilised during the year	(13,855)	(6,936)
Closing balance	26,652	21,048

Note 12. Share capital

550,010 Ordinary Shares fully paid of \$1 each	550,010	550,010
Capital raising costs	(23,170)	(23,170)
	526,840	526,840

Note 13. Accumulated losses

Balance at the beginning of the year	(123,721)	(98,070)
Dividends paid	(52,250)	(38,501)
Profit after income tax	1,505	12,850
Balance at the end of the year	(174,466)	(123,721)

Note 14. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	269,123	299,200
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Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 14. Statement of cash flows (continued)		
(b) Reconciliation of profit after tax to net cash provided from / (used in) operating activities		
Profit after income tax	1,505	12,850
Non cash items		
- Depreciation	10,911	9,111
- Amortisation	13,722	13,722
- Profit on sale of asset	(22)	-
Changes in assets and liabilities		
- (Increase) decrease in receivables	15,634	(13,102)
- Increase (decrease) in payables	(8,355)	4,958
- Increase (decrease) in provisions	5,604	7,320
- Increase (decrease) in income tax payable	3,104	3,529
- (Increase) decrease in deferred income tax asset	-	4,630
Net cash flows provided from / (used in) operating activities	42,103	43,018

Note 15. Director and related party disclosures

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

Peter Rogan
Alan Getley
Robin McRae
Russell Andrew English (retired March 2012)
Barry John McKenzie
Matthew Simon Peck
Glenda Litton
Jon Whykes
Kerry Addlem
Alison Tormey (appointed June 2012)

No Director or related entity has entered into a material contract with the company. No Director's fees have been paid as the positions are held on a voluntary basis.

Notes to the financial statements (continued)

Note 15. Director and related party disclosures (continued)

Directors' shareholdings	2012	2011
Peter Rogan	3,301	3,301
Alan Getley	500	500
Robin McRae	1,000	-
Russell Andrew English (retired March 2012)	3,501	3,501
Barry John McKenzie	3,501	3,501
Matthew Simon Peck	3,201	3,201
Glenda Litton	-	-
Jon Whykes	3,500	3,500
Kerry Addlem	3,000	-
Alison Tormey (appointed June 2012)	-	-

Each share held is valued at \$1 and is fully paid. There was no movement in shareholdings during the year.

Note 16. Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Note 17. Contingent liabilities and assets

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

Note 18. 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 Charlton, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank who account for 100% of the revenue (2011: 100%).

Note 19. Corporate information

North Central Financial Services Limited is a company limited by shares incorporated in Australia.

The registered office and principal place of business is:

39 - 41 High Street, Charlton VIC 3525

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 20. Dividends		
(a) Dividends proposed and not recognised as a liability		
Unfranked dividends - 7 cents per share (2011: 9.5 cents per share)	38,501	52,251
(b) Dividends paid during the year		
Unfranked dividends - 9.5 cents per share (2011: 7 cents per share)	52,250	38,501

Note 21. Earnings per share

Basic earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit after income tax expense	1,505	12,850
Weighted average number of ordinary shares for basic and diluted earnings per share	550,010	550,010

Note 22. Financial risk management

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

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

	Note	2012 \$	2011 \$
Financial assets			
Cash & cash equivalents	6	269,123	299,200
Receivables	7	68,791	84,407
Total financial assets		337,914	383,607
Financial liabilities			
Payables	10	33,033	41,388
Total financial liabilities		33,033	41,388

Notes to the financial statements (continued)

Note 22. Financial risk management (continued)

Financial risk management policies

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

Specific financial risk exposure and management

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

(a) Credit risk

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

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

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

	Carrying amount	
	2012	2011
	\$	\$
Cash and cash equivalents	269,123	299,200
Receivables	68,791	84,407
	337,914	383,607

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

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

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

(b) Liquidity risk

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

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

Notes to the financial statements (continued)

Note 22. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis

	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
30 June 2012				
Financial liabilities due for payment				
Payables	(33,033)	(33,033)	-	-
Total expected outflows	(33,033)	(33,033)	-	-
Financial assets - cashflow realisable				
Cash & cash equivalents	269,123	269,123	-	-
Receivables	68,791	68,791	-	-
Total anticipated inflows	337,914	337,914	-	-
Net (outflow)/inflow on financial instruments	304,881	304,881	-	-

	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
30 June 2011				
Financial liabilities due for payment				
Payables	(41,388)	(41,388)	-	-
Total expected outflows	(41,388)	(41,388)	-	-
Financial assets - cashflow realisable				
Cash & cash equivalents	299,200	299,200	-	-
Receivables	84,407	84,407	-	-
Total anticipated inflows	383,607	383,607	-	-
Net (outflow)/inflow on financial instruments	342,219	342,219	-	-

Financial assets pledged as collateral

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

Notes to the financial statements (continued)

Note 22. Financial risk management (continued)

(c) Market risk

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

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

Sensitivity analysis

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

	Carrying amount	
	2012	2011
	\$	\$
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	-	-
Floating rate instruments		
Financial assets	269,123	299,200
Financial liabilities	-	-
	269,123	299,200

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

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.

Notes to the financial statements (continued)

Note 22. Financial risk management (continued)

Capital management

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

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

(i) the Distribution Limit is the greater of:

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

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

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

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

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

Directors' declaration

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

- 1 the financial statements and notes of the company as set out on pages 12 to 30 are in accordance with the Corporations Act 2001 and:
 - (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (ii) give a true and fair view of the company's financial position as at 30 June 2012 and of the performance for the year ended on that date;
- 2 in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Peter Rogan,
Chairman

Signed at Charlton on 12 September 2012

Independent audit report



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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF NORTH CENTRAL FINANCIAL SERVICES LIMITED

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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.

Richmond Sinnott & Delahunty
ABN 60 616 244 309

Liability limited by a scheme
approved under Professional
Standards Legislation

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

Independent audit report (continued)

Independence

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

Auditor's Opinion

In our opinion:

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

Richmond Sinnott + Delahunty
RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants



W. J. SINNOTT
Partner

Dated at Bendigo, 12 September 2012



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