

NorCen Financial Services Ltd

ABN 32 119 493 113

Consolidated Half-year Financial Report - 31 December 2023

NorCen Financial Services Ltd
Directors' report
31 December 2023

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'group') consisting of NorCen Financial Services Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2023.

Directors

The following persons were directors of NorCen Financial Services Ltd during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Kathleen Mary Holland
Walter Hilaire Mott
Susan Louise Marstaeller OAM
Sheree Elise Tivendale

Ortensio Caroli
Benjamin John Gregory
David Ian Atkinson
David Allan Wheeler (resigned 20 July 2023)

Principal activity

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

Review of operations

The profit for the group after providing for income tax amounted to \$303,383 (31 December 2022: \$585,825).

The Reserve Bank of Australia (RBA) increased the cash rate by 2.25% during the previous period from 0.85% to 3.10% at 31 December 2022. Since then the cash rate has increased by 1.25% to 4.35% as at 31 December 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.

While the cash rate has increased, from 1 July 2023 Bendigo Bank updated the Funds Transfer Pricing (FTP) base rate on certain deposits which has impacted the income earned on these products.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the group during the financial half-year.

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

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 306(3)(a) of the *Corporations Act 2001*.

On behalf of the directors



Sheree Tivendale
Director

15 March 2024



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
ABN: 65 684 604 390
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(03) 5443 0344

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the Directors of NorCen Financial Services Ltd

We declare that, to the best of our knowledge and belief, for the half-year ended 31 December 2023 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review
- ii. any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart', is positioned above the printed name.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 15 March 2024

A handwritten signature in black ink, appearing to read 'Adrian Downing', is positioned above the printed name.

Adrian Downing
Lead Auditor

NorCen Financial Services Ltd
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023

	Note	Consolidated	
		31-Dec-23	31-Dec-22
		\$	\$
Revenue from contracts with customers	2	2,014,761	2,396,084
Other revenue		92,280	147,097
Finance revenue		680	396
Total revenue		<u>2,107,721</u>	<u>2,543,577</u>
Employee benefits expense		(1,000,175)	(912,194)
Advertising and marketing costs		(14,248)	(22,301)
Occupancy and associated costs		(63,946)	(87,661)
Systems costs		(47,944)	(37,714)
Depreciation and amortisation expense		(203,255)	(182,060)
Finance costs		(60,385)	(48,634)
General administration expenses		(175,823)	(226,873)
Impairment of assets		(26,761)	-
Total expenses before community contributions and income tax		<u>(1,592,537)</u>	<u>(1,517,437)</u>
Profit before community contributions and income tax expense		515,184	1,026,140
Charitable donations, sponsorships and grants expense		(110,067)	(235,960)
Profit before income tax expense		405,117	790,180
Income tax expense		(101,734)	(204,355)
Profit after income tax expense for the half-year		303,383	585,825
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Loss on the revaluation of land and buildings, net of tax		(1,237,272)	-
Other comprehensive income for the half-year, net of tax		(1,237,272)	-
Total comprehensive income for the half-year		<u>(933,889)</u>	<u>585,825</u>
		Cents	Cents
Basic earnings per share		4.81	9.28
Diluted earnings per share		4.81	9.28

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

NorCen Financial Services Ltd
Consolidated statement of financial position
As at 31 December 2023

	Note	Consolidated 31-Dec-23 \$	30-Jun-23 \$
Assets			
Current assets			
Cash and cash equivalents		320,036	328,079
Trade and other receivables		329,197	420,901
Total current assets		<u>649,233</u>	<u>748,980</u>
Non-current assets			
Sub-lease investment property		16,415	26,093
Property, plant and equipment	3	6,367,716	8,169,606
Right-of-use assets		220,830	226,521
Intangibles		31,430	55,933
Total non-current assets		<u>6,636,391</u>	<u>8,478,153</u>
Total assets		<u>7,285,624</u>	<u>9,227,133</u>
Liabilities			
Current liabilities			
Trade and other payables		234,113	319,154
Borrowings		492,175	1,044,336
Lease liabilities		88,196	75,017
Current tax liabilities		319,972	294,493
Employee benefits		81,886	105,545
Total current liabilities		<u>1,216,342</u>	<u>1,838,545</u>
Non-current liabilities			
Trade and other payables		-	8,202
Borrowings		941,278	680,099
Lease liabilities		197,981	225,435
Deferred tax liabilities		163,759	599,602
Employee benefits		25,593	12,056
Provisions		31,002	30,265
Total non-current liabilities		<u>1,359,613</u>	<u>1,555,659</u>
Total liabilities		<u>2,575,955</u>	<u>3,394,204</u>
Net assets		<u>4,709,669</u>	<u>5,832,929</u>
Equity			
Issued capital		1,003,089	1,003,089
Reserves	4	442,194	1,679,466
Retained earnings		3,264,386	3,150,374
Total equity		<u>4,709,669</u>	<u>5,832,929</u>

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

NorCen Financial Services Ltd
Consolidated statement of changes in equity
For the half-year ended 31 December 2023

Consolidated	Note	Issued capital \$	Revaluation Reserve	Retained earnings \$	Total equity \$
Balance at 1 July 2022		1,003,089	1,679,466	2,314,838	4,997,393
Profit after income tax expense		-	-	585,825	585,825
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	585,825	585,825
<i>Transactions with owners in their capacity as owners:</i>					
Dividends provided for or paid	5	-	-	(126,247)	(126,247)
Balance at 31 December 2022		<u>1,003,089</u>	<u>1,679,466</u>	<u>2,774,416</u>	<u>5,456,971</u>
Balance at 1 July 2023		1,003,089	1,679,466	3,150,374	5,832,929
Profit after income tax expense		-	-	303,383	303,383
Other comprehensive income, net of tax		-	(1,237,272)	-	(1,237,272)
Total comprehensive income		-	(1,237,272)	303,383	(933,889)
<i>Transactions with owners in their capacity as owners:</i>					
Dividends provided for or paid	5	-	-	(189,371)	(189,371)
Balance at 31 December 2023		<u>1,003,089</u>	<u>442,194</u>	<u>3,264,386</u>	<u>4,709,669</u>

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

NorCen Financial Services Ltd
Consolidated statement of cash flows
For the half-year ended 31 December 2023

	Note	Consolidated	
		31-Dec-23	31-Dec-22
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,410,388	2,737,228
Payments to suppliers and employees (inclusive of GST)		(1,725,469)	(1,802,497)
Interest received		680	396
Interest and other finance costs paid		(52,337)	(40,709)
Income taxes paid		(100,340)	(62,379)
		<u>532,922</u>	<u>832,039</u>
Net cash from operating activities			
Cash flows from investing activities			
Payments for property, plant and equipment	3	<u>(14,144)</u>	<u>(629,020)</u>
		<u>(14,144)</u>	<u>(629,020)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from borrowings		189,371	464,000
Repayment of borrowings		(480,353)	(376,950)
Dividends paid	5	(189,371)	(126,247)
Repayment of lease liabilities		(46,468)	(33,112)
		<u>(526,821)</u>	<u>(72,309)</u>
Net cash used in financing activities			
Net increase/(decrease) in cash and cash equivalents		(8,043)	130,710
Cash and cash equivalents at the beginning of the financial half-year		<u>328,079</u>	<u>273,090</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>320,036</u></u>	<u><u>403,800</u></u>

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

NorCen Financial Services Ltd
Notes to the consolidated financial statements
31 December 2023

Note 1. Material accounting policy information

These consolidated general purpose financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all of the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the company during the period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Note 2. Revenue from contracts with customers

	Consolidated	
	31-Dec-23	31-Dec-22
	\$	\$
Margin income	1,806,920	2,181,802
Fee income	120,294	124,170
Commission income	87,547	90,112
	<u>2,014,761</u>	<u>2,396,084</u>

Disaggregation of revenue

All revenue from contracts with customers has been recognised at a point in time during the half-year.

Note 3. Property, plant and equipment

	Consolidated	
	31-Dec-23	30-Jun-23
	\$	\$
<i>Non-current assets</i>		
Land - at independent valuation	1,770,000	1,621,606
Buildings - at independent valuation	3,976,491	5,885,476
Less: Accumulated depreciation	-	(156,223)
	<u>3,976,491</u>	<u>5,729,253</u>
Leasehold improvements - at cost	605,989	600,844
Less: Accumulated depreciation	(382,917)	(350,423)
	<u>223,072</u>	<u>250,421</u>
Plant and equipment - at independent valuation	378,395	618,822
Less: Accumulated depreciation	-	(70,879)
	<u>378,395</u>	<u>547,943</u>
Fixtures and fittings - at cost	121,628	121,042
Less: Accumulated depreciation	(101,870)	(100,659)
	<u>19,758</u>	<u>20,383</u>
	<u><u>6,367,716</u></u>	<u><u>8,169,606</u></u>

NorCen Financial Services Ltd
Notes to the consolidated financial statements
31 December 2023

Note 3. Property, plant and equipment (continued)

Fair value

The fair value of land and buildings was determined by external, independent property valuers, having recognised professional qualifications and recent experience in the location and category of the property being valued. Independent valuers provide the fair value of the company's investment property portfolio every 3 to 5 years.

The company's 63 High Street, Broadford property was independently valued effective 11 January 2024 by Knight Frank Valuation & Advisory Victoria. The valuations resulted in an increment to the carrying amount of the property resulting in a revaluation gain of \$85,384 in the statement of profit or loss and other comprehensive income.

The company's 59 High Street, Wallan property was independently valued effective 11 January 2024 by Knight Frank Valuation & Advisory Victoria. The valuations resulted in a decrement to the carrying amount of the property resulting in an revaluation loss of \$1,329,655 in the statement of profit or loss and other comprehensive income.

The company's 16 McLeod Court, Wallan property was independently valued effective 19 December 2023 by Town & Country Property Services. The valuations resulted in a decrement to the carrying amount of the property resulting in an impairment loss of \$26,761 in the statement of profit or loss and other comprehensive income.

The company's R1 Wellington Street, Wallan property was independently valued effective 12 January 2024 by Hendrey Consulting Pty Ltd. The valuations resulted in an increment to the carrying amount of the property resulting in a revaluation gain of \$7,000 in the statement of profit or loss and other comprehensive income.

Note 4. Reserves

	Consolidated	
	31-Dec-23	30-Jun-23
	\$	\$
Revaluation surplus reserve	<u>442,194</u>	<u>1,679,466</u>

Revaluation surplus reserve

The reserve is used to recognise increments and decrements in the fair value of land and buildings.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Revaluation reserve
	\$
Balance at 1 July 2023	1,679,466
Revaluation - gross	(1,649,030)
Deferred tax	<u>411,758</u>
Balance at 31 December 2023	<u>442,194</u>

Note 5. Dividends

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

	Consolidated	
	31-Dec-23	31-Dec-22
	\$	\$
Fully franked dividend of 3 cents per share (31-Dec-22: 2 cents)	<u>189,371</u>	<u>126,247</u>

NorCen Financial Services Ltd
Notes to the consolidated financial statements
31 December 2023

Note 5. Dividends (continued)

The tax rate at which dividends have been franked is 25%.

Note 6. Fair value measurement

Some of the group's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1: Quoted market price at the close of business at the end of the reporting period.

Level 2: Inputs are based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.

Level 3: Unobservable inputs for the asset or liability

There were no transfers between levels during the financial half-year.

Consolidated - 31-Dec-23	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Land and buildings	-	6,130,000	-	6,130,000
Total assets	-	6,130,000	-	6,130,000

Consolidated - 30-Jun-23	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Land and buildings	-	7,959,870	-	7,959,870
Total assets	-	7,959,870	-	7,959,870

Correction of error

The 30 June 2023 financial statements incorrectly classified the fair value of Land and Buildings as being \$7,647,022 within Note 27: Fair Value Measurement. Upon further review it is noted this balance includes accumulated depreciation on the various assets, rather than the base fair value which is the correct classification for this note. We considered this discrepancy material to users of the financial report and the necessary corrections to the 30 June 2023 disclosures have been made accordingly.

Note 7. Contingent assets and liabilities

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

Note 8. Related party transactions

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2023 annual financial report.

Note 9. Events after the reporting date

No matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

NorCen Financial Services Ltd
Directors' declaration
31 December 2023

In the directors' opinion:

- the attached consolidated financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard *AASB 134 'Interim Financial Reporting'*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the group's financial position as at 31 December 2023 and of its performance for the financial half-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 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Sheree Tivendale
Director

15 March 2024



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
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(03) 5443 0344

Independent auditor's review report to the Directors of NorCen Financial Services Ltd

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of NorCen Financial Services Ltd (the company), which comprises the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying half-year financial report of NorCen Financial Services Ltd does not present fairly, in all material respects, the company's financial position at 31 December 2023, and of its financial performance and its cash flows for the half-year ended on that date, in accordance with the *Corporations Act 2001* and Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with the Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the of the half-year financial report that is free from material misstatement, whether due to fraud error.

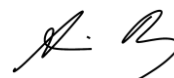
Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the half-year financial report does not present fairly, in all material respects in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 31 December 2023 and its performance for the half-year ended on that date, in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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 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.



Andrew Frewin Stewart
61 Bull Street, Bendigo VIC 3550
Dated: 15 March 2024



Adrian Downing
Lead Auditor