

# Annual Report 2018

North Central Financial Services Limited

Charlton & District  
**Community Bank**<sup>®</sup> Branch

ABN 90 140 265 394



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# Chairman's Report

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For year ending 30 June 2018

Greetings fellow shareholders. It is with much pleasure that I present my second report as the current Chairman of North Central Financial Services Ltd. (NCFS)

Your Board and company have again been very active during the last twelve months. It has been very disappointing to observe the change in seasonal conditions and the return of an extended dry period for farmers. It has been a year of so near and yet so far with the lack of timely rain, at the end of the growing season. The challenges of the current season remain and are a part of the ongoing cycle that is permanently associated with agriculture.

Last year I mentioned that the challenges also extended to the Banking sector. This remains the case. With the closure of the Boort NAB branch and the now foreshadowed reduction in operating conditions at the Birchip CBA, NCFS is now of even more relevance to their extended local communities. NCFS has continued to be a profitable and viable company. This year marks both our 15<sup>th</sup> Year of operation and a decade of continuing profitability and returns to shareholders.

## **Board activity**

This year saw the Board finalize a long standing objective to re capitalize our original investment base. By the time this report is published, NCFS will have sufficient net assets in reserve (\$1.00 cash) for every current share on issue. This is a major achievement by your Board and will help underpin and support NCFS into the future. The Board, in addition to its normal duties, last year conducted a full review of NCFS and its past 14 years of operation. The report when presented to the Board was extremely positive. Your company is well managed, has met or exceeded the original objectives and is well placed to continue to grow into the future. There were two significant outcomes of the review in terms of where the Bank should go. They are as outlined below.

## **Bank rebranding**

The first one was a decision by the Board to become a co-branded Bank. We are now an accredited Bendigo Bank & Rural Bank branch. This will allow our staff and community far greater and easier access to relevant products and services. It has greatly enhanced the options we can offer to you, our current and future customers. This co-branding will help secure the long term viability of your Bank.

## **Share buyback offer**

A second major conclusion of the review was that NCFS should conduct an equal access share buyback program. The proposal was put to our AGM in 2017 and a unanimous decision to conduct a "voluntary equal access share buyback" was passed at that AGM. In close consultation with Bendigo Bank that voluntary share buyback process has now been finalized. The limit agreed upon between Bendigo Bank and NCFS was 150,000 shares and the final tally of shares submitted for cancellation amounted to 142,552 shares. More importantly 90% of those shares submitted for buyback were from people who no longer had a connection with NCFS and the wider Charlton district.

# Chairman's Report (continued)

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## **Dividend**

I note that the board has recommended and passed a motion that a dividend of three (3) cents fully franked be paid. That dividend added to previous dividends, will mean that NCFS has returned to shareholders fifty (50) cents per share since we became profitable. In addition shareholders will have also received the relevant associated franking credits.

## **Branch staff**

This year we have had several staff resign for personal reasons or changing family circumstance. We wish them all well in their new roles.

The biggest change in personnel has been the decision of long serving Branch Manager Brett Schofield to resign. Brett has been an important part of our Bank and both the Board and I would like to publicly thank him for his efforts since joining NCFS. He leaves NCFS and the Bank well positioned to take advantage of future opportunities. We wish Brett and his family all the best for the future.

We welcome our two new part time members Bronia and Tamara and the return of former staff member Jarni. They will hopefully become part of our long term staff. I would in particular like to thank staff members Tracy and Leanne who have been called upon to train and introduce the new members into the "Bendigo system". The Board appreciates and thanks both of them. Tracy is currently acting as the manager of NCFS and has all the necessary skills to continue to offer the same high level of professionalism and attention to our clients. Tracy it should be noted is the only original staff member still working at NCFS and hence, like the Bank is also clocking up 15 years of service to our community.

The Board is currently (as I write) in the process of advertising and interviewing for a suitable candidate, to replace Brett and become our new manager.

## **Agencies**

Our agencies are continuing to grow and with the reduction in services at the CBA in Birchip we will be targeting that as a potential area for advancement. It marks the continuing withdrawal of the 4 major Banks from small rural communities. NCFS is stepping into the breach to continue to offer a service, but all communities must recognize that in order for us to remain, we must get a high level of local support. NCFS is encouraging and working with our agencies to focus on how to better serve and benefit both their clients and the communities they serve.

## **Board retirements and elections**

The Board notes the retirement of Glenda Litton at last year's AGM. I on behalf of the board would again like to thank her for her time, effort and contributions over the years. We wish her and her husband Wayne well for whatever their future holds. The Board welcomes the election of Kim Thompson. The retiring directors this year are Peter Rogan, Amy Nicolson and Simon Peck. They are all eligible to be re-elected and all have nominated to do so. We urge all those who intend to vote to support their election.

# Chairman's Report (continued)

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## Sponsorships and grants

We have continued to support local Clubs and organizations. The following projects were supported through either grants or sponsorship.

The Charlton Street Beautification Project	\$ 10,000
The Birchip Pump Replacement Project.	\$ 10,000
Charlton Community Car	\$ 23,000
The Boort Dental Update Project	\$ 5,000
The Charlton Weir Project	\$ 10,000
Chartsec- Room Upgrade Project	\$ 10,000
<b><u>Total</u></b>	<b><u>\$ 68,000</u></b>

We also support, in addition to our annual grants program, a range of ongoing sponsorship funding to the tune of approximately \$20,000 dollars each year. Whilst these sums are significant for those individual bodies, I would also like to point out that it is anticipated that later in this year we will be called upon to fulfill our commitment to the new multipurpose facility at Charlton Park. This is an agreed grant totaling \$500,000. I am very pleased to report that your Bank has those funds in reserve and available to be supplied.

That NCFS can carry out a share buyback offer at a total cost of around \$150,000 (shares, legal and preparation), restore our balance sheet, and supply a commitment of \$500,000 to Charlton Park is a great testament to the level of support from you, our customers and the wider community. Your loyalty has made this possible. Through the financial transactions of you our customers, your various loans, and accessing the range of services available at your community Bank and its agencies, we are now a vital part of the Buloke and Loddon Shires. You should all feel proud of what you have helped create over that 15 year period and we as a Board thank you.

To help celebrate that support in reaching such a milestone, NCFS will be holding a 15 year birthday party week starting in mid-October 2018.

Finally but by no means last, I wish to thank all Board members, and our Board secretary and Treasurer for their respective contributions and efforts over the past year. Those thanks extend to all partners (especially mine) for their support and encouragement. Board members are not paid and a significant amount of time, effort and personal sacrifice is involved in making sure that shareholder funds are looked after and managed well.

Jon Whykes

Chairman

# A short history of the first 15 years of NCFS and the Charlton Community Bank

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It doesn't seem that long ago (but many of us can still remember) when Charlton still had all four major banks operating in the town. They were however, in the process of reevaluating their commitment to rural townships and ultimately 3 of the 4 Banks upped and left. Those closures lead to a discussion between some of the town traders, as to how they were going to handle their requirements for cash, and the everyday banking demands of both business and people in our community.

The recent start-up of the nearby Rupanyup/Minyip Community Bank was mentioned and it was decided to hold a public meeting, to see if there was enough interest to sponsor a similar community based Bank in Charlton. The meeting was held and the concept was extremely well supported. After jumping through the many and various legal and regulatory hoops, (together with the requirements from Bendigo Bank), a prospectus was launched on the 16 of June 2003. This prospectus was oversubscribed and 550,010 shares were issued at a cost of a \$1.00 each. With a lot of hard work and commitment, progress was swift and things accelerated, such that we are now looking at celebrating our fifteenth year of operation as a Community bank. The following is a look back over that time. It looks at some of the challenges and successes of North Central Financial Services (NCFS) and your Community bank.

**2003/4:** The Charlton Community Bank opened on the 17<sup>th</sup> of October 2003 and in that first year of operation the Bank book grew from zero to \$13.2 million. Our first manager was well known ex resident and identity, Mr Fred Borg. It's interesting to note that also appointed in our first round of staff was Ms Tracy Dalrymple. Tracy remains a very valued and experienced member of our Banking team to this day. The Board of the new Bank were led by Mr Peter Whykes, who also chaired the Banks establishment committee. Establishment costs indicated a reduction in shareholder equity of -\$145,606 dollars.

**2004/5:** The Book of the bank had grown to \$23 million during the year. Mr Fred Borg had resigned to take up a position in another Community Bank and was replaced by Mr David Shepherd. The Bank was still in its establishment phase and shareholder funds were further being consumed (-\$56,330) as the base grew.

**2005/6:** Base level of Community Bank Business grew to \$33 million. The trading loss was reduced to an additional sum of -\$11,566 dollars. Mrs Mary Headon one of our tellers, resigned to work full time with the Bendigo Bank in Bendigo. Honorary Board Secretary Russell English also resigned and was replaced by Mr Bill Russell.

**2006/7:** Our manager Mr David Shepherd resigned to take up higher duties with another Bank and Mr Brett Schofield was appointed to the position of manager. At the same time a new Teller Ms Leanne Gretgrix joined our staff. Bank business stood at over \$40 million and community sponsorship to the total of \$3,300 was granted, together with an additional grant of \$5,000 to the Rex Theatre. For the first time the bank declared a profit of \$28,463 dollars. The Board also made a decision to install an ATM at the front of the Building.

**2007/8:** The book of the bank increased to \$46 million and profit went up to \$101,525 dollars. The first dividend (5 cents a share) was declared. Mrs Lesley Cox and Mr Chris Byrne two of the original directors retired. Mr Robin McCrae was appointed to the Board. Both Wycheproof and Donald Bendigo Bank agencies were now being managed by NCFS and the Charlton Community Bank. Over \$13,000

# A short history of the first 15 years of NCFS and the Charlton Community Bank (continued)

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was donated to the community and a five Year of operation celebration held. Mr John Harley was appointed as the Board secretary.

**2008/9:** The Charlton Community Bank book stood at \$55 million with a profit of \$26,391 dollars. A dividend of 4 cents a share was declared. Grants in excess of \$23,000 dollars went to a range of community projects including the Men's Sheds in Charlton and Wycheproof and the Lawn Tennis Club. The NCFS Board made a commitment of \$100,000 dollars to support the proposed redevelopment of the sporting facilities at Charlton Park. Mr Alan Getley was appointed to the Board.

**2009/10:** Business grew by nearly \$8 million dollars to over \$63 million dollars. Grants of over \$42,000 dollars were distributed with the largest one of almost \$11,000 dollars going to the Charlton Pre School. A dividend of 7 cents per share was declared. Foundation Chairman Mr Peter Whykes, together with original Board member Mrs Joy Wright announced they would not be renominating for re-election. Mr David Pollard retired during the year due to other commitments. Mrs Glenda Litton was appointed to the Board and Deputy Chairman Mr Peter Rogan was elected Chairman. Total community donations from NCFS to date were \$209,256 dollars.

**2010/11:** The year of the Great Flood. Business grew to over \$73 million dollars and grants of over \$125,730 were announced, with the largest being to the Charlton Forum of \$45,000 dollars. The Donald Agency has now been transformed into a Community Bank and well over \$8 million dollars was transferred from NCFS to the new Donald Community Bank. A dividend of 7 cents was declared and an additional dividend of 2.5 cents was added as a gesture of support to the community suffering from the Flood damage. Funds were continuing to build up in the Bendigo Bank Foundation. Mrs Kerry Addlem and Mr Jon Whykes were appointed to the Board.

**2011/12:** NCFS Book grew by \$9 million to remain the same at \$73 million dollars after re-homing of funds to the new Donald Community Bank. A total Grant package of \$158,000 was committed to and recipients ranged from The Golden Grains Museum (\$29,100), Charlton Park (\$25,000), Birchip Pre School (\$15,300), and the Charlton Back-to Committee (\$23,810) dollars. Dividend remained at 7 cents per share and a further commitment of \$100,000 dollars was made to the redevelopment of the Charlton Park Sporting Complex. Mr Russell English resigned from the Board after being a critical driver in the formation of the Bank and Mrs Alison Tormey was appointed to the Board.

**2012/13:** NCFS is the managing agent of the Wycheproof, Boort and now Birchip Bendigo Bank Agencies. The Bank Book had risen to \$88 million dollars and a dividend of 5 cents (fully franked for the first time) was declared. The Board of NCFS raised its commitment to a further

\$300,000 dollars to the Charlton Park Redevelopment. This brought the total figure committed to the project to half a million dollars (\$500,000). Further grants of \$22,000 dollars were announced and included the Charlton Golf Club (\$8,000), Boort Ski Club (\$3,000) and the Wycheproof Field and Game Association (\$3,000) dollars. Mr Neville Cloak was appointed to the Board to replace Mrs Alison Tormey who resigned. A ten year celebration of successful operation for NCFS was held.

**2013/14:** The NCFS Book rose to \$90.5 million dollars and the Board maintained a fully franked dividend of 5 cents a share. Grants totalling \$50,877 dollars were approved, with the two largest being

# A short history of the first 15 years of NCFS and the Charlton Community Bank (continued)

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the Charlton Park Committee of Management (\$15,000) to access cheaper water and the Wycheproof Lawn tennis Club (\$12,500) dollars to refurbish the Hard courts. Mr Peter Rogan stood down as Chairman (whilst remaining on the Board) and Mr Robin McCrae was elected as the new Chairman. Mr Matt McGurk replaced Mr Barry McKenzie who retired from the Board.

**2014/15:** A dividend of 4 cents fully franked was declared on a NCFS Book value of \$91.9 million dollars leading to a profit of \$60,286 dollars. The Foundation funds held in reserve continued to rise in order to meet our commitment to the Charlton Park Redevelopment. Grants to the Charlton Lawn Tennis Club (\$6,000) and the Wycheproof Men's shed (\$13,000) dollars were approved. Staff member Ms Colleen Kelson resigned from the Bank.

**2015/16:** A profit of \$63,081 dollars was generated from a book that rose to \$98.9 million dollars in value. A dividend of 3 cents fully franked was paid out and the reserves held by NCFS rose to \$446,101 dollars. Grants totalling \$27,900 dollars went to Wycheproof Lawn Tennis Club (\$15,000) for new Synthetic Courts, and Charlton Traffic Safety Education Centre (\$12,900) dollars for a replacement car were announced. An agricultural function night was held at the Charlton Golf Club to promote Rural Banks takeover of the old Rural Finance Corporation. Mr Geoff Cossar was appointed to the Board during the year. Long term staff member Ms Viki Stevens transferred to Merbein and we welcomed Mrs Bree McPhee and Ms Jarni Hansen to our team.

**2016/17:** Mr Robin McCrae resigned as Chairman and from the Board as did Mrs Kerry Addlem. Ms Amy Nicolson was appointed to the Board. Mr Jon Whykes was elected Chairman. Business footings grew to \$110.7 million dollars. A review of NCFS was undertaken to see what had been achieved over the past 14 years and how well we had met our original aims. It concluded that NCFS was both well established, profitable and had achieved its original intentions. Recommendations were that we become fully accredited as both a Rural Bank and Bendigo Community Bank. Further it was recommended that we investigate the possibility of conducting a share buyback. Dividend remained at 3 cents a share fully franked. Grants totalling \$14,278 were awarded with further funds going into the foundation to meet our \$500,000 dollar commitment to the Charlton Park Redevelopment. Additional funds were reserved **for capital rebuilding.**

**2017/18:** The results of the review were implemented and after undergoing a period of accreditation and training the Charlton Community Bank became a co-branded Bendigo Community Bank as well as a Rural Bank. We can now offer a larger and more competitive range of products to our rural customers. The Bank also conducted a share Buyback programme and over a 142,000 shares were taken off the market and cancelled. It was pleasing to note that analysis of the data showed that the vast majority of the shares cancelled, were from individuals who no longer had a direct connection to our community. With the cancellation of those shares additional capital will be available for future community projects. The Board of NCFS also completed its desired aim to have the start-up funds of NCFS fully recapitalised. During the year our Long term Manager, Mr Brett Scofield resigned and the Board would like to thank him and his family for his efforts and their contribution to our community. The Bank also had two of our tellers resign, being Mrs Melinda Watts and Mrs Kellie Madge. We wish them and Brett all the best in the future. We welcome new staff in Ms Bronia Pleydell and Ms Tamara Dunstan to our



# A short history of the first 15 years of NCFS and the Charlton Community Bank (continued)

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team. The Managers role is currently being advertised and will hopefully be filled shortly. Board member Mrs Glenda Litton retired and Mrs Kim Thompson was appointed.

Over the time that NCFS has been operating as a Community Bank, over **\$1.2 million dollars in grants** have been spread throughout the wider North Central Region. In addition **over \$3.2 million has been paid out in wages and dividends** to spend in our community. This figure does not take into account the flow on effects of such a cash injection. In short you're Community Bank and your continued support matters.

The Board of NCFS looks forward to a further 15 fifteen years of profitable returns to our community, together with the support of all our clients old, new and into the future. Please join us during our week long 15 years of operation, Birthday celebrations. To help the party continue we would be extremely thankful if the next time you Bank, if you are not already a customer that you give us consideration.

Your Community will thank you.

Jon Whykes

(Chairman)

# Manager's Report

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For year ending 30 June 2018

Well it's fair to say 'What a year it's been in banking'

## Staffing

Our long-term manager of 11+ years Brett Schofield tendered his resignation in June. On behalf of the staff and all of us who worked and dealt with Brett, we wish to thank him for his personal support during his time at NCFS and wish him and his family well in his new career. He is yet to be replaced but the Board is working actively towards this and hope the position will be filled shortly.

Front line counter staff has also changed dramatically in the 12 months. Part time Customer service officers Melinda Watts and Kellie Madge also resigned. Melinda to take up full time work in St. Arnaud and Kellie has returned to Melbourne. I would like to thank them and take this opportunity to wish them both well with their future endeavours.

We have recruited well and are very lucky to have appointed Tamara Dunstan and Bronia Pleydell, both girls have commenced and are well into their training. Jarni Hansen has returned from maternity leave to further strengthen our knowledge and expertise.

## Banking

We are now an accredited Bendigo Bank & Rural Bank branch, which enables us to supply our community with a wider range of products and services. All staff will become dual accredited shortly and will be able to serve our community to the same high standard as always.

Our total holdings have risen in the last financial year which shows a strong footing in our local community. As our treasurer's balance sheet shows we continue to be a viable business and we continue to look strong for the future. We have close to 3,000 account holders across our business which includes our agencies of Birchip, Boort and Wycheproof. The agencies continue to be an important part of our business model and we anticipate future growth within these areas as the larger banks move away.

## Community contributions

We are proud to continue our support of local clubs and organisations. We have contributed more than \$20,000 in sponsorship to local community groups on top of the following major projects we supported through either grants or sponsorship.

The Charlton Street Beautification Project	\$ 10,000
The Birchip Pump Replacement Project.	\$ 10,000
Charlton Community Car	\$ 23,000
The Boort Dental Update Project	\$ 5,000
The Charlton Weir Project	\$ 10,000
CHARTSEC- Room Upgrade Project	\$ 10,000
<b><u>Total</u></b>	<b><u>\$ 68,000</u></b>

# Manager's Report (continued)

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## Future goals

The focus for the future is to continue to provide extraordinary service to all our customers and be the most customer connected bank. We have amazing staff who have a wide range of knowledge and expertise for all personal, farming and business banking needs. Our Community Bank branch will continue to generate sustainable growth and profit at the same time as supporting our local communities. We will continue to provide vital support and services to communities and groups in Charlton and our surrounding communities.

## Staff and customers

With the assistance of Leanne Gretgrix, we have continued to provide great service and support to our local customers and community. The ongoing training and assistance to our new staff members will see them adapt quickly and become valuable members of our team. I thank all the staff for their assistance, hard work and support. To the Chairman and the NCFS board thank you for continued assistance and support. We greatly appreciate it.

We look forward to the challenges and rewards that the future brings for us all

Yours sincerely,



Tracy Dalrymple

Customer Relationship Manager

# Director's Report

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Your directors submit the financial statements of the company for the financial year ended 30 June 2018.

## Directors

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

Jon William Whykes

Chairman

Occupation: Primary producer

Qualifications, experience and expertise: Life member of Charlton Apex Club, Current member and Catering director of OASIS Service Club and current Secretary and Treasurer of Wooroonook CFA.

Special responsibilities: Audit Committee and Future directions group

Interest in shares: 1,500

Matthew Simon Peck

Treasurer

Occupation: School Teacher

Special responsibilities: Audit Committee and Finance Committee

Interest in shares: 3,201

Peter Rogan

Director

Occupation: Farmer

Qualifications, experience and expertise: Past Deputy Chair for six and half years and Past Chairman for three and half years.

Special responsibilities: Human Resources & Marketing Committee

Interest in shares: 1,301

Alan Ronald Getley

Director

Occupation: Estate Agent

Qualifications, experience and expertise: Chair at Charlton Forum. Treasurer Charlton Chamber of Commerce & industry. Past President Buloke Tourism Board (3 years). Past President Charlton College (7 years). Past V.P. Charlton College (1 year).

Special responsibilities: Marketing Committee

Interest in shares: 4,500

# Director's Report (continued)

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Matthew William McGurk

Director

Occupation: Farmer

Qualifications, experience and expertise: Agronomist.

Special responsibilities: Nil

Interest in shares: Nil

Neville William Cloak

Director

Occupation: Cafe Owner

Qualifications, experience and expertise: Project Implementation Manager - Aus. Post Transport Operations Support Manager.

Special responsibilities: Sponsorship, Policy and Governance Committee

Interest in shares: Nil

Geoffrey Allan Cassar

Director

Occupation: Business Consultant

Qualifications, experience and expertise: Former bank employee, 7 years at management level. Business consultant since 1994.

Special responsibilities: HR and Audit Committee, Share Buy-back Committee

Interest in shares: Nil

Amy Carissa Nicolson

Director

Occupation: Administration

Qualifications, experience and expertise: Bachelor of Agribusiness - CSU Wagga Wagga 2003, 10 years full time employment and 6 years part time employment in agriculture administration, marketing and customer relations. Current committee member of Charlton Netball Club, Charlton Agriculture - Pastoral Society - Charlton Park 2020 Project.

Special responsibilities: Marketing and Publicity Committee

Interest in shares: Nil

Kim Louise Thompson

Director *(Appointed 23 October 2017)*

Occupation: Teacher

Qualifications, experience and expertise: Bachelor of Education, 33 years full time employment at Charlton College. Current committee member of Charlton Park 2020.

Special responsibilities: Sponsorship, Policy and Governance Committee

Interest in shares: 1,500

# Director's Report (continued)

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Glenda Ann Litton

Director (*Resigned 23 October 2017*)

Occupation: Hairdresser/Hairdressing Teacher

Qualifications, experience and expertise: Hairdresser/Hairdressing Teacher, Secretary of the Charlton Cemetery Trust, Treasurer of the Charlton Golden Grains Museum, member of the Charlton Courthouse Committee of Management, Treasurer of the Charlton Senior Citizens club and Assistance Treasurer of the Charlton Croquet Club.

Special responsibilities: Marketing and Sponsorship Committee

Interest in shares: 500

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

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

## **Company Secretary**

The company secretary is John Harley. John was appointed to the position of secretary on 21 April 2008.

Qualifications, experience and expertise: Charlton College Principal 1996-2008. Previously secretary of numerous sporting clubs. Chairman of Charlton Park 2020 Inc.

## **Principal Activities**

The principal activities of the company during the financial year were facilitating 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.

# Director's Report (continued)

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## Operating results

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was:

Year ended	Year ended
30 June 2018	30 June 2017
\$	\$
94,162	51,833

### Year ended 30 June 2018

Dividends	Cents	\$
Dividends paid in the year:	3	16,450

## Significant changes in the state of affairs

The company completed a share buy-back in February 2018 which resulted in the company buying back 142,552 of its shares at a price of \$1.00 each. 94 shareholders accepted this offer, resulting in a decrease in the original share capital of 550,010 to 407,458 as at 30 June 2018.

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

## Events since the end of the financial year

There are no 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.

## Likely developments

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

## Environmental regulation

The company is not subject to any significant environmental regulation.

## Directors' benefits

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

# Director's Report (continued)

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firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 19 to the financial statements. 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.

## Indemnification and insurance of directors and officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

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 by each of the directors of the company during the year were:

	Board Meetings Attended	
	Eligible	Attended
Jon William Whykes	13	13
Matthew Simon Peck	13	13
Peter Rogan	13	11
Alan Ronald Getley	13	12
Matthew William McGurk	13	9
Neville William Cloak	13	13
Geoffrey Allan Cassar	13	13
Amy Carissa Nicolson	13	12
Kim Louise Thompson ( <i>Appointed 23 October 2017</i> )	10	7
Glenda Ann Litton ( <i>Resigned 23 October 2017</i> )	4	3

## Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to 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 part of those



# Director's Report (continued)

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proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

## Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

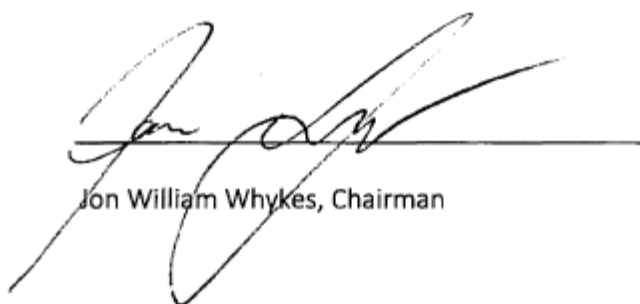
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17.

Signed in accordance with a resolution of the board of directors at Charlton, Victoria on 25 August 2018.



Jon William Whykes, Chairman

# Auditor's Independence Declaration

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*Partners in success*

**Chartered Accountants**

61 Bull Street, Bendigo 3550  
PO Box 454, Bendigo 3552  
03 5443 0344  
afs Bendigo.com.au

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## **Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of North Central Financial Services Limited**

As lead auditor for the audit of North Central Financial Services Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the auditor independence requirements of 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.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated: 25 August 2018

A handwritten signature in black ink, appearing to read 'David Hutchings'.

**David Hutchings**  
**Lead Auditor**

# Financial Statements

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## Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2018

		2018	2017
	Notes	\$	\$
Revenue from ordinary activities	4	746,559	693,026
Employee benefits expense		(319,725)	(320,058)
Charitable donations, sponsorship, advertising and promotion		(27,547)	(39,600)
Occupancy and associated costs		(37,976)	(35,663)
Systems costs		(18,509)	(18,895)
Depreciation and amortisation expense	5	(25,962)	(26,153)
General administration expenses		(186,608)	(180,615)
<b>Profit before income tax expense</b>		<b><u>130,232</u></b>	<b><u>72,042</u></b>
Income tax expense	6	(36,070)	(20,209)
<b>Profit after income tax expense</b>		<b><u>94,162</u></b>	<b><u>51,833</u></b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>		<b><u>94,162</u></b>	<b><u>51,833</u></b>
<b>Earnings per share</b>		¢	¢
Basic earnings per share	22	23.11	9.42

The accompanying notes form part of these financial statements

# Financial Statements (continued)

## Balance Sheet as at 30 June 2018

	Notes	2018 \$	2017 \$
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	7	375,890	429,537
Trade and other receivables	8	57,034	61,546
<b>Total Current Assets</b>		<b><u>432,924</u></b>	<b><u>491,083</u></b>
Non-Current Assets			
Property, plant and equipment	9	56,193	63,167
Intangible assets	10	4,066	17,809
Deferred tax asset	11	3,730	14,101
<b>Total Non-Current Assets</b>		<b><u>63,989</u></b>	<b><u>95,077</u></b>
<b>Total Assets</b>		<b><u>496,913</u></b>	<b><u>586,160</u></b>
<b>LIABILITIES</b>			
Current Liabilities			
Trade and other payables	12	30,391	28,356
Current tax liabilities	11	11,562	5,902
Provisions	13	37,584	70,465
<b>Total Current Liabilities</b>		<b><u>79,537</u></b>	<b><u>104,723</u></b>
Non-Current Liabilities			
Provisions	13	779	
<b>Total Non-Current Liabilities</b>		<b><u>779</u></b>	
<b>Total Liabilities</b>		<b><u>80,316</u></b>	<b><u>104,723</u></b>
<b>Net Assets</b>		<b><u>416,597</u></b>	<b><u>481,437</u></b>
Equity			
Issued capital	14	384,288	526,840
Retained earnings/(Accumulated losses)	15	32,309	(45,403)
<b>Total Equity</b>		<b><u>416,597</u></b>	<b><u>481,437</u></b>

The accompanying notes form part of these financial statements

# Financial Statements (continued)

## Statement of Changes in Equity

for the year ended 30 June 2018

	Notes	Issued Capital \$	Retained Earnings \$	Total Equity \$
<b>Balance at 1 July 2016</b>		526,840	(80,736}	446,104
Total comprehensive income for the year		-	51,833	51,833
<b>Transactions with owners in their capacity as owners:</b>				
Costs of issuing shares		-	-	-
Dividends provided for or paid	20		(16,500}	(16,500}
<b>Balance at 30 June 2017</b>		<b><u>526,840</u></b>	<b><u>(45,403)</u></b>	<b><u>481,437</u></b>
<b>Balance at 1 July 2017</b>		526,840	(45,403}	481,437
Total comprehensive income for the year		-	94,162	94,162
<b>Transactions with owners in their capacity as owners:</b>				
Shares purchased during period	14	(142,552)	-	(142,552}
Dividends provided for or paid	20		(16,450}	(16,450}
<b>Balance at 30 June 2018</b>		<b><u>384,288</u></b>	<b><u>32,309</u></b>	<b><u>416,597</u></b>

The accompanying notes form part of these financial statements

# Financial Statements (continued)

## Statement of Cash Flows

for the year ended 30 June 2018

		2018	2017
	Notes	\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		810,722	754,807
Payments to suppliers and employees		(689,400)	(658,421)
Interest received		9,317	8,314
Income taxes paid		(20,039)	(13,979)
<b>Net cash provided by operating activities</b>	16	<b><u>110,600</u></b>	<b><u>90,721</u></b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	9	(5,245)	(19,843)
<b>Net cash used in investing activities</b>		<b><u>(5,245)</u></b>	<b><u>(19,843)</u></b>
<b>Cash flows from financing activities</b>			
Payments for share buy-back	14	(142,552)	
Dividends paid	20	(16,450)	(16,500)
<b>Net cash used in financing activities</b>		<b><u>(159,002)</u></b>	<b><u>(16,500)</u></b>
<b>Net increase/(decrease) in cash held</b>		<b><u>(53,647)</u></b>	<b><u>54,378</u></b>
Cash and cash equivalents at the beginning of the financial year		429,537	375,159
<b>Cash and cash equivalents at the end of the financial year</b>	7(a)	<b><u>375,890</u></b>	<b><u>429,537</u></b>

The accompanying notes form part of these financial statements

# Notes to the Financial Statements

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For the year ended 30 June 2018

## Note 1. Summary of significant accounting policies

### a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and *Corporations Act 2001*. The company is a for profit entity for the purpose of preparing the financial statements.

#### *Compliance with IFRS*

These financial statements and notes comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates which are significant to the financial statements are disclosed in note 3.

#### *Historical cost convention*

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair value of the consideration given in exchange for assets.

#### *Comparative figures*

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

#### *Application of new and amended accounting standards*

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating lease of its branch. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to \$105,046, on an undiscounted basis (see note 17).

No significant impact is expected for the company's finance leases.

#### *Economic dependency - Bendigo and Adelaide Bank Limited*

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**<sup>®</sup> branch at Charlton, Victoria.

The branch operates 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 that **Community Bank**<sup>®</sup> branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**<sup>®</sup> branch are effectively conducted between the customer and Bendigo and Adelaide Bank Limited.

# Notes to the Financial Statements (continued)

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For the year ended 30 June 2018

## Note 1. Summary of significant accounting policies *(continued)*

### a) Basis of preparation *(continued)*

#### *Economic dependency - Bendigo and Adelaide Bank Limited (continued)*

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.

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**<sup>®</sup> 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**<sup>®</sup> branch
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- 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
- sales techniques and proper customer relations.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

### b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).



# Notes to the Financial Statements (continued)

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For the year ended 30 June 2018

## **Note 1. Summary of significant accounting policies *(continued)***

### **b) Revenue *(continued)***

#### *Revenue calculation*

The franchise agreement provides that three forms of revenue may be earned by the company- margin, commission and fee income. Bendigo and Adelaide Bank Limited decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

#### *Core banking products*

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days' notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

#### *Margin*

Margin is arrived at through the following calculation:

- Interest paid by customers on loans less interest paid to customers on deposits
- *plus* any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,
- *minus* any costs offunds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Margin is paid on all core banking products. A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin.

The company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited {i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return}. However, if this reflects a loss, the company incurs a share of that loss.

#### *Commission*

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products.

#### *Fee income*

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

#### *Discretionary financial contributions*

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo and Adelaide Bank Limited has also made discretionary financial payments to the company.

# Notes to the Financial Statements (continued)

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For the year ended 30 June 2018

## Note 1. Summary of significant accounting policies *(continued)*

### b) Revenue *(continued)*

These are referred to by Bendigo and Adelaide Bank Limited as a "Market Development Fund" {MDF}. The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and donations. It is for the board to decide how to use the MDF.

The payments from Bendigo and Adelaide Bank Limited are discretionary and Bendigo and Adelaide Bank Limited may change the amount or stop making them at any time.

#### Ability to change financial return

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

If Bendigo and Adelaide Bank Limited makes a change to the margin or commission on core banking products and services, it must not reduce the margin and commission the company receives on core banking products and services Bendigo and Adelaide Bank Limited attributes to the company to less than 50% (on an aggregate basis) of Bendigo and Adelaide Bank Limited's margin at that time. For other products and services, there is no restriction on the change Bendigo and Adelaide Bank Limited may make.

Bendigo and Adelaide Bank Limited must give the company 30 days notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

#### *Monitoring and changing financial return*

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank®** companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank®** model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

# Notes to the Financial Statements (continued)

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For the year ended 30 June 2018

## **Note 1. Summary of significant accounting policies *(continued)***

### **c) Income tax**

#### *Current tax*

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is payable (or refundable).

#### *Deferred tax*

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company entity intends to settle its tax assets and liabilities on a net basis.

#### *Current and deferred tax for the period*

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or gain from a bargain purchase.

### **d) Employee entitlements**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date.

Employee benefits that are expected to be settled within one year have been measured at the

# Notes to the Financial Statements (continued)

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For the year ended 30 June 2018

## **Note 1. Summary of significant accounting policies *(continued)***

### **d) Employee entitlements *(continued)***

amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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

### **e) Cash and cash equivalents**

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. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

### **f) Trade receivables and payables**

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. 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.

### **g) Property, plant and equipment**

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- plant and equipment            2.5 - 40 years
- motor vehicles                 3 - 5 years

### **h) Intangibles**

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the

# Notes to the Financial Statements (continued)

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For the year ended 30 June 2018

## **Note 1. Summary of significant accounting policies *(continued)***

### **h) Intangibles *(continued)***

franchise agreement.

### **i) Payment terms**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

### **j) Borrowings**

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

### **k) Financial instruments**

#### *Recognition and initial measurement*

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

#### *Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires 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.

#### *Classification and subsequent measurement*

##### *(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 using the effective interest rate method.

##### *(ii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

##### *(iii) Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

#### *Impairment*

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired.

# Notes to the Financial Statements (continued)

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For the year ended 30 June 2018

## **Note 1. Summary of significant accounting policies *(continued)***

### **k) Financial instruments *(continued)***

Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

### **l) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

### **m) Provisions**

Provisions are recognised when the economic entity 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.

### **n) Issued capital**

Ordinary shares are 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) Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

### **p) 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.

# Notes to the Financial Statements (continued)

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For the year ended 30 June 2018

## **Note 1. Summary of significant accounting policies *(continued)***

### **p) Goods and Services Tax *(continued)***

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 Balance Sheet. 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 taxation authority are classified as operating cash flows.

## **Note 2. Financial risk management**

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

### **(i) Market risk**

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

### **(ii) Price risk**

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

### **(iii) Credit risk**

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

### **(iv) Liquidity risk**

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

### **(v) Cash flow and fair value interest rate risk**

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

# Notes to the Financial Statements (continued)

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For the year ended 30 June 2018

## **Note 2. Financial risk management (continued)**

### (vi) 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 Balance Sheet.

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

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 where 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 2018 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

## **Note 3. Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.



# Notes to the Financial Statements (continued)

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For the year ended 30 June 2018

## **Note 3. Critical accounting estimates and judgements *(continued)***

### *Taxation*

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet.

Deferred tax assets, including those arising from carried-forward tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty. There is therefore a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the Statement of Profit or Loss and Other Comprehensive Income.

### *Estimation of useful lives of assets*

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

### *Impairment of assets*

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

# Notes to the Financial Statements (continued)

For the year ended 30 June 2018

## Note 3. Critical accounting estimates and judgements *(continued)*

### *Impairment of assets (continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

<b>Note 4. Revenue from ordinary activities</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Operating activities:		
- gross margin	559,079	497,586
- services commissions	107,081	103,242
- fee income	45,249	49,217
- market development fund	25,000	31,667
Total revenue from operating activities	<u>736,409</u>	<u>681,712</u>
Non-operating activities:		
- interest received	8,849	8,314
- other revenue	1,301	3,000
Total revenue from non-operating activities	<u>10,150</u>	<u>11,314</u>
Total revenues from ordinary activities	<u>746,559</u>	<u>693,026</u>

# Notes to the Financial Statements (continued)

For the year ended 30 June 2018

<b>Note 5. Expenses</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Depreciation of non-current assets:		
- plant and equipment	5,079	5,262
- motor vehicle	7,140	7,148
Amortisation of non-current assets:		
- franchise agreement	13,743	13,743
	<u>25,962</u>	<u>26,153</u>
Bad debts	159	239
Loss on disposal	-	<u>3,374</u>

## **Note 6. Income tax expense**

The components of tax expense comprise:

- Current tax	25,699	18,124
- Movement in deferred tax	10,371	2,085
	<u>36,070</u>	<u>20,209</u>

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows

Operating profit	130,232	72,042
Prima facie tax on loss from ordinary activities at 27.5% (2017: 27.5%)	35,815	19,811
Add tax effect of:		
- non-deductible expenses	255	1,325
- timing difference expenses	(10,371)	(3,012)
	<u>25,699</u>	<u>18,124</u>
Movement in deferred tax	10,371	2,085
	<u>36,070</u>	<u>20,209</u>

# Notes to the Financial Statements (continued)

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For the year ended 30 June 2018

<b>Note 7. Cash and cash equivalents</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and on hand	375,890	207,690
Term deposits	-	221,847
	<u>375,890</u>	<u>429,537</u>

## **Note 7.(a) Reconciliation to cash flow statement**

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

Cash at bank and on hand	375,890	207,690
Term deposits	-	221,847
	<u>375,890</u>	<u>429,537</u>

## **Note 8. Trade and other receivables**

Trade receivables	50,951	50,231
Prepayments	3,992	8,754
Other receivables and accruals	2,091	2,561
	<u>57,034</u>	<u>61,546</u>

# Notes to the Financial Statements (continued)

For the year ended 30 June 2018

<b>Note 9. Property, plant and equipment</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Plant and equipment		
At cost	91,358	86,113
Less accumulated depreciation	(68,879)	(63,800)
	<u>22,479</u>	<u>22,313</u>
Motor vehicles		
At cost	47,603	47,603
Less accumulated depreciation	(13,889)	(6,749)
	<u>33,714</u>	<u>40,854</u>
Total written down amount	<u>56,193</u>	<u>63,167</u>

## **Movements in carrying amounts:**

Plant and equipment		
Carrying amount at beginning	22,313	26,700
Additions	5,245	875
Disposals	-	-
Less: depreciation expense	(5,079)	(5,262)
Carrying amount at end	<u>22,479</u>	<u>22,313</u>
Motor vehicles		
Carrying amount at beginning	40,854	32,409
Additions	-	1,385
Disposals	-	-
Less: depreciation expense	(7,140)	7,060
Carrying amount at end	<u>33,714</u>	<u>40,854</u>
Total written down amount	<u>56,193</u>	<u>63,167</u>

# Notes to the Financial Statements (continued)

For the year ended 30 June 2018

<b>Note 10. Intangible assets</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Franchise fee		
At cost	68,713	68,713
Less: accumulated amortisation	(64,647)	(50,904)
	<u>4,066</u>	<u>17,809</u>
Total written down amount	<u>4,066</u>	<u>17,809</u>

## **Note 11. Tax**

### **Current:**

Income tax payable	<u>11,562</u>	<u>5,902</u>
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### **Non-Current:**

#### Deferred tax assets

- accruals	770	743
- employee provisions	10,550	19,378
	<u>11,320</u>	<u>20,121</u>

#### Deferred tax liability

- accruals	576	705
- property, plant and equipment	7,014	5,315
	<u>7,590</u>	<u>6,020</u>

Net deferred tax asset	<u>3,730</u>	<u>14,101</u>
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Movement in deferred tax charged to Statement of Profit or

Loss and Other Comprehensive Income	<u>10,371</u>	<u>2,085</u>
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## **Note 12. Trade and other payables**

### **Current:**

Trade creditors	2,923	4,397
Other creditors and accruals	27,468	23,959
	<u>30,391</u>	<u>28,356</u>

# Notes to the Financial Statements (continued)

For the year ended 30 June 2018

Note 13. Provisions	2018	2017
	\$	\$
<b>Current:</b>		
Provision for annual leave	13,027	27,357
Provision for long service leave	24,557	43,108
	<u>37,584</u>	<u>70,465</u>
<b>Non-Current:</b>		
Provision for long service leave	<u>779</u>	<u>-</u>
<b>Note 14. Issued capital</b>		
407,458 ordinary shares fully paid (2017:	550,010	550,010
Less: share buy-back (February 2018)	(142,552)	-
Less: equity raising expenses	(23,170)	(23,170)
	<u>384,288</u>	<u>526,840</u>

Rights attached to shares

(a) *Voting rights*

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** branch have the same ability to influence the operation of the company.

(b) *Dividends*

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders.

There is also a restriction on the payment of dividends to certain shareholders if they have a

# Notes to the Financial Statements (continued)

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For the year ended 30 June 2018

## **Note 14. Issued capital *(continued)***

### *(b) Dividends (continued)*

prohibited shareholding interest (see below).

### *(c) Transfer*

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the *Corporations Act 2001*.

#### Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if they control or own 10% or more of the shares in the company (the "10% limit").

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.



# Notes to the Financial Statements (continued)

For the year ended 30 June 2018

<b>Note 15. Retained earnings/(Accumulated losses)</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of the financial year	(45,403)	(80,736)
Net profit from ordinary activities after income tax	94,162	51,833
Dividends provided for or paid	(16,450)	(16,500)
Balance at the end of the financial year	<u>32,309</u>	<u>45,403</u>

## **Note 16. Statement of cash flows**

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

Profit from ordinary activities after income tax	94,162	51,833
Non cash items:		
- depreciation	12,219	12,409
- amortisation	13,743	13,743
- loss on disposal of asset	-	3,374
Changes in assets and liabilities:		
- (increase)/decrease in receivables	4,512	2,425
- (increase)/decrease in other assets	10,371	2,085
- increase/( decrease) in payables	2,035	8,144
- increase/( decrease) in provisions	(32,102)	(1,920)
- increase/( decrease) in current tax liabilities	5,660	(1,372)
Net cash flows provided by operating activities	<u>110,600</u>	<u>90,721</u>

# Notes to the Financial Statements (continued)

For the year ended 30 June 2018

<b>Note 17. Leases</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	19,696	19,123
- between 12 months and 5 years	78,785	76,490
- greater than 5 years	6,565	25,497
	<u>105,046</u>	<u>121,110</u>

The property lease is a non-cancellable lease with a ten-year term, with rent payable monthly in advance. Lease was entered into 19 October 2013 and has a further 10 year option to extend the lease.

## **Note 18. Auditor's remuneration**

Amounts received or due and receivable by the auditor of the company for:

- audit and review services	4,400	4,200
- non audit services	3,120	3,000
	<u>7,520</u>	<u>7,200</u>

## **Note 19. Director and related party disclosures**

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

Jon William Whykes

Matthew Simon Peck

Peter Rogan

Alan Ronald Getley

Matthew William McGurk

Neville William Cloak

Geoffrey Allan Cassar

Amy Carissa Nicolson

Kim Louise Thompson (*Appointed 23 October 2017*)

# Notes to the Financial Statements (continued)

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For the year ended 30 June 2018

## **Note 19. Director and related party disclosures *(continued)*** **2018** **2017**

Glenda Ann Litton *(Resigned 23 October 2017)*

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

Neville Cloak provided Catering during the period for a total of:	591	1,119
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## **Directors Shareholdings** **2018** **2017**

Jon William Whykes	1,500	3,500
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Matthew Simon Peck	3,201	3,201
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Peter Rogan	1,301	3,301
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Alan Ronald Getley	4,500	500
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Matthew William McGurk	-	-
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Neville William Cloak	-	-
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Geoffrey Allan Cassar	-	-
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Amy Carissa Nicolson	-	-
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Kim Louise Thompson <i>(Appointed 23 October 2017)</i>	1,500	-
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Glenda Ann Litton <i>(Resigned 23 October 2017)</i>	500	500
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There was no other movement in directors shareholdings during the year.

# Notes to the Financial Statements (continued)

For the year ended 30 June 2018

Note 20. Dividends provided or paid	2018	2017
	\$	\$
<b>a. Dividends paid during the year</b>		
Current year dividend		
100% (2017: 100%) franked dividend -		
3 cents (2017: 3 cents) per share	<u>16,450</u>	<u>16,450</u>
<b>b. Franking account balance</b>		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	89,433	75,654
franking credits that will arise from payment of income tax as		
at the end of the financial year	11,562	6,168
- franking debits that will arise from the payment of dividends		
recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	100,995	81,822
- franking debits that will arise from payment of dividends		
proposed or declared before the financial report was authorised		
for use but not recognised as a distribution to equity holders		
during the period	-	-
Net franking credits available	<u>100,995</u>	<u>81,822</u>

## Note 21. Key management personnel disclosures

### Community Bank® Directors' Privileges Package

The board has adopted the **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 **Community Bank®** branch at Ballan, Victoria. 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 total benefits received by the directors from the Directors' Privileges Package are \$Nil for the year ended 30 June 2018 (2017: \$Nil).

# Notes to the Financial Statements (continued)

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For the year ended 30 June 2018

<b>Note 22. Earnings per share</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	94,162	51,833
	<b>Number</b>	<b>Number</b>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	407,458	550,010

## **Note 23. Events occurring after the reporting date**

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

## **Note 24. Contingent liabilities and contingent assets**

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

## **Note 25. Segment reporting**

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Charlton, Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

## **Note 26. Registered office/Principal place of business**

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
39-41 High Street	39-41 High Street
Charlton VIC 3525	Charlton VIC 3525

# Notes to the Financial Statements (continued)

For the year ended 30 June 2018

## Note 27. Financial instruments

### Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<b>Financial assets</b>												
Cash and cash equivalents	375,890	207,690	-	221,847	-	-	-	-	-	-	1.92	2.01
Receivables	-	-	-	-	-	-	-	-	50,951	50,231	N/A	N/A
<b>Financial liabilities</b>												
Payables	-	-	-	-	-	-	-	-	2,923	4,397	N/A	N/A

### Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

### Credit Risk

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

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

### Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

### Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

As at 30 June 2018, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

# Notes to the Financial Statements (continued)

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For the year ended 30 June 2018

## Note 27. Financial instruments *(continued)*

### *Sensitivity Analysis (continued)*

	2018	2017
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	3,759	4,295
Decrease in interest rate by 1%	(3,759)	(4,295)
Change in equity		
Increase in interest rate by 1%	3,759	4,295
Decrease in interest rate by 1%	(3,759)	(4,295)

# Directors' Declaration

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In accordance with a resolution of the directors of North Central Financial Services Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:

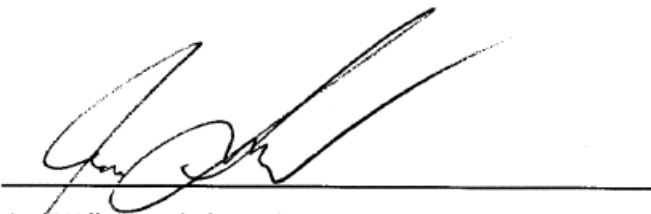
(i) giving a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and

(ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.



Jon William Whykes, Chairman

Signed on the 25th of August 2018.



# Independent Audit Report

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*Partners in success*

Chartered Accountants

61 Bull Street, Bendigo 3550  
PO Box 454, Bendigo 3552  
03 5443 0344  
afs Bendigo.com.au

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## Independent auditor's report to the members of North Central Financial Services Limited

### Report on the audit of the financial statements

#### Our opinion

In our opinion, 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 2018 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards.

#### What we have audited

North Central Financial Services Limited's (the company) financial report comprises the:

- ✓ Statement of profit or loss and other comprehensive income
- ✓ Balance sheet
- ✓ Statement of changes in equity
- ✓ Statement of cash flows
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ The directors' declaration of the entity.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Other information

The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

# Independent Audit Report (continued)

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The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

## **Directors' responsibility for the financial report**

The directors of the company are responsible for the preparation of the financial report so that it 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 preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibility for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/home.aspx>. This description forms part of our auditor's report.



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, 3550  
Dated: 25 August 2018



**David Hutchings**  
Lead Auditor

Charlton & District **Community Bank**<sup>®</sup> Branch  
39-41 High Street, Charlton VIC 3525  
Phone: 5491 2322 Fax: 5491 2253

Birchip agency  
Wimmera Mallee Accounting, 59 Cumming Avenue, Birchip VIC 3483  
Phone: 5492 2766 Fax: 5492 2774

Boort agency  
Boort Community Pharmacy, 108-112 Godfrey Street, Boort VIC 3537  
Phone: 5455 2179 Fax: 5455 2525

Wycheproof agency  
Wycheproof Health & Beauty, 314 Broadway, Wycheproof VIC 3527  
Phone: 5493 7413 Fax: 9005 2281

Franchisee: North Central Financial Services Limited  
39-41 High Street, Charlton VIC 3525  
Phone: 5491 2322 Fax: 5491 2253  
ABN: 90 140 265 394  
Email: [CharltonMailbox@bendigobank.com.au](mailto:CharltonMailbox@bendigobank.com.au)

[www.bendigobank.com.au/charlton](http://www.bendigobank.com.au/charlton)  
(S56052) (415038\_v10) (24/10/2018)



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