Annual Report 2014

North Central Financial Services Limited

ABN 90 104 265 394

Charlton & District **Community Bank**® Branch

Contents

Chairman’s report

For year ending 30 June 2014

The year of 2013/14 in financial terms was challenging and despite our results not reflecting the achievements of some past years, I regard the year as a success. The year was conducted in a climate of continuing tight margins directly affecting profitability and ongoing early repayment of loans affecting our ability to meet budgeted goals. Nevertheless, the year’s profit result eventuated much as expected.

At 30 June our total business stood at $90.5 million and I hope my report will demonstrate why we should be proud of the branch’s achievements. The budget for the year ahead in 2014/15 predicts a similar result to the year of 2013/14.

Dividend

The Board decided on a dividend of $0.05 per share, fully franked. The Board felt that in a challenging year, to maintain the dividend of last year – a higher profit year, was a reflection of the balance able to be achieved between shareholders, community Investment and the requirements of the business.

Community investment

A **Community Bank**® branch is a big asset to its region in a number of forms, not least the community investments it returns to the community.

With our major 2020 commitment, it is important we demonstrate we can back other community projects and still provide a competitive return to shareholders. We have met that balance.

In our Grants Program of 2014 we have made the following community Investments:

Charlton Tourism	$2,285	Assistance with town signage
Charlton Forum	$7,295	Travellers Rest renovations
Tchum Lake Aquatic Club	$4,895	Disabled toilet works
Boort Lakeside Croquet Club	$2,000	Challenge grant – Electrical upgrade
Charlton Courthouse	$1,315	Display cabinet
Charlton Forum	$3,588.	Assistance with Pompey Elliot Bust
Charlton Park Committee of Management	$15,000	Assist in connection to Rural Water pipeline

In addition to the Grants program, the following two Challenge sponsorships were approved. The Board felt the applications were of merit even though technically they were outside Grant criteria.

Wycheproof & District Lawn Tennis Club	$12,500	Assist in resurfacing hard tennis courts
Charlton Bowling Club	$2,000	Assist in purchase of new Clubhouse chairs

The grants and sponsorships approved totalled $50,877. Given a better trading year, we may have contemplated a more expansive program, but the decisions made also demonstrate the balance of shareholder return and the 2020 commitment which is well in hand and budgeted for as a result of favourable present and past results. Through all of this we have also been able to maintain our historical cash reserves. The Board feels the Grants Program was a positive community return.

Chairman's report (continued)

Staff

During the month of June we engaged our Manager Brett Schofield for a further three years. Brett is a proactive and goal orientated person and an ideal fit for our branch, the business mix and the network he maintains in our area. Thanks Brett for your hard work and dedication in a tough market.

Your results in the Rural area of our business are a justification of the effort applied.

Tracy, Leanne, Vicki and Colleen provide the service face of the business and on behalf of the Board I thank all the staff for their efforts in working to maintain the asset that is the Charlton & District **Community Bank**® Branch. Those efforts and the service to banking clients are very much appreciated.

Directors

The Directors to retire at this Annual General Meeting (AGM) are Alan Getley, Glenda Litton and Matt McGurk. All have indicated their desire to continue and have the full support of the Board.

Matt has taken over from Barry McKenzie who retired during the year. Barry was a foundation Director and highly capable and respected, and I thank him here for his efforts. The Board's loss with his departure is matched by what Matt brings. His youth and capability are acknowledged by the Board.

Nominations for Director positions have been advertised 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 by the due date.

Agencies

The agencies of Wycheproof, Boort and Birchip continue to work in well with our branch business. In June the Birchip agency changed location to Wimmera Mallee Accounting which we think will give a wider range of services to the Birchip community. These Agencies are important to our business. They do not have a huge affect directly on our bottom line, although we expect that to grow steadily through the years, but they give Brett the scope to work in the region. His network is strong in these areas as well as Charlton.

The future

The ongoing constant for us will always be the search for new business and business growth. All of us have a role to play in that regard, whether we are Board members, staff, shareholders, customers or supportive community members. The one thing I always find gratifying, and never get sick of hearing, is when I hear the comment in the community along the lines of "the **Community Bank**® branch has been great for the town". The role for us all to play is to never let up when the opportunity arises to promote the **Community Bank**® branch to friends, family and contacts.

Perhaps you are a shareholder who at present does not do any banking with us, and would consider the Charlton & District **Community Bank**® Branch in the future. It is as simple as a call to the Brett or any of the staff, or a request for them to give you a call. Our total business stands at $90.5 million and our medium to longer term goal is to attain $100 million. Every bit of business is a step toward that goal.

Community Bank® branches, no matter where they are, have given the towns they service a real "Yes we can!" in terms of not only banking services but the flow of funds back to the community in community investments. It is an ongoing, unmatched value add.

In closing thank you again to all the staff for your work in keeping the Charlton & District **Community Bank**® Branch as a huge community asset and for being committed to the **Community Bank**® model.

Chairman’s report (continued)

Thank you also to John Harley for his efforts as Company Secretary. It is an onerous task which John handles with aplomb and efficiency. Compliance issues and deadlines seem never ending at times. We now trade shares on the Low Volume Market, a move made to ultimately comply with our Franchise Agreement. There is a new section on the Charlton & District **Community Bank**® Branch website which outlines the trading of shares and how to register interest to buy or to sell. Although time consuming at the start, we hope it is a good move in terms of workload and efficiencies for John.

Thank you to all the Board members for their support and efforts throughout the year. I constantly say we are a diverse Board which I think is a big plus. We can differ on certain points, but we make sound united decisions. A special thank you to Simon Peck in his role as Treasurer. His concise reporting takes a lot of pressure and worry off the Board. Simon has the gift of presenting things which at times can have some complexity and need some analysis, in a form that is simple and easy for us to understand.

A final thank you once again to the shareholders, because without you it never would have happened. I hope this year, as with past and future years, you feel the risk you took in your willingness to back the Charlton & District **Community Bank**® Branch, has been rewarded with returns to both you and your community. That is part of the balance the Board aims for.

Robin McRae

Robin McRae
Chairman

Manager's report

For year ending 30 June 2014

Our **Community Bank**® branch continues to operate successfully, despite very reduced margins on our profits the past 18 months. With historically low interest rates eroding our profits significantly, compared to past years. However, we still returned an acceptable profit, to be able to return funds and important support to Charlton and surrounding communities.

As at 30 June 2014 our lending business showed $30.945 million and our deposits $45.365 million, with other business showing extremely strong growth sitting at $14.214 million. Our other business includes our Agribusiness, Financial Planning and Superannuation clients. Our footings have continued to increase the past 12 months as reflected in the above figures, with our total business now showing $90.524 million.

My staff remain the 'back bone' of our operation and continue to be a great team, connecting very well to our customers and the Charlton community. It is great to have my loyal and stable staff platform now for a long period.

Our team consists of Tracy Dalrymple, as our Customer Relationship Manager, Leanne Gretgrix as our part time Senior Customer Service Officer, Vikki Stevens, part time Customer Service Officer and our newest member, Colleen Kelson, part time Customer Service Officer. These great ladies work very well together and provide a professional service to our clients, at our Charlton & District **Community Bank**® Branch and surrounding towns, where our agencies are situated, Birchip, Boort and Wycheproof.

We are working extremely hard to grow our business and be the number one community connected bank in Charlton and surrounding district. Being strongly represented in a number of communities provides increasing opportunities, as well as increasing demands and workload.

The challenges are certainly ahead for myself and my team. These are as a result of our current climate of exceptionally low interest rates and squeezed profit margins, but our staff and business is firmly positioned to continue to support our customers and their communities.

We have achieved a lot of goals over the past 12 months and again made some major contributions to community groups to enable them to achieve their goals. This has been very rewarding and satisfying, as a local community business generating profits through very tough times, then returning these profits back into community activities and groups to help them accomplish their ambitions.

So, it's still exciting times for our business going forward. We hope the journey ahead will provide some favourable seasons and in turn provide our community with increased trade and capital. We must continue to support our local **Community Bank**® branch and all our local businesses in our communities. Let's keep our communities vibrant and successful.

I'd like to sincerely thank and congratulate our customers, especially my staff and the Board, our shareholders and everyone else involved with our business, who enable us to return our profits back into their communities.

We ask all our customers and shareholders to continue to bank with our 'local' **Community Bank**® branch and our surrounding agencies located in Birchip, Boort and Wycheproof and help us, to help you, with all your financial needs.

Brett Schofield
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 North Central 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
Peter Rogan Director Board member since 2003	Farmer	Director Woollen Rises Estates Trust
Alan Getley Director Board member since 2008	Registered Real Estate Agent	Chair Buloke Tourism Board Chair Charlton Forum
Robin McRae Chairman Board member since 2008	Employed with Peagrowers Co-Operative Ltd in Donald	Self employed for 25 years.
Barry McKenzie Director Board member since 2003 Resigned March 2014	Learning Network Coordinator	
Matthew Peck Director Board member since 2003	School Teacher	
Glenda Litton Director Board member since 2010	Retired Hairdresser Hairdressing teacher	Charlton Cemetery Trust Member & Secretary Charlton Golden Grains Museum Treasurer Charlton Croquet Club Treasurer Charlton Courthouse Committee of Management
Jon Whykes Director Board member since 2010	Farmer	
Kerry Addlem Director Board member since 2010	Registered nurse	

Directors (continued)

Name and position held	Qualifications	Experience and other Directorships
Matthew McGurk Director Board member since 2014 Appointed May 2014	Agronomist Farmer	
Neville Cloak Director Board member since 2012	Restaurant proprietor	

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 $52,882 (2013 profit: $51,466), which is a 2.68% increase as compared with the previous year.

The net assets of the company have increased to $390,804 (2013: $365,373).

Dividends

	Year ended 30 June 2014	
	Cents per share	$
Dividends paid in the year, final dividend:	5	27,451

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

There has been no remuneration policy developed as Director positions are held on a voluntary basis and Directors are not remunerated for their services.

Remuneration report (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.

The North Central 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.

Indemnifying Officers or Auditor

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

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

Directors' meetings

The number of Directors' meetings held during the year were 12. Attendances by each Director during the year were as follows:

Director	Board meetings #	Audit Committee meetings #
Peter Rogan	12 (12)	N/A
Alan Getley	12 (12)	N/A
Robin McRae	11 (12)	3 (3)
Barry McKenzie	7 (9)	N/A
Matthew Peck	12 (12)	3 (3)
Glenda Litton	8 (12)	N/A
Jon Whykes	9 (12)	N/A
Kerry Addlem	8 (12)	N/A
Matthew McGurk	2 (2)	N/A
Neville C;oak	12 (12)	N/A

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.
N/A - not a member of that committee.

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

John Harley has been the Company Secretary of North Central Financial Services Limited since 2008.

John is a retired principal of Charlton College and has had extensive experience at committee level in a number of community organisations, including acting as seretary.

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 Charlton on 15 September 2014.

Robin McRae

Robin McRae
Director

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

Telephone: (03) 5445 4200
Fax: (03) 5444 4344
Email: rsd@rsdadvisors.com.au

www.rsdadvisors.com.au

Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the Directors of North Central Financial Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there has been no contraventions of:

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

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

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated at Bendigo, 15 September 2014

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

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

Financial statements

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

	Note	2014 $	2013 $
Revenue	2	709,325	691,141
Employee benefits expense	3	(312,196)	(267,789)
Depreciation and amortisation expense	3	(28,294)	(30,239)
Bad and doubtful debts expense	3	(36)	(40)
Rental expense		(16,855)	(14,855)
Other expenses		(199,293)	(162,772)
Operating profit before charitable donations & sponsorships		**152,651**	**215,446**
Charitable donations and sponsorships		(68,057)	(140,610)
Profit before income tax expense		**84,594**	**74,836**
Tax expense	4	31,712	23,370
Profit for the year		**52,882**	**51,466**
Other comprehensive income		-	-
Total comprehensive income		**52,882**	**51,466**
Profit attributable to members of the company		52,882	51,466
Total comprehensive income attributable to members of the company		**52,882**	**51,466**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	20	9.61	9.36

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	300,081	308,626
Trade and other receivables	7	74,111	68,986
Total current assets		**374,192**	**377,612**
Non-current assets			
Property, plant and equipment	8	67,542	79,853
Intangible assets	9	59,037	4,112
Total non-current assets		**126,579**	**83,965**
Total assets		**500,771**	**461,577**
Liabilities			
Current liabilities			
Trade and other payables	10	40,214	45,552
Current Tax Payable	4	18,924	20,935
Provisions	11	24,190	19,720
Total current liabilities		**83,328**	**86,207**
Non current liabilities			
Provisions	11	26,639	9,997
Total non current liabilities		**26,639**	**9,997**
Total liabilities		**109,967**	**96,204**
Net assets		**390,804**	**365,373**
Equity			
Issued capital	12	526,840	526,840
Accumulated losses	13	(136,036)	(161,467)
Total equity		**390,804**	**365,373**

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		**526,840**	**(174,466)**	**352,374**
Total comprehensive income for the year		-	51,466	51,466
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	21	-	(38,467)	(38,467)
Balance at 30 June 2013		**526,840**	**(161,467)**	**365,373**
Balance at 1 July 2013		**526,840**	**(161,467)**	**365,373**
Total comprehensive income for the year		-	52,882	52,882
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	21	-	(27,451)	(27,451)
Balance at 30 June 2014		**526,840**	**(136,036)**	**390,804**

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		697,262	668,037
Payments to suppliers and employees		(582,972)	(570,482)
Interest received		7,597	22,909
Income tax paid		(33,723)	(9,068)
Net cash provided by operating activities	**14**	**88,164**	**111,396**
Cash flows from investing activities			
Payments for intangible assets		(68,713)	-
Purchase of property, plant & equipment		(546)	(33,426)
Net cash flows used in investing activities		**(69,259)**	**(33,426)**
Cash flows from financing activities			
Dividends paid		(27,451)	(38,467)
Net cash used in financing activities		**(27,451)**	**(38,467)**
Net increase/(decrease) in cash held		**(8,546)**	**39,503**
Cash and cash equivalents at beginning of financial year		308,626	269,123
Cash and cash equivalents at end of financial year	**6**	**300,081**	**308,626**

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 North Central Financial Services Limited.

North Central 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 15 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**® branches.

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 / (income) for the year comprises current income tax expense / (income) and deferred tax expense / (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/ (assets) are measured at the amounts expected to be paid to/(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/(income) 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 unforced) 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.

Plant and equipment

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.

Depreciation

The depreciable amount of all fixed 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.

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

Class of asset	Depreciation rate
Plant & equipment	2.5 - 40%
Motor Vehicles	15%

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.

Note 1. Summary of significant accounting policies (continued)

(e) 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.

(f) 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.

(g) 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.

(h) 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.

Note 1. Summary of significant accounting policies (continued)

(i) 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.

(j) 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).

(k) 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.

(l) Trade and other payables

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) Loans and borrowings

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

(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.

Note 1. Summary of significant accounting policies (continued)

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

Employee benefits (continued)

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.

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) Provisions

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

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

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

(p) 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.

(q) Comparative figures

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

Note 1. Summary of significant accounting policies (continued)

(r) 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.

Employee benefits provision

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.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset or the provision for income tax liability. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company’s assessment of future cash flows.

Impairment

The company assesses impairment at the end of each reporting period by 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.

(s) 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.

Note 1. Summary of significant accounting policies (continued)

(s) Financial instruments (continued)

Classification and subsequent measurement (continued)

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.

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.

Notes to the financial statements (continued)

	2014 $	2013 $

Note 2. Revenue and other income

	2014 $	2013 $
Revenue		
- services commissions	699,635	676,995
	699,635	**676,995**
Other revenue		
- interest received	9,690	14,146
	9,690	**14,146**
Total revenue	**709,325**	**691,141**

Note 3. Expenses

	2014 $	2013 $
Employee benefits expense		
- wages and salaries	272,256	231,098
- superannuation costs	24,166	21,499
- other costs	15,774	15,192
	312,196	**267,789**
Depreciation of non-current assets:		
- plant and equipment	14,506	16,467
Amortisation of non-current assets:		
- intangible assets	13,788	13,772
	28,294	**30,239**
Bad debts	36	40

Note 4. Tax expense

	2014 $	2013 $
Prima facie tax on profit/(loss) before income tax at 30% (2013: 30%)	25,378	22,451
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	6,334	919
Current income tax expense	**31,712**	**23,370**
Income tax attributable to the entity	**31,712**	**23,370**
The applicable weighted average effective tax rate is	37.49%	31.23%

	2014 $	2013 $

Note 4. Tax expense (continued)

Income tax payable

Income tax payable	**18,924**	**20,935**

The applicable income tax rate is the Australian Federal tax rate of 30% (2013: 30%) applicable to Australian resident companies.

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report	4,300	4,150
- Taxation services	-	-
- Share registry services	3,162	2,965
	7,462	**7,115**

Note 6. Cash and cash equivalents

Cash at bank and on hand	76,336	38,626
Short-term bank deposits	223,745	270,000
	300,081	**308,626**

The effective interest rate on short-term bank deposits was 3.20% (2013: 3.75%); these deposits have an average maturity of 55 days.

Note 7. Trade and other receivables

Current

Trade debtors	69,332	64,686
Other assets	4,779	4,300
	74,111	**68,986**

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 this note. The main sources of credit risk to the company are considered to relate to the classes of assets described as trade and other receivables.

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.

Note 7. Trade and other receivables (continued)

Credit risk (continued)

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	69,332	-	-	-	-	69,332
Total	**69,332**	**-**	**-**	**-**	**-**	**69,332**
2013						
Trade receivables	64,686	-	-	-	-	64,686
Total	**64,686**	**-**	**-**	**-**	**-**	**64,686**

Note 8. Property, plant and equipment

	2014 $	2013 $
Motor vehicles		
At cost	38,531	38,531
Less accumulated depreciation	(11,607)	(5,827)
	26,924	**32,704**
Plant and equipment		
At cost	84,130	81,934
Less accumulated depreciation	(43,512)	(34,786)
	40,618	**47,148**
Total written down amount	**67,542**	**79,852**
Movements in carrying amounts		
Motor vehicle		
Balance at the beginning of the reporting period	32,704	38,484
Additions	-	-
Disposals	-	-
Depreciation expense	(5,780)	(5,780)
Balance at the end of the reporting period	**26,924**	**32,704**

	2014 $	2013 $

Note 8. Property, plant and equipment (continued)

Plant and equipment

Balance at the beginning of the reporting period	47,148	24,409
Additions	2,196	33,426
Disposals	-	-
Depreciation expense	(8,727)	(10,687)
Balance at the end of the reporting period	**40,618**	**47,148**

Note 9. Intangible assets

Franchise fee

At cost	68,713	68,862
Less accumulated amortisation	(9,676)	(64,750)
	59,037	**4,112**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	4,112	17,884
Additions	68,713	-
Disposals	-	-
Amortisation expense	(13,788)	(13,772)
Balance at the end of the reporting period	**59,037**	**4,112**

Note 10. Trade and other payables

Current

Unsecured liabilities:		
Trade creditors	22,900	27,722
Other creditors and accruals	17,314	17,830
	40,214	**45,552**

Note 11. Provisions

	2014 $	2013 $
Employee benefits	**50,829**	**29,717**
Movement in employee benefits		
Opening balance	29,717	26,652
Additional provisions recognised	43,473	16,860
Amounts utilised during the year	(22,361)	(13,795)
Closing balance	**50,829**	**29,717**
Current		
Annual leave	24,190	19,720
	24,190	**19,720**
Non-current		
Long-service leave	26,639	9,997
	26,639	**9,997**
Total provisions	**50,829**	**29,717**

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 $
550,010 Ordinary shares fully paid of $1 each	550,010	550,010
Less: Equity raising costs	(23,170)	(23,170)
	526,840	**526,840**

	2014 $	2013 $

Note 12. Share capital (continued)

Movements in share capital

	2014 $	2013 $
Fully paid ordinary shares:		
At the beginning of the reporting period	550,010	550,010
Shares issued during the year	-	-
At the end of the reporting period	**550,010**	**550,010**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

Capital management

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

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

(i) the Distribution Limit is the greater of:

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

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

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

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

Note 13. Retained earnings / (accumulated losses)

	2014 $	2013 $
Balance at the beginning of the reporting period	(161,467)	(174,466)
Dividends payable	(27,451)	(38,467)
Profit/(loss) after income tax	52,882	51,466
Balance at the end of the reporting period	**(136,036)**	**(161,467)**

Note 14. Statement of cash flows

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

	2014 $	2013 $
Profit / (loss) after income tax	52,882	51,466
Non cash items		
- Depreciation	14,506	16,467
- Amortisation	13,788	13,772
Changes in assets and liabilities		
- (Increase) decrease in receivables	(5,125)	(195)
- (Increase) decrease in deferred tax asset	(2,011)	14,302
- Increase (decrease) in payables	(6,988)	9,495
- Increase (decrease) in provisions	21,112	6,089
Net cash flows from/(used in) operating activities	**88,164**	**111,396**

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 North Central 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.

Note 15. Related party transactions (continued)

(d) Key management personnel shareholdings

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

	2014	2013
Peter Rogan	3,301	3,301
Alan Getley	500	500
Robin McRae	1,000	1,000
Barry McKenzie	3,501	3,501
Matthew Peck	3,201	3,201
Glenda Litton	500	500
Jon Whykes	3,500	3,500
Kerry Addlem	3,000	3,000
Matthew McGurk	-	-
Neville Cloak	-	-

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

(e) Other key management transactions

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

Note 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.

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

Note 19. Company details

The registered office and principle place of business is: 39-41 High Street, Charlton VIC 3525.

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	**52,882**	**51,466**
Weighted average number of ordinary shares for basic and diluted earnings per share	**550,010**	**550,010**

Note 21. Dividends paid or provided for on ordinary shares

	2014 $	2013 $
(a) Dividends proposed and not recognised as a liability		
Current year final		
Franked dividend - 5 cents per share (2013: 5c)	**27,501**	**27,501**
(b) Dividends paid during the year		
Current year final		
Franked dividend - 5 cents per share (2013: 7c unfranked)	**27,451**	**38,467**
(c) Franking account balance		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	31,006	6,634
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	31,712	23,370
	62,718	**30,004**

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	300,081	308,626
Trade and other receivables	7	74,111	68,986
Total financial assets		**374,192**	**377,612**
Financial liabilities			
Trade and other payables	10	40,214	45,552
Total financial liabilities		**40,214**	**45,552**

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.

Note 22. Financial risk management (continued)

(a) Credit risk (continued)

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.

	2014 $	2013 $
Cash and cash equivalents:		
A rated	**300,081**	**308,626**

(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	40,214	40,214	-	-
Total expected outflows		**40,214**	**40,214**	**-**	**-**
Financial assets - realisable					
Cash & cash equivalents	6	300,081	300,081	-	-
Trade and other receivables	7	74,111	74,111	-	-
Total anticipated inflows		**374,192**	**374,192**	**-**	**-**
Net (outflow)inflow on financial instruments		**333,978**	**333,978**	**-**	**-**

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	45,552	45,552	-	-
Total expected outflows		**45,552**	**45,552**	**-**	**-**
Financial assets - realisable					
Cash & cash equivalents	6	308,626	308,626	-	-
Trade and other receivables	7	68,986	68,986	-	-
Total anticipated inflows		**377,612**	**377,612**	**-**	**-**
Net (outflow)/inflow on financial instruments		**332,060**	**332,060**	**-**	**-**

(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.

Sensitivity analysis

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.

	Profit $	Equity $
Year ended 30 June 2014		
+/- 1% in interest rates (interest income)	3,001	3,001
	3,001	**3,001**
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	3,086	3,086
	3,086	**3,086**

The company has no exposure to fluctuations in foreign currency.

Note 22. Financial risk management (continued)

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair value 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 arms length transaction. The company does not have any unrecognised financial instruments at year end.

Directors’ declaration

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

1 the financial statements and notes, as set out on pages 11 to 35 are in accordance with the Corporations Act 2001 and:

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

   (ii) give a true and fair view of the company’s financial position as at 30 June 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.

Robin McRae

Robin McRae
Director

Signed at Charlton on 15 September 2014.

Richmond Sinnott & Delahunty
Chartered Accountants
Level 2, 10-16 Forest Street
Bendigo, VICTORIA
PO Box 30, Bendigo VICTORIA 3552
Ph: (03) 5445 4200
Fax: (03) 5444 4344
rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

INDEPENDENT AUDITOR'S 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 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 company 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 North Central 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 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 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 International Financial Reporting Standards as disclosed in Note 1.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Kathie Teasdale
Partner

Dated at Bendigo, 15 September 2014

Charlton & District **Community Bank®** Branch
39 High Street, Charlton VIC 3525
Phone: (03) 5491 2322 Fax: (03) 5491 2253

Franchisee: North Central Financial Services Limited
39 High Street, Charlton VIC 3525
Phone: (03) 5491 2322 Fax: (03) 5491 2253
ABN: 90 104 265 394

www.bendigobank.com.au/charlton
(BMPAR14081) (09/14)

Bendigo Bank
Bigger than a bank.

bendigobank.com.au