Annual Report 2023

North Central Financial Services Limited

Community Bank
Charlton & District

ABN 90 140 265 394

Contents

Chairperson's report

For year ending 30 June 2023

Greetings fellow shareholders. Welcome to my final North Central Financial Services Ltd (NCFS), Chairperson's report for the operating Year of 2022 to 2023. Time flies and it does not seem that an entire year has passed since we were last gathered. This also marks our 20th Anniversary year of success, both as a bank and in delivering returns to our community.

We are planning a program of recognition for those 20 years of service. Hopefully, you will be able to participate and enjoy. The celebrations will be a wonderful opportunity to catch up with the staff and fellow customers, both past and present. It will also provide an opportunity to reflect on all that has gone on over those past 20 years.

To, paraphrase Dorathea Mckeller we have experienced the "Droughts and Flooding rains." To that we can add Covid and for NCFS, a period of extremely low margins of profitability. There is an old traditional curse that says, "May you live in interesting times" and the last 20 years have certainly been that.

As a community we should all take pride in how well we and in particular our staff in general have handled these trying times. Yes, the stress imposed has no doubt been significant and for some individuals it has been almost overwhelming.

For those individuals I express my sincere hope that your personal circumstances have changed, and that life is beginning to improve. Mental health remains an issue and I urge all shareholders to be aware of fellow community members who may need assistance.

Despite the various pressures over the last few two decades, I believe as a community and a business we have emerged in a stronger position.

So, with the above in mind, it is with much pleasure that I present my final report as the Chairperson NCFS.

I would like to begin by thanking you, our shareholders, and customers for your business and support. Without that support, we do not have a business and the Community would be much the poorer for it.

On a wider perspective with a little more rain the seasonal prospects for agriculture this year are again looking reasonable and are helping to buoy our communities' spirits during these trying times.

The extremely low interest rates that have been a boom for our customers in the past are now a distant memory. Interest rates have crept up and are causing some degree of angst but are still at historically low levels and appear to be flattening out. As a result of the increase in interest rates our margins have improved and this has had a significant impact on our bottom line.

Your company, NCFS, continues to deliver for our shareholders and is pleased to report that this past year has been our most profitable ever. With the Board having completed our recapitalisation these increased profits will be potentially available to fund even more community projects and coupled with an increase in dividends.

Branch Activity

This year has again been busy. The existing trend to accelerate the use of electronic banking has continued. Notice has been given to Bendigo Bank customers that cheque books are no longer being issued and are being progressively phased out. If you are still using this as a facility, I suggest you approach our friendly staff for information on alternatives. We will also be shortly refurbishing our branch into the new corporate colors and new carpet.

Board Retirements and Elections

This year the retiring Directors are Alan Getley, Matt McGurk, and Liz Riley. Both Liz and Matt are eligible for re-election and have been nominated for a further three-year term. The Board also appointed and welcomed Dale Watts to fill a casual Board vacancy.

Alan has chosen not to renominate after serving several terms. The Board wants to thank Alan for his service. During his time, he has provided many useful insights to our Board, and we wish him well in his other duties as a local Councilor and our current Buloke Shire Mayor. On a personal note, I thank him for his support and thoughtful input as a fellow member of the NCFS Board.

Branch Staff

This year has again seen some staff turnover. Our Branch Manager Julie resigned in May. We thank her for her time with us and wish her and Rod well into the future. Our search for a new Branch Manager is proceeding but as to date a suitable candidate has not been found. If you think you know of someone who would be suitable then please feel free to approach myself or any other Board member.

Due to her partner's job relocating we also lost Sonia as a Customer Service Officer and the Board also wishes her well.

Glenden Watts, our Business Development Manager, also resigned to return to the family farm and he again leaves with our best wishes. Glenden helped to drive and improve Community Bank Charlton & District during his time with us and the Board is grateful for his efforts.

On a more positive note, our new Customer Service Officer is a local, Mr. Tyler Catherine, and the Board is pleased to welcome him to our team. If you have not yet met Tyler, then visit and make yourself known. We continue to share staff between Community Bank Charlton & District and Community Bank Donald. The Board also acknowledges the service of Tracy Dalrymple who is our current Acting Branch Manager. Like Community Bank Charlton & District, Tracy (along with Board Treasurer Simon Peck) also celebrates 20 years of serving the Community. Well done, Tracy and Simon.

The Board thanks all past and present staff members for their work during the 20 years of NCFS's operation and thanks them for their past and continuing service to us and our community.

Dividend

At the time of writing the Board has not yet discussed a dividend for the 2022/23 year.

Sponsorships and Grants

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

The Charlton Court House Committee	$ 2,300	(Large Format Printer)
The Charlton Football Club.	$ 55,000	(Electronic score board)
St Joseph's Primary School	$ 10,780	(Playground Safety)
Charlton Lions Club	$ 7,841	(Lions Park Development)
Charlton Chartsec Driving School	$ 17,455	(New Ride on Mower)
Golden Grains Museum	$ 3,500	(Digitisation Equipment)
Charlton Men's Shed	$ 933	(Complete Solar Program)
Wycheproof Lawn Tennis Club	$ 2,900	(Cold Storage Equipment)
ROSPA	$ 10,000	(Traffic Safety Promotion)
Vic Flood Appeal	$ 10,000	(2022 Floods Rochester)

We also Sponsored a range of Sporting Clubs from Birchip, Boort, Charlton, Wycheproof together with the North Central Sport Junior Leagues to the value of $26,600.

Combined total $ 142,309

What a fantastic figure

All shareholders and Bendigo Community Bank customers should take a great deal of pride in being part of the process that enabled such a figure to be contributed.

NCFS is now in a very enviable position, as regards its financial sustainability. It has fully recapitalised itself, is about to undergo a significant building refurbishment and has increased total funds available for future Community investment. It is very pleasing and satisfying to finish my time as Chairperson to leave NCFS in such a great position.

The above financial success ensures that the Community and Board can take a great deal of reassurance about the future of their company, NCFS.

Finally, and by no means last, I thank all Board members for their respective contributions and effort during my time as Chairperson. I am pleased to report that every Board member, both past and present, has contributed to the successful establishment and running of NCFS. It has been very humbling to have had the opportunity to be part of such a dedicated group of individuals.

My thanks also extend to all partners (especially mine) for their support and encouragement. Board members are not paid, and a significant amount of time and effort is involved in making sure that shareholder funds are not only protected but are professionally managed and secured for the future.

Jon Whykes,
Chairperson (NCFS Ltd)

Manager's report

For year ending 30 June 2023

WOW - where did that 20 years go? 17 October 2023 marks the 20-year anniversary of our Community Bank.

I would like to take this opportunity to thank the founding Board members for their foresight and work in establishing our Community Bank and our shareholders in supporting their vision – ensuring Charlton & District have banking representation into the future.

The 2023 financial year has been another successful year for the Community Bank Charlton & District with growth opportunities across all sectors.

This year has again presented staffing challenges with the resignation of both our Business Development Manager Glenden Watts in April and our Branch Manager Julie McKee in May. On behalf of staff and all those who worked alongside Glenden and Julie we wish you well in your future endeavours. Neither staff members have been replaced, however the Board, along with Bendigo Bank, are working towards finding a suitable replacement Branch Manager and we are hopeful the role will be filled shortly.

Front line staffing has also changed throughout the year – our part-time CSO Sonia Armstrong successful in gaining internal transfer to Albury. We have recruited well and have welcomed Tyler Catherine to our team. Tyler is progressing well within his role already transitioning to a full-time position and has become a valuable part of our team.

Alena Olive, Michelle Ride and Tyler have been tremendous over the past 12 months, their continued support and customer focus has enabled our branch to continue to operate throughout the year - It goes without saying we have amazing staff they have a wide range of knowledge and expertise for all your personal, farming and business banking needs. They are always ready to assist with any/all your banking needs.

Regional Manager Shaun Leech continues to guide our team forwards in achieving our goals. Shaun is a strong leader offering guidance and support to our branch team.

Finally, to all our customers and shareholders, a big thank you for your continued support and loyalty, throughout the past 20 years. Without you we would not be able to deliver a standard of banking of which we are proud.

I am excited to see what the next 20 years holds for Community Bank Charlton & District. We hope for favourable seasons enabling continued support of our local communities. We are extremely grateful for your past support, and we kindly ask for your ongoing support as we continue to service your banking needs.

Tracy Dalrymple
Customer Relationship Manager
Community Bank Charlton & District

Bendigo and Adelaide Bank report

For year ending 30 June 2023

Community and customer will always be at the heart of what we do at Bendigo and Adelaide Bank.

Together, we're setting up Community Banking for the future – growing our impact as a leading social impact movement to transform communities across Australia.

As we continue to evolve to meet the needs of our customers, we should feel proud that more Australians are choosing to do their banking with us and trust us with their financial goals. Our position as Australia's most trusted bank (Roy Morgan) reflects the esteem we are held in by our customers, and communities.

This year has been particularly significant for us. After five years apart, we had the opportunity to come together in person and connect through our State Connect program and in Bendigo at our National Conference in September. It has also been a record-breaking year for Community Bank with more than $32 million invested into local communities nationwide. This is our highest year on record and underscores our ongoing commitment to our customers and communities.

Reflecting on the 25 years since we opened our first Community Bank, I'm so grateful to the hard work of many passionate Directors (past and present). Everything we have done and continue to do is focused on our purpose to feed into the prosperity of our customers and communities, not off it.

On behalf of the Bank, thank you for continuing to play an essential role in supporting your community. I look forward to seeing us grow together and make a positive impact for generations to come.

Justine Minne
Bendigo and Adelaide Bank

Community Bank National Council report

For year ending 30 June 2023

As a shareholder in your local Community Bank, you belong to an incredible social enterprise network that to date has reinvested more than $300 million in our local communities.

And now, as we celebrate our 25th anniversary milestone, we are evolving even further by sharpening our focus on our community enterprises – separate to the banking side of the business. We are uniting our Community Bank companies through a shared vision of being the most influential network of social enterprises in Australia. This means we'll have a bigger and better story to tell about how we collectively deliver impact.

Our future is together because of our extraordinary strength and aligned partnership with each other, and with our partner, Bendigo and Adelaide Bank. Our partnership with the Bank has been fashioned out of shared effort, risk and reward and it continues to serve us well.

And now even with the digital evolution upon us, the foundation of our future still relies on the guiding principles of the Community Bank model. We are community enterprises and the custodians of this incredible model that collaborates with local communities for social good. The objective of our Community Bank network remains the same. Our evolution will be evidenced by the channels that we use to connect with our customers and communities, digital by design and human where it matters.

The Community Bank network was a first mover in Australia with its unique social enterprise model. The first Community Bank opened its doors in 1998, and since then, the network has grown to 307 Community Bank branches. The network represents a diverse cross-section of Australia with 240 social enterprises, 70,000+ shareholders, 1600+ volunteer directors, 1600+ staff and 905,000 customers located in metro, regional, rural and remote locations across the country.

The Community Bank network creates impact though grants, donations and sponsorships that connect with and care for generations of Australians. Network investment ranges from sport, scholarships and school programs, through to community groups, cultural organisations and local councils. We also facilitate and attract partnerships to help support much needed community projects.

The Community Bank National Council (CBNC) is the voice of the Community Bank network. The role of the CBNC is to advocate and influence on behalf of the 240 community enterprises with its partner. It has also been the role of the CBNC to oversee the development of the Community Network Strategy which exists to ensure the ongoing sustainability of this unique collective of social enterprises.

In September this year our Community Bank network celebrates 25 years. It's a tremendous milestone and one which we're hugely proud of achieving. We have never been stronger and we look forward to continuing to serve our shareholders, customers and communities as we embrace our exciting future.

Warm regards

Sarah Franklyn
CBNC Chair

Directors' report

30 June 2023

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2023.

Directors
The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Name:	Jon William Whykes
Title:	Non-executive director
Experience and expertise:	Jon works in Primary production. He is a 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:	Chair, Human Resources, Audit Committee and Future Directions

Name:	Matthew Simon Peck
Title:	Non-executive director
Experience and expertise:	Matthew is a School Teacher.
Special responsibilities:	Audit Committee and Finance Committee

Name:	Alan Ronald Getley
Title:	Non-executive director
Experience and expertise:	Alan is an Estate Agent, Chair at Charlton Forum and Treasurer for Charlton Chamber of Commerce & Industry. He is a past President for the Buloke Tourism Board (3 years), past President for Charlton College (7 years), and past Vice President for Charlton College (1 year).
Special responsibilities:	Strategic Planning Committee

Name:	Matthew William McGurk
Title:	Non-executive director
Experience and expertise:	Mathew works as a Farmer and Agronomist.
Special responsibilities:	Nil

Name:	Neville William Cloak
Title:	Non-executive director
Experience and expertise:	Neville is a Café Owner. He is a Project Implementation Manager for Australia Post Transport Operations Support Manager and a Director at Boola Pty Ltd.
Special responsibilities:	Sponsorship, Policy and Governance Committee

Name:	Elizabeth Anne Riley
Title:	Non-executive director
Experience and expertise:	Elizabeth holds a bachelor of Accounting with eight years part time employment an accounting firm. She is also a finance officer for Charlton Neighbourhood House. Elizabeth is currently a Committee and Executive member of sporting and community groups in Charlton.
Special responsibilities:	Marketing sub-committee

Name:	Winifred Maude Scott
Title:	Non-executive director
Experience and expertise:	Winifred holds a Bachelor of Accounting, Diploma of Education, ME management, and Doctor of Education (honorary). Winfred is a CEO, and has strategic planning, management, marketing, financial management, and human resource oversight board positions in Mildura, Charlton and State Government. She is Chair for Mallee Regional Partnership and Deputy Chair NC LLGN.
Special responsibilities:	Strategic Planning Committee

Name:	Kerrie Louise Mulholland
Title:	Non-executive director
Experience and expertise:	Kerrie works as a Senior Economic Development Officer at Buloke Shire Council. Kerrie has a diploma in Business & Hospitality/Tourism and is a current committee member of Buloke Tourism Board and Wimmera Mallee Tourism Board.
Special responsibilities:	Secretary

Name:	Dale Trevor Watts
Title:	Non-executive director (appointed 30 June 2023)
Experience and expertise:	Managing a farming enterprise in the Charlton District. Bachelor of Veterinary Science. Former Secretary of the Charlton Rotary Club. Secretary of Coonooer Bridge Hall Committee. Woolclasser. Veterinary Surgeon.
Special responsibilities:	Nil.

Name:	Angela Maree Poxon
Title:	Non-executive director (resigned 31 October 2022)
Experience and expertise:	Angela holds a Bachelor of Science, Diploma in Education, Graduate Diploma in Adolescent Health and Welfare, and Graduate Certification in Career Education. Angela is a Secondary Teacher, Welfare Coordinator Career Practitioner, and President of North Central Hockey Association. Angela is a current and previous Committee Member and executive of numerous sporting and community Groups in Boort.
Special responsibilities:	Human Resources and Audit Committee

Company secretary
The company secretary is Kerrie Louise Mulholland. Kerrie was appointed to the position of company secretary on 1 January 2022.

Principal activity
The principal activity of the company during the financial year was facilitating Community Bank services under management rights of Bendigo and Adelaide Bank Limited (Bendigo Bank).

There have been no significant changes in the nature of this activity during the financial year.

Review of operations
The profit for the company after providing for income tax amounted to $21,653 (30 June 2022: $50,706).

The company has seen a significant increase in its revenue during the financial year. This is a result of the Reserve Bank of Australia (RBA) increasing the cash rate by 3.25% during the financial year moving from 0.85% to 4.10% as at 30 June 2023. The increased cash rate has had a direct impact on the revenue received by the company, increasing the net interest margin income received under the revenue share arrangement the company has with Bendigo Bank.

Dividends
During the financial year, the following dividends were provided for and paid. The dividends have been provided for in the financial statements.

	2023 $
Fully franked dividend of 3 cents per share (2022: 2 cents)	12,224

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the company during the financial year.

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial 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 under Australian Commonwealth or State law.

Meetings of directors
The number of directors' meetings attended by each of the directors' of the company during the financial year were:

	Board	
	Eligible	Attended
Jon William Whykes	13	12
Matthew Simon Peck	13	13
Alan Ronald Getley	13	12
Matthew William McGurk	13	11
Neville William Cloak	13	12
Elizabeth Anne Riley	13	9
Winifred Maude Scott	13	8
Kerrie Louise Mulholland	13	12
Dale Trevor Watts	1	1
Angela Maree Poxon	3	-

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 firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 23 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.

Directors' interests
The interest in company shareholdings for each director are:

	Balance at the start of the year	Changes	Balance at the end of the year
Jon William Whykes	1,500	-	1,500
Matthew Simon Peck	3,201	-	3,201
Alan Ronald Getley	4,500	-	4,500
Matthew William McGurk	-	-	-
Neville William Cloak	-	-	-
Elizabeth Anne Riley	-	-	-
Winifred Maude Scott	-	-	-
Kerrie Louise Mulholland	-	-	-
Angela Maree Poxon	-	-	-
Dale Trevor Watts	-	1,000	1,000

Indemnity 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.

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 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*.

Indemnity and insurance of auditor
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

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 note 24 to the accounts.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of the non-audit services is compatible with, and 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, integrity and objectivity of the auditor
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks 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 immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001.*

On behalf of the directors

Jon William Whykes
Chair

1 September 2023

Auditor’s independence declaration

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
ABN: 65 684 604 390
afs@afsbendigo.com.au
(03) 5443 0344

Independent 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 2023, 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.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 1 September 2023

Joshua Griffin
Lead Auditor

Financial statements

North Central Financial Services Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	2023 $	2022 $
Revenue from contracts with customers	6	1,243,639	751,093
Other revenue		7,500	11,250
Finance revenue		19,076	1,539
Total revenue		1,270,215	763,882
Employee benefits expense	7	(349,095)	(364,264)
Advertising and marketing costs		(5,403)	(3,295)
Occupancy and associated costs		(16,243)	(19,934)
System costs		(15,866)	(16,785)
Depreciation and amortisation expense	7	(27,162)	(27,519)
Finance costs	7	(11,025)	(11,552)
General administration expenses		(184,729)	(173,062)
Total expenses before community contributions and income tax		(609,523)	(616,411)
Profit before community contributions and income tax expense	7	660,692	147,471
Charitable donations and sponsorships expense		(631,601)	(79,101)
Profit before income tax expense		29,091	68,370
Income tax expense	8	(7,438)	(17,664)
Profit after income tax expense for the year	18	21,653	50,706
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		21,653	50,706
		Cents	**Cents**
Basic earnings per share	26	5.31	12.44
Diluted earnings per share	26	5.31	12.44

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

North Central Financial Services Limited
Statement of financial position
As at 30 June 2023

	Note	2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents	9	399,866	495,638
Trade and other receivables	10	143,057	88,231
Current tax assets	8	845	-
Total current assets		543,768	583,869
Non-current assets			
Property, plant and equipment	11	8,269	10,929
Right-of-use assets	12	102,104	112,065
Intangible assets	13	3,938	17,161
Deferred tax assets	8	35,090	40,319
Total non-current assets		149,401	180,474
Total assets		693,169	764,343
Liabilities			
Current liabilities			
Trade and other payables	14	4,856	47,320
Lease liabilities	15	13,357	12,071
Current tax liabilities	8	-	11,797
Employee benefits	16	30,843	40,398
Total current liabilities		49,056	111,586
Non-current liabilities			
Lease liabilities	15	199,282	212,829
Employee benefits	16	2,640	7,595
Lease make good provision		9,189	8,760
Total non-current liabilities		211,111	229,184
Total liabilities		260,167	340,770
Net assets		433,002	423,573
Equity			
Issued capital	17	384,288	384,288
Retained earnings	18	48,714	39,285
Total equity		433,002	423,573

The above statement of financial position should be read in conjunction with the accompanying notes

North Central Financial Services Limited
Statement of changes in equity
For the year ended 30 June 2023

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2021		384,288	(3,273)	381,015
Profit after income tax expense		-	50,706	50,706
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	50,706	50,706
Transactions with owners in their capacity as owners:				
Dividends provided for	20	-	(8,148)	(8,148)
Balance at 30 June 2022		384,288	39,285	423,573

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2022		384,288	39,285	423,573
Profit after income tax expense		-	21,653	21,653
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	21,653	21,653
Transactions with owners in their capacity as owners:				
Dividends provided for	20	-	(12,224)	(12,224)
Balance at 30 June 2023		384,288	48,714	433,002

The above statement of changes in equity should be read in conjunction with the accompanying notes

North Central Financial Services Limited
Statement of cash flows
For the year ended 30 June 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,357,083	809,066
Payments to suppliers and employees (inclusive of GST)		(1,399,387)	(721,578)
Interest received		11,884	1,433
Income taxes paid		(14,851)	(13,545)
Net cash provided by/(used in) operating activities	25	(45,271)	75,376
Cash flows from investing activities			
Payments for property, plant and equipment		(1,318)	(1,593)
Payments for intangible assets		(14,102)	(14,102)
Net cash used in investing activities		(15,420)	(15,695)
Cash flows from financing activities			
Dividends paid	20	(12,224)	(8,148)
Repayment of lease liabilities	15	(22,857)	(22,006)
Net cash used in financing activities		(35,081)	(30,154)
Net increase/(decrease) in cash and cash equivalents		(95,772)	29,527
Cash and cash equivalents at the beginning of the financial year		495,638	466,111
Cash and cash equivalents at the end of the financial year	9	399,866	495,638

The above statement of cash flows should be read in conjunction with the accompanying notes

Notes to the financial statements

30 June 2023

Note 1. Reporting entity

The financial statements cover North Central Financial Services Limited (the company) as an individual entity, which is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 39-41 High Street, Charlton Vic 3525.

A description of the nature of the company's operations and its principal activity is included in the directors' report, which is not part of the financial statements.

Note 2. Basis of preparation and statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). The financial statements have been prepared on an accrual and historical cost basis and are presented in Australian dollars, which is the company's functional and presentation currency.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 1 September 2023. The directors have the power to amend and reissue the financial statements.

Note 3. Significant accounting policies

The company has consistently applied the following accounting policies to all periods presented in these financial statements.

Changes in accounting policies, standards and interpretations
There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2022, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when, it is expected to be realised or intended to be sold or consumed in the company's normal operating cycle, it is held primarily for the purpose of trading, it is expected to be realised within 12 months after the reporting period or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when, it is either expected to be settled in the company's normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within 12 months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Impairment
Non-derivative financial assets
Expected credit losses (ECL) are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received. At each reporting date, the entity recognises the movement in the ECL (if any) as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

Note 3. Significant accounting policies (continued)

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no ECL has been made in relation to trade receivables as at 30 June 2023.

Non-financial assets
At each reporting date, the company reviews the carrying amounts of its tangible assets and intangible assets to determine whether there is any indication 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 any impairment loss.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST, except when the amount of GST incurred on a sale or purchase of assets or services is not payable to or 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 revenue or expense item.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Note 4. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events that it believes to be reasonable under the circumstances. Differences between the accounting judgements and estimates and actual results and outcomes are accounted for in future reporting periods. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets
The company assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined as the higher of its fair value less costs of disposal or value-in-use, each of which incorporate a number of key estimates and assumptions.

Impairment of non-financial assets
The company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 4. Critical accounting judgements, estimates and assumptions (continued)

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the company's operations, comparison of terms and conditions to prevailing market rates, incurrence of significant penalties, existence of significant leasehold improvements and the costs and disruption to replace the asset. The company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision
The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and inflation have been taken into account.

The company uses historical employee attrition rates in determining the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with long service leave legislation.

In the absence of sufficient historical employee attrition rates, the company applies a benchmark probability rate from across the Community Bank network to factor in estimating the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with legislation.

Lease make good provision
A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Note 5. Economic dependency

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank. The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry in October 2023.

The company operates as a franchise of Bendigo Bank, using the name “Bendigo Bank” and the logo and system of operations of Bendigo Bank. The company manages the Community Bank on behalf of Bendigo Bank, however all transactions with customers conducted through the Community Bank are effectively conducted between the customers and Bendigo Bank.

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, 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 Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

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

Note 5. Economic dependency (continued)

The credit risk (i.e. the risk that a customer will not make repayments) is for Bendigo Bank 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 Bank provides significant assistance in establishing and maintaining the Community Bank 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 and assistance in relation to:
- the design, layout and fit out of the Community Bank premises
- 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
- providing payroll services.

Note 6. Revenue from contracts with customers

	2023 $	**2022 $**
Margin income	998,830	524,879
Fee income	38,106	39,341
Commission income	206,703	186,873
	1,243,639	751,093

The company has entered into a franchise agreement with Bendigo Bank. The company delivers banking and financial services of Bendigo Bank to its community. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the company. Interest margin share is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the company's right to receive the payment is established.

The company acts as an agent under the franchise agreement and revenue arises from the rendering of services through its franchise agreement.

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement. Under *AASB 15 Revenue from Contracts with Customers* (AASB 15), revenue recognition for the company's revenue stream is as follows:

Revenue stream	Includes	Performance obligation	Timing of recognition
Franchise agreement profit share	Margin, commission, and fee income	When the company satisfies its obligation to arrange for the services to be provided to the customer by the supplier (Bendigo Bank as franchisor).	On completion of the provision of the relevant service. Revenue is accrued monthly and paid within 10 business days after the end of each month.

All revenue is stated net of the amount of GST. There was no revenue from contracts with customers recognised over time during the financial year.

Revenue calculation
The franchise agreement provides that three forms of revenue may be earned by the company which are margin, commission and fee income. Bendigo Bank 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, interest rates and funds transfer pricing and other factors, such as economic and local conditions.

Note 6. Revenue from contracts with customers (continued)

Margin income
Margin on core banking products 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 Bank for a deposit
minus: any costs of funds i.e. interest applied by Bendigo Bank to fund a loan.

The company is entitled to a share of the margin earned by Bendigo Bank. If this reflects a loss, the company incurs a share of that loss.

Commission income
Commission income is in the form of commission generated for products and services sold. This commission is recognised at a point in time which reflects when the company has fulfilled its performance obligation.

The company receives trailing commission for products and services sold. Ongoing trailing commission payments are recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission income is outside the control of the company, and is a significant judgement area.

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

Core banking products
Bendigo Bank has identified some 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.

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

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

Note 7. Expenses

Employee benefits expense

	2023 $	2022 $
Wages and salaries	306,446	318,136
Superannuation contributions	34,364	33,577
Expenses related to long service leave	(4,759)	428
Other expenses	13,044	12,123
	349,095	364,264

Note 7. Expenses (continued)

Depreciation and amortisation expense

	2023 $	2022 $
Depreciation of non-current assets		
Plant and equipment	3,978	4,335
Depreciation of right-of-use assets		
Leased land and buildings	9,961	9,962
Amortisation of intangible assets		
Franchise fee	2,204	2,204
Franchise renewal process fee	11,019	11,018
	13,223	13,222
	27,162	27,519

Finance costs

	2023 $	2022 $
Lease interest expense	10,596	11,143
Unwinding of make good provision	429	409
	11,025	11,552

Finance costs are recognised as expenses when incurred using the effective interest rate.

Leases recognition exemption

	2023 $	2022 $
Expenses relating to low-value leases	4,961	6,137

The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition under *AASB 16 leases*. Expenses relating to low-value exempt leases are included in system costs expenses.

Charitable donations, sponsorships and grants

	2023 $	2022 $
Direct donation, sponsorship and grant payments	26,601	15,101
Contribution to the Community Enterprise Foundation™	605,000	64,000
	631,601	79,101

The overarching philosophy of the Community Bank model, is to support the local community in which the company operates. This is achieved by circulating the flow of financial capital into the local economy through community contributions (such as donations, sponsorships and grants).

The funds contributed to and held by the Community Enterprise Foundation™ (CEF) are available for distribution as grants to eligible applicants for a specific purpose in consultation with the directors.

When the company pays a contribution in to the CEF, the company loses control over the funds at that point. While the directors are involved in the payment of grants, the funds are not refundable to the company.

Note 8. Income tax

	2023 $	2022 $
Income tax expense		
Current tax	2,210	18,771
Movement in deferred tax	5,228	(1,200)
Under/over adjustment	-	93
Aggregate income tax expense	7,438	17,664
Prima facie income tax reconciliation		
Profit before income tax expense	29,091	68,370
Tax at the statutory tax rate of 25%	7,273	17,093
Tax effect of:		
Non-deductible expenses	165	478
	7,438	17,571
Under/over adjustment	-	93
Income tax expense	7,438	17,664

	2023 $	2022 $
Deferred tax assets/(liabilities)		
Property, plant and equipment	(2,067)	(2,732)
Employee benefits	8,371	11,998
Provision for lease make good	2,297	2,190
Accrued expenses	800	800
Income accruals	(1,945)	(146)
Lease liabilities	53,160	56,225
Right-of-use assets	(25,526)	(28,016)
Deferred tax asset	35,090	40,319

	2023 $	2022 $
Income tax refund due	845	-

	2023 $	2022 $
Provision for income tax	-	11,797

Accounting policy for income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Accounting policy for current tax
Current tax assets and liabilities are measured at amounts expected to be recovered from or paid to the taxation authorities. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Note 8. Income tax (continued)

Accounting policy for deferred tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for all deductible temporary differences, carried-forward tax losses, and unused tax credits to the extent that it is probable that future taxable profits will be available against which they can be used.

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

Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

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 entity intends to settle its tax assets and liabilities on a net basis.

Note 9. Cash and cash equivalents

	2023 $	2022 $
Cash at bank and on hand	399,866	495,638

Accounting policy for cash and cash equivalents
For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise cash on hand and deposits held with banks.

Note 10. Trade and other receivables

	2023 $	2022 $
Trade receivables	102,923	83,292
Other receivables	28,362	-
Accrued income	7,777	585
Prepayments	3,995	4,354
	40,134	4,939
	143,057	88,231

Accounting policy for trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Note 11. Property, plant and equipment

	2023 $	2022 $
Plant and equipment - at cost	99,397	98,079
Less: Accumulated depreciation	(91,128)	(87,150)
	8,269	10,929

Note 11. Property, plant and equipment (continued)

Reconciliations of the carrying values at the beginning and end of the current and previous financial year are set out below:

	Plant and equipment $
Balance at 1 July 2021	13,671
Additions	1,593
Depreciation	(4,335)
Balance at 30 June 2022	10,929
Additions	1,318
Depreciation	(3,978)
Balance at 30 June 2023	8,269

Accounting policy for property, plant and equipment
Items of property, plant and equipment are measured at cost or fair value as applicable, less accumulated depreciation. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Plant and equipment	1 to 40 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Changes in estimates
During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods. There were no changes in estimates for the current reporting period.

Note 12. Right-of-use assets

	2023 $	**2022 $**
Land and buildings - right-of-use	298,840	298,840
Less: Accumulated depreciation	(196,736)	(186,775)
	102,104	112,065

Note 12. Right-of-use assets (continued)

Reconciliations of the carrying values at the beginning and end of the current and previous financial year are set out below:

	Land and buildings $
Balance at 1 July 2021	122,027
Depreciation expense	(9,962)
Balance at 30 June 2022	112,065
Depreciation expense	(9,961)
Balance at 30 June 2023	102,104

Accounting policy for right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Refer to note 15 for more information on lease arrangements.

Note 13. Intangible assets

	2023 $	**2022 $**
Franchise fee	79,731	79,731
Less: Accumulated amortisation	(79,085)	(76,882)
	646	2,849
Franchise renewal fee	55,093	55,093
Less: Accumulated amortisation	(51,801)	(40,781)
	3,292	14,312
	3,938	17,161

Reconciliations of the carrying values at the beginning and end of the current and previous financial year are set out below:

	Franchise fee $	Franchise renewal fee $	Total $
Balance at 1 July 2021	5,053	25,330	30,383
Amortisation expense	(2,204)	(11,018)	(13,222)
Balance at 30 June 2022	2,849	14,312	17,161
Amortisation expense	(2,204)	(11,019)	(13,223)
Balance at 30 June 2023	645	3,293	3,938

Note 13. Intangible assets (continued)

Accounting policy for intangible assets
Intangible assets of the company relate to the franchise fees paid to Bendigo Bank which conveys the right to operate the Community Bank franchise.

Intangible assets are measured on initial recognition at cost. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

The franchise fees paid by the company are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

The estimated useful life and amortisation method for the current and comparative periods are as follows:

Asset class	Method	Useful life	Expiry/renewal date
Franchise fee	Straight-line	Over the franchise term (5 years)	October 2023
Franchise renewal fee	Straight-line	Over the franchise term (5 years)	October 2023

Amortisation methods, useful life, and residual values are reviewed and adjusted, if appropriate, at each reporting date.

Change in estimates
During the financial year, the company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods. There were no changes in estimates for the current reporting period.

Note 14. Trade and other payables

	2023 $	2022 $
Current liabilities		
Trade payables	587	849
Other payables and accruals	4,269	46,471
	4,856	47,320

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Where the company is liable to settle the amount within 12 months of the reporting date, the liability is classified as current. All other obligations are classified as non-current.

Note 15. Lease liabilities

	2023 $	2022 $
Current liabilities		
Land and buildings lease liabilities	23,347	22,667
Unexpired interest	(9,990)	(10,596)
	13,357	12,071
Non-current liabilities		
Land and buildings lease liabilities	250,045	273,582
Unexpired interest	(50,763)	(60,753)
	199,282	212,829

Note 15. Lease liabilities (continued)

Reconciliation of lease liabilities

	2023 $	2022 $
Opening balance	224,900	235,763
Lease interest expense	10,596	11,143
Lease payments - total cash outflow	(22,857)	(22,006)
	212,639	224,900

Maturity analysis

	2023 $	2022 $
Not later than 12 months	23,347	22,667
Between 12 months and 5 years	100,607	97,677
Greater than 5 years	149,438	175,905
	273,392	296,249

Accounting policy for lease liabilities
Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected not to separate lease and non-lease components when calculating the lease liability.

The company has applied judgement in estimating the remaining lease term including the effects of any extension options reasonably expected to be exercised, applying hindsight where appropriate.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the company changes its assessment of whether it will exercise an extension option, or if there is a revised in-substance fixed lease payment.

The company assesses at the lease commencement date whether it is reasonably certain to exercise extension options. The company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Where the company is a lessee for the premises to conduct its business, extension options are included in the lease term except when the company is reasonably certain not to exercise the extension option. This is due to the significant disruption of relocating premises and the loss on disposal of leasehold improvements fitted out in the leased premises.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to nil.

The company's lease portfolio includes:

Lease	Discount rate	Non-cancellable term	Renewal options available	Reasonably certain to exercise options	Lease term end date used in calculations
Branch	4.79%	10 years	1 x 10 years	Yes	October 2033

Note 16. Employee benefits

	2023 $	2022 $
Current liabilities		
Annual leave	11,760	23,556
Long service leave	19,083	16,842
	30,843	40,398
Non-current liabilities		
Long service leave	2,640	7,595

Accounting policy for employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages where the employee has provided the service but payment has not yet occurred at the reporting date. They are measured at amounts expected to be paid, plus related on-costs. Non-accumulating sick leave is expensed when the leave is taken and measured at the rates paid or payable.

An annual leave liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated. The company's obligations for short-term employee benefits such as salaries and wages are recognised as part of current trade and other payables in the statement of financial position. The company's obligations for employees' annual leave and long service leave entitlements are recognised in employee benefits in the statement of financial position.

Superannuation contributions
Contributions to superannuation plans are expensed in the period in which they are incurred.

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods.

That benefit is discounted to determine its present value. Consideration is given to expected future wage and salary levels plus related on-costs, experience of employee departures, and years of service achieved. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Remeasurements are recognised in profit or loss in the period in which they arise.

Note 17. Issued capital

	2023 Shares	2022 Shares	2023 $	2022 $
Ordinary shares - fully paid	407,458	407,458	407,458	407,458
Less: Equity raising costs	-	-	(23,170)	(23,170)
	407,458	407,458	384,288	384,288

Note 17. Issued capital (continued)

Accounting policy for issued capital
Ordinary shares are recognised at the fair value of the consideration received by the company being $1 per share. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Rights attached to issued capital

Ordinary shares
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.

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 Bank 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 prohibited shareholding interest (see below).

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 any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").

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 their associates) has a prohibited shareholding interest in are suspended.

Note 17. Issued capital (continued)

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.

Note 18. Retained earnings

	2023 $	2022 $
Retained earnings/(accumulated losses) at the beginning of the financial year	39,285	(3,273)
Profit after income tax expense for the year	21,653	50,706
Dividends paid (note 20)	(12,224)	(8,148)
Retained earnings at the end of the financial year	48,714	39,285

Note 19. Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board monitor the return on capital and the level of distributions to shareholders. Capital is represented by total equity as recorded in the statement of financial position.

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

The distribution limit is the greater of:

- 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company 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 financial year 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 20. Dividends

The following dividends were provided for and paid to shareholders during the financial year as presented in the Statement of changes in equity and Statement of cash flows.

	2023 $	2022 $
Fully franked dividend of 3 cents per share (2022: 2 cents)	12,224	8,148

Note 20. Dividends (continued)

Franking credits

	2023 $	2022 $
Franking account balance at the beginning of the financial year	114,066	103,237
Franking credits (debits) arising from income taxes paid (refunded)	14,852	13,545
Franking debits from the payment of franked distributions	(4,075)	(2,716)
	124,843	114,066
Franking transactions that will arise subsequent to the financial year end:		
Balance at the end of the financial year	124,843	114,066
Franking credits (debits) that will arise from payment (refund) of income tax	(845)	11,797
Franking credits available for future reporting periods	123,998	125,863

The ability to utilise franking credits is dependent upon the company's ability to declare dividends. The tax rate at which future dividends will be franked is 25%.

Accounting policy for dividends
Dividends are recognised in the financial year they are declared.

Note 21. Financial instruments

	2023 $	2022 $
Financial assets		
Trade and other receivables	114,695	88,231
Cash and cash equivalents	399,866	495,638
	514,561	583,869
Financial liabilities		
Trade and other payables	4,856	47,320
Lease liabilities	212,639	224,900
	217,495	272,220

Accounting policy for financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade debtors and creditors, cash and cash equivalents and lease liabilities.

Trade receivables are initially recognised at the transaction price when they originated. All other financial assets and financial liabilities are initially measured at fair value plus transaction costs (where applicable), when the company becomes a party to the contractual provisions of the instrument. These assets and liabilities are subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the rights are transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and rewards associated with the asset. Financial liabilities are derecognised when its contractual obligations are discharged, cancelled, or expire. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Note 21. Financial instruments (continued)

Financial risk management
The company has exposure to credit, liquidity and market risk arising from financial instruments. 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 company. The company does not use derivative instruments. Risk management is carried out directly by the Board.

Market risk
Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The company has no exposure to any transactions denominated in a currency other than Australian dollars.

Interest-bearing assets and liabilities are held with Bendigo Bank and earnings on those are subject to movements in market interest rates. The company held cash and cash equivalents of $399,866 at 30 June 2023 (2022: $495,638).

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.

Credit risk
Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings, Bendigo Bank is rated BBB+ on Standard & Poor’s credit ratings.

Liquidity risk
Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

Exposure to liquidity risk
The following are the remaining contractual maturities of financial liabilities. The contractual cash flow amounts are gross and undiscounted and therefore may differ from their carrying amount in the statement of financial position.

2023	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Trade and other payables	4,856	-	-	4,856
Lease liabilities	23,347	100,607	149,438	273,392
Total non-derivatives	28,203	100,607	149,438	278,248

2022	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Trade and other payables	47,320	-	-	47,320
Lease liabilities	22,667	97,677	175,905	296,249
Total non-derivatives	69,987	97,677	175,905	343,569

Note 22. Key management personnel disclosures

The following persons were directors of North Central Financial Services Limited during the financial year and/or up to the date of signing of these Financial Statements.

Jon William Whykes	Matthew Simon Peck
Alan Ronald Getley	Matthew William McGurk
Neville William Cloak	Elizabeth Anne Riley
Winifred Maude Scott	Kerrie Louise Mulholland
Angela Maree Poxon	Dale Trevor Watts

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

Note 23. Related party transactions

The following transactions occurred with related parties:

	2023 $	2022 $
A director provided secretarial services during the period. The amount paid exclusive of GST was:	3,328	-

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

Note 24. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Andrew Frewin Stewart, the auditor of the company:

	2023 $	2022 $
Audit services		
Audit or review of the financial statements	5,400	5,200
Other services		
Taxation advice and tax compliance services	1,100	1,000
General advisory services	2,610	2,095
	3,710	3,095
	9,110	8,295

Note 25. Reconciliation of profit after income tax to net cash provided by/(used in) operating activities

	2023 $	2022 $
Profit after income tax expense for the year	21,653	50,706
Adjustments for:		
Depreciation and amortisation	27,162	27,519
Lease liabilities interest	10,596	11,143
Change in operating assets and liabilities:		
Increase in trade and other receivables	(54,826)	(29,903)
Increase in income tax refund due	(845)	-
Decrease/(increase) in deferred tax assets	5,229	(1,200)
Increase/(decrease) in trade and other payables	(28,362)	8,928
Increase/(decrease) in provision for income tax	(11,797)	5,319
Increase/(decrease) in employee benefits	(14,510)	2,455
Increase in other provisions	429	409
Net cash provided by/(used in) operating activities	(45,271)	75,376

Note 26. Earnings per share

	2023 $	2022 $
Profit after income tax	21,653	50,706
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	407,458	407,458
Weighted average number of ordinary shares used in calculating diluted earnings per share	407,458	407,458
	Cents	**Cents**
Basic earnings per share	5.31	12.44
Diluted earnings per share	5.31	12.44

Accounting policy for earnings per share
Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of North Central Financial Services Limited, by the weighted average number of ordinary shares outstanding during the financial year.

Note 27. Commitments

The company has no commitments contracted for which would be provided for in future reporting periods.

Note 28. Contingencies

There were no contingent liabilities or contingent assets at the date of this report.

Note 29. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Directors' declaration

30 June 2023

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in the notes to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

Jon William Whykes
Chair

1 September 2023

Independent audit report

Andrew Frewin Stewart
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Independent auditor's report to the Directors of North Central Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of North Central Financial Services Limited (the company), which comprises:

- Statement of financial position as at 30 June 2023
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

In our opinion, the accompanying 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 2023 and of its financial performance for the year ended on that date; and
ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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.

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 (including Independence Standards)* (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.

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
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Other Information

The other information comprises the information included in the company's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon. The annual report may also include "other information" on the company'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.

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. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report 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.

The directors are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities 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.

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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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 1 September 2023

Joshua Griffin
Lead Auditor

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Bendigo Bank