



North State Finance  
L I M I T E D

**HALF – YEAR REPORT**

AS AT 31 DECEMBER 2009



**NORTH STATE FINANCE  
LIMITED**  
A.B.N. 18 003 959 126

***Board of Directors***

G.A. Lennon (Chairman)  
G.A. McGilvray (Deputy Chairman)  
R.C. Avery (Managing Director)  
D.G. Jeffery  
I.B. Couper

***Company Secretary***

D.G. Jeffery

***Auditors***

HQB Chartered Accountants  
Coffs Harbour

***Accountants***

J.D. Matthews & Associates Coffs Harbour  
Chartered Accountants, Coffs Harbour

***Solicitors***

MBT Lawyers  
Coffs Harbour

***Bankers***

National Australia Bank  
Suncorp-Metway Bank

***Trustee for Debenture Holders***

Permanent Nominees (Aust.) Limited

***Head Office and Registered Office***

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# NORTH STATE FINANCE LIMITED

A.B.N. 18 003 959 126

## DIRECTORS' REPORT

Your Directors present their report on the financial statements for the half-year ended 31 December, 2009.

This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2009. The accounts in this report, including the comparatives, are prepared under Australian International Financial Reporting Standards.

### DIRECTORS

The following persons hold office as directors at the date of this report:  
Messrs G.A. Lennon, R.C. Avery, D.G. Jeffery, G.A. McGilvray and I.B. Couper.

### PRINCIPAL ACTIVITIES

The principal continuing activity of the company is provision of a broad range of financial services including loans, housing loans, leases, general finance, insurance premium funding, on-call investments, term investments, debentures and brokerage of finance.

### DIVIDENDS PAID

#### Final Dividend 2008 (Number 40)

Fully franked dividend of \$310,954 (7.0 cps) was paid on 23 November, 2009.

#### Special Interim Dividend 2009 (Number 41)

A special fully franked dividend of \$132,266 (3.0 cps) was paid on 16 December 2009 as fully-paid ordinary shares of \$2.10 each.

### REVIEW OF OPERATIONS

#### Results for the half-year ended:

	31 December 2009	31 December 2008
	\$	\$
Profit from ordinary activities	628,072	500,080
Add: Prior year tax adjustment	9,439	0
Less: Income tax expense	<u>(188,484)</u>	<u>(150,239)</u>
Profit from ordinary activities attributable to members of North State Finance Limited.	<u>449,027</u>	<u>349,841</u>

### PARTICULARS OF DIRECTORS' INTERESTS

#### INTEREST IN SHARES:

DIRECTOR'S NAME	Number of shares held in: North State Finance Limited	Number of shares held in: Jayglen Pty Limited (1)	Direct & indirect interest in North State Finance Ltd
G.A. Lennon	15,133	0	0.34%
R.C. Avery	382,863	0	8.50%
D.G. Jeffery	40,284	482,340	11.75%
G.A. McGilvray	0	233,541	5.26%
I.B. Couper	27,015	0	0.60%

Note 1: Jayglen Pty Limited owns 51.29% of the shares in North State Finance Limited and is the parent company.

### SHARES ISSUED AND PARTLY PAID SHARES

During the half-year the following shares were issued and/or paid up:

- 63,515 fully paid shares were issued *pari passu* to all shareholders at \$2.10 as a result of a Special Dividend paid in December 2009



#### **DIRECTORS' BENEFITS AND RELATED PARTIES**

Since 30 June, 2009:-

Secretarial, accounting and computer software services have been performed by J.D. Matthews & Associates Coffs Harbour and the company rents premises from Gamp Pty Limited, businesses associated with Mr D.G. Jeffery, director and shareholder.

In the normal course of business every director (or associate) of the company and holding company has either lent money to or borrowed money from North State Finance Limited under terms and conditions no more favourable than those which it is reasonable to expect would have applied if the transaction was at arms length. With the above exceptions no director of the company has received or is entitled to receive any benefit from the company.

#### **SUBSEQUENT EVENTS**

There are no reportable events subsequent to the end of the financial year.

#### **AUDITORS**

HQB Chartered Accountants continue in office in accordance with s.327 of the Corporations Law. The auditors did not provide any non-audit services during the financial year.

The auditors have provided the Board of Directors with the following Auditor's Independence Declaration.

#### **AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF NORTH STATE FINANCE LIMITED**

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2009, there have been:

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

HQB Chartered Accountants

13-15 Park Avenue  
Coffs Harbour NSW 2450

William Herd

19 February, 2010

Signed at Coffs Harbour on 26 February, 2010, in accordance with a resolution of the Directors.

**GEORGE A LENNON**

**GARTH A MCGILVRAY**



# NORTH STATE FINANCE LIMITED

A.B.N. 18 003 959 126

## INCOME STATEMENT for the half-year ended:

	31 December 2009 \$	31 December 2008 \$
<b><u>REVENUE FROM ORDINARY ACTIVITIES</u></b>		
Revenue from finance operations	1,821,323	1,998,494
Interest revenue	52,504	10,701
Application fees	86,050	65,661
Brokerage and commission revenue	150,959	143,557
Profit on sale of fixed assets	668	0
Other	<u>5,247</u>	<u>6,857</u>
<b>Total revenue from ordinary activities</b>	<b><u>2,116,751</u></b>	<b><u>2,225,270</u></b>
<b><u>LESS: EXPENSES FROM ORDINARY ACTIVITIES</u></b>		
Expenses from ordinary activities excluding interest and borrowing costs	677,901	607,970
Interest	797,499	1,104,467
Provision for impaired loans	6,000	(12,703)
Bad debts written off	1,849	19,745
Loss on disposal of non-current assets	399	0
Trust deed and borrowing costs	<u>5,031</u>	<u>5,711</u>
<b>Total expenses from ordinary activities</b>	<b><u>1,488,679</u></b>	<b><u>1,725,190</u></b>
<b>Profit from ordinary activities before income tax</b>	<b>628,072</b>	<b>500,080</b>
Add: Prior period adjustment to income tax	9,439	0
Less: Income tax expense relating to operations	<u>(188,484)</u>	<u>(150,239)</u>
<b>Profit from ordinary activities after income tax attributable to members of North State Finance Limited</b>	<b><u>449,027</u></b>	<b><u>349,841</u></b>
<b>Basic and diluted earnings per share (cents per share)</b>	<b>10.10</b>	<b>7.92</b>

*The above income statement should be read in conjunction with the accompanying notes and prior annual reports.*

## EQUITY STATEMENTS

	Contributed Equity \$	Retained Equity \$	Total Equity \$
<b>Balance at 1 July 2008</b>	<b>4,841,619</b>	<b>1,936,941</b>	<b>6,778,560</b>
Fully paid ordinary shares issued	131,511		131,511
Profit for half year ended 31 December 2008		349,841	349,841
Dividends paid out of profits		<u>(486,887)</u>	<u>(486,887)</u>
<b>Balance at 31 December 2008</b>	<b><u>4,973,130</u></b>	<b><u>1,799,895</u></b>	<b><u>6,773,025</u></b>
<b>Balance at 1 July 2009</b>	<b>4,973,130</b>	<b>2,022,222</b>	<b>6,995,352</b>
Fully paid ordinary shares issued	133,266		133,266
Profit for half year ended 31 December 2009		449,027	449,027
Dividends paid out of profits		<u>(444,220)</u>	<u>(444,220)</u>
<b>Balance at 31 December 2009</b>	<b><u>5,106,396</u></b>	<b><u>2,027,029</u></b>	<b><u>7,133,425</u></b>

*The above statement of changes in equity should be read in conjunction with the accompanying notes and prior annual reports.*



# NORTH STATE FINANCE LIMITED

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BALANCE SHEET as at:	31 December 2009	31 December 2008
	\$	\$
<b><u>ASSETS</u></b>		
Cash and cash equivalents	3,245,783	1,404,780
Accrued income and receivables	8,671	3,361
Loans and advances	31,549,184	32,692,950
Property, plant and equipment	502,021	595,215
Investment in associated entities	127,302	127,302
Deferred tax assets	28,235	11,282
Intangible assets	<u>302,476</u>	<u>312,523</u>
<b>TOTAL ASSETS</b>	<b><u>35,763,672</u></b>	<b><u>35,147,413</u></b>
<b><u>LIABILITIES</u></b>		
Trade and other payables	725,373	892,266
Borrowings	27,563,276	27,300,337
Tax liabilities	175,517	27,063
Provisions	126,109	112,272
Deferred tax liabilities	<u>39,972</u>	<u>42,450</u>
<b>TOTAL LIABILITIES</b>	<b><u>28,630,247</u></b>	<b><u>28,374,388</u></b>
<b>NET ASSETS</b>	<b><u>7,133,425</u></b>	<b><u>6,773,025</u></b>
<b><u>EQUITY</u></b>		
Issued capital	5,106,396	4,973,130
Retained earnings	<u>2,027,029</u>	<u>1,799,895</u>
<b>TOTAL EQUITY</b>	<b><u>7,133,425</u></b>	<b><u>6,773,025</u></b>

*The above balance sheet should be read in conjunction with the accompanying notes and prior annual reports.*

STATEMENT OF CASH FLOWS For the half-year ending	31 December 2009	31 December 2008
	\$	\$
<b>Cash flows from operating activities</b>		
Finance operations	1,945,456	2,174,994
Brokerage and other fees received	263,462	243,556
Interest and finance costs paid	(892,083)	(1,056,792)
Cash expenses including payments to employees	(640,379)	(531,443)
Net cash funds received from (advanced to) customers	597,764	3,732,710
Interest received	52,504	10,701
Rent received	1,240	1,200
Distributions from related Trust received	3,344	
Net taxes	<u>(80,200)</u>	<u>(106,884)</u>
<b>Net cash flow from operating activities</b>	<b><u>1,251,108</u></b>	<b><u>4,468,042</u></b>
<b>Cash flows from investing activities</b>		
Payments for plant & equipment	(2,013)	(100)
Proceeds from sale of plant & equipment	<u>21,975</u>	<u>0</u>
<b>Net cash flow from investing activities</b>	<b><u>19,962</u></b>	<b><u>(100)</u></b>



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<b>STATEMENT OF CASH FLOWS (Continued)</b> <b>For the half-year ending</b>	<b>31 December</b> <b>2009</b> \$	<b>31 December</b> <b>2008</b> \$
<b>Cash flows from financing activities</b>		
Net increase (decrease) in borrowings	(617,829)	(3,031,957)
Proceeds from contributed capital	133,266	131,511
Dividends paid	<u>(444,220)</u>	<u>(486,887)</u>
<b>Net cash flow from financing activities</b>	<b><u>(928,783)</u></b>	<b><u>(3,387,333)</u></b>
<b>Net cash (decrease) increase for half year</b>	342,287	1,080,609
Cash at beginning of half year	<u>2,903,496</u>	<u>324,171</u>
<b>Cash at the end of the half year</b>	<b><u>3,245,783</u></b>	<b><u>1,404,780</u></b>

*The above statement of cash flows should be read in conjunction with the accompanying notes and prior annual reports.*

## **NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE HALF YEAR ENDED 31 DECEMBER, 2009.**

### **1. ACCOUNTING POLICY**

These general purpose half year accounts have been prepared in accordance with Australian International Financial Reporting Standards (AIFRS) and Accounting Standard AASB 134: Interim Financial Reporting.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2009 and any public announcements made by North State Finance Limited during the half year in accordance with any continuous disclosure obligations arising under the Corporations Act.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting periods.

### **2. FINANCING ACTIVITIES ON CASH FLOW STATEMENT**

During the half year ended 31 December, 2009 the economic entity acquired property, plant and equipment with an aggregate fair value of \$185,983 for the purpose of leasing and disposed of leased items with an original cost of \$1,147,501 for \$413,636. These amounts are not itemised in the Statement of Cash Flows.

### **3. CLASSIFICATION OF EXPENSES BY NATURE for the half-year ended:**

	<b>31 December</b> <b>2009</b> \$	<b>31 December</b> <b>2008</b> \$
Interest paid to financial institutions	106	25,758
Interest paid on deposits, notes and debentures	797,393	1,078,708
Prospectus expenses	4,362	2,010
Trust deed and borrowing costs	5,031	5,711
Provision for impaired loans	6,000	(12,703)
Bad debts written off	1,849	19,745
Depreciation and amortisation	19,003	27,006
Motor vehicle expenses excluding depreciation	4,050	5,022
Employment costs excluding future entitlements	435,332	400,573
Provision for employee entitlements	11,569	6,175
Occupation costs	49,653	47,933
All other expenses	<u>154,331</u>	<u>119,252</u>
<b>Total expenses from ordinary activities</b>	<b><u>1,488,679</u></b>	<b><u>1,725,190</u></b>



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	31 December 2009 \$	31 December 2008 \$
<b>4. CREDIT FACILITIES</b>		
Total credit facility available	3,500,000	7,000,000
Less: Facility used at balance date	<u>0</u>	<u>0</u>
Unused bank facilities	<u><b>3,500,000</b></u>	<u><b>7,000,000</b></u>
<b>5. SCHEDULE OF NET RECEIVABLES</b>		
Debts receivable -		
At call	0	0
Not longer than 3 months	3924,163	3,726,978
Longer than 3 and not longer than 12 months	9,511,903	9,714,896
Longer than 1 and not longer than 5 years	17,836,058	18,708,134
Longer than five years	<u>284,569</u>	<u>391,020</u>
	<u><b>31,556,693</b></u>	<u><b>32,541,028</b></u>
<b>6. SCHEDULE OF DEBTS PAYABLE</b>		
<b>Borrowings from other than financial institutions</b>		
At call	766,415	892,913
Not longer than 3 months	8,866,713	6,171,447
Longer than 3 and not longer than 12 months	14,409,301	16,299,834
Longer than 1 and not longer than 5 years	3,490,847	3,906,143
Longer than 5 years	<u>30,000</u>	<u>30,000</u>
	<u><b>27,563,276</b></u>	<u><b>27,300,337</b></u>
<b>Borrowings from other financial institutions</b>		
At call	0	0
Longer than 1 and not longer than 5 years	<u>0</u>	<u>0</u>
	<u><b>0</b></u>	<u><b>0</b></u>
<b>Total of borrowed funds repayable</b>	<u><b>27,563,276</b></u>	<u><b>27,300,337</b></u>



**NORTH STATE FINANCE  
LIMITED**  
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**DIRECTOR'S DECLARATION**

1. In the opinion of the directors:-
  - (a) the financial report set out on pages 1 to 7 is drawn up so as to give a true and fair view of the state of affairs of the company as at 31 December 2009 and of its profit for the half-year ended on that date;  
and
  - (b) at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.
2. The accompanying accounts of the Company have been made out in accordance with all applicable Accounting Standards.

Signed at Coffs Harbour on 26 February, 2010.  
in accordance with a resolution of the directors.

**GEORGE A LENNON**

**GARTH A MCGILVRAY**



CHARTERED ACCOUNTANTS

(Incorporating ACSM & Co Pty Ltd)

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF**  
**NORTH STATE FINANCE LIMITED**

***Scope***

We have reviewed the accompanying half-year financial report of North State Finance Limited which comprises the Balance Sheet as at 31 December 2009, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the director's declaration.

***Directors' Responsibility for the Half-Year Financial Report***

The directors are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditor's Responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including; giving a true and fair view of the entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134; Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of North State Finance Limited ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

***Independence***

In conducting our review, we have complied with the independence requirement of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of North State Finance Limited on 19 February 2010 would be in the same terms if provided to the directors as at the date of this auditor's review report.

***Conclusion***

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of North State Finance Limited is not in accordance with the *Corporations Act 2001*, including:

- A. giving a true and fair view of the company's financial position as at 31 December 2009 and of its performance for the half year ended on that date; and
- B. complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

13-15 Park Avenue HQB Chartered Accountants  
Coffs Harbour

W.B. HERD Partner

26<sup>th</sup> February 2010



## **NORTH STATE FINANCE LIMITED**

ABN 18 003 959 126

### **Registered Office:**

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