



Wallan, Kilmore & District **Community Bank®** Branches

# Annual Report 2016

NorCen Financial Services Limited

ABN 32 119 493 113



Wallan & Kilmore  
**Community Bank®** Branches

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Wallan **Community Bank®** Branch team members (left) Kilmore **Community Bank®** Branch team members (right) with Bendigo Bank Piggy.  
From left - Louise Costa, Erin McDonald, Julie Cannon, Kirsty Reid, Jennifer Michelsson, Jackie Ginefra, Tracey Charry,  
Shelley McLean, Laura Moran, Andrea Lever, Melissa Hall, Leanne Cook, Leanne Paice.

# Chairman's Report

For year ending June 30, 2016

It is with pride that I bring you the Chairman's report for the year to 30 June 2016. Once again your company has experienced exceptional growth in business. Our Kilmore & District **Community Bank®** Branch achieved huge business growth in their first full year of operation, and our Kilmore Branch Manager Kevin Hannam has led a highly professional team to establish Kilmore as the fastest and most successful **Community Bank®** branch start up ever across Australia. Tracey Charry and her team at Wallan have also achieved growth in the Wallan & District **Community Bank®** Branch despite the opening of the Kilmore & District **Community Bank®** Branch. The Board is very proud of the growth that has been achieved across the two branches. The Kilmore & District **Community Bank®** Branch has been awarded 'Branch of the Year' for 2016 for the Victorian Central Region of Bendigo Bank.

Kevin Hannam and his team have been instrumental in the growth that our company has achieved, and I regret to inform you that Kevin has been appointed by Bendigo Adelaide Bank as a Regional Manager in South East Victoria. This is a promotion for Kevin within the network and we thank him for his dedicated service to the company over the last six years. We will still see Kevin at Bendigo Bank functions, and wish him every success in his new role. Kevin is a person who can make a difference and he has certainly achieved that at NorCen Financial Services Limited. Your company has continued to invest in the development of our staff so we are able to appoint from within, and it is pleasing to inform you that Shelley McLean has been appointed as Acting Branch Manager at Kilmore. The Board is confident that Shelley will manage the team and the Kilmore & District **Community Bank®** Branch with great flare and dedication.

Our company is focused on planning for the future and I am pleased to announce the appointment of Susan Langborne and Brent Baker as Youth Board Associates to the NorCen Financial Services Limited Board. This program has been introduced to encourage young members of the community to participate in the operation of public companies and to learn how public companies operate. Susan has been appointed to committees and does attend Board Meetings and will have a range of responsibilities including assisting the Board make decisions. This role is mutually beneficial with the opportunity for our company to gain a youth prospective in our operations and planning.

During the year we appointed Sheree Tivendale as our Company Secretary, and I'm very pleased to welcome Sheree and praise her for the enthusiasm, skill and 'can do' personality that she has brought to our company.

Jason Chuck has taken on the position of Senior Manager with the

company. Jason joined us on the 28 July 2016 and has brought many years of experience in the banking sector; he was previously the Manager at Bendigo Bank's Mitchell Street Branch, Bendigo. Jason will be based at both Wallan and Kilmore.

Tracey Charry has continued to lead her team at Wallan and Erin McDonald has been fast tracked in lending to fill the gap created by Kirsty Goddard, who is on maternity leave. I thank all staff at both branches for their outstanding contribution to the company and their positive attitudes.

The banking sector is under pressure with margins on income contracting, in our last financial year this has been offset by the huge increase in business that we have achieved at both branches of NorCen Financial Services Limited increased Franchise Income. The 2016/17 financial year marks the introduction of Bendigo and Adelaide Bank's Funds Transfer Pricing (FTP) profit share to truly reflect the 50/50 profit share which is the core of our Franchise Agreement. By reflecting the real costs and the profits, in our case will affect our profit share, but Bendigo will under write some of that loss for up to three years. Our focus is to continue to strive for new business at our branches, and if we can continue growth at previous year's levels it will not take long to increase our income again.

The dividend that we paid last year was 8c per share fully franked. We are proposing to pay our dividend again in March 2017 and it will be at the rate of 7.2c per share fully franked. I thank all shareholders for their support.

The community contributions for the last year have totalled \$616,688, which has been placed with a wide range community groups and organisations. By far the largest project that we have been involved with is the **Community Bank®** Adventure Park at Wallan's Hadfield Park in conjunction with the Mitchell Shire and the State Government. Your **Community Bank®** company's contribution to this project is \$520,000. Once this project is complete your **Community Bank®** branches will have returned \$2.31 million to the communities of Wallan/Kilmore/Wandong/Broadford and surrounding Districts since inception.

In March, a Directors workshop was held in Marysville and led by Dianne Taylor a consultant in business management and a Director of the Pinewood **Community Bank®** Company. Having eight hours of workshop without the other distractions of operating our business allowed all Directors to focus on our Strategic Plan. All Directors actively participated and were impressed by how cohesive we all were with our aspirations for the company. Looking back, we have grown our business from nothing in 2007 to having 6,480 customers who have 12,500+ accounts and services provided by the Wallan & District and Kilmore & District **Community Bank®** branches.

We still have few shareholders who do not bank with us. To change to your **Community Bank®** branch from your other Bank; simply see Tracey and her team at Wallan or Shelley and her team at Kilmore.

I thank all the Directors for their dedication and willingness to take on the difficult tasks of managing our company. They are a fine group who have differing backgrounds and views but who work together to achieve great results.

If you require any assistance about your shareholding or company matters, please contact our Company Secretary, Sheree Tivendale on (03) 5783 4758 or visit the NorCen Financial Services Limited office next door to the Wallan & District **Community Bank®** Branch.



*Wally Mott*  
Wally Mott  
Chairman



Mitchell Ranges Soccer Club representatives Ken Caig and Mark Lambert-Williams receiving their sponsorship cheque from Bendigo Bank's Piggy, NorCen Financial Services Board Chairman Wally Mott and Wallan & District **Community Bank®** team member Kirsty Reid.

# Treasurer's Report

For year ending June 30, 2016

It is with great pleasure I submit our financial results for trading year ended 30th June 2016.

Our overall result for year 2015/2016 was a net surplus before tax, grants and sponsorships of \$667,454.00, which is down from 2014/2015 record result of \$696,829.00. However last year was the first full year of trading for our second branch in Kilmore. Kilmore branch finished the year with total loans and deposits of \$110 million. It also recorded trading profits for 3 months during the year. Kilmore overall lost money for last year but reached break-even in April 2016, only 16 months after opening in December 2014.

That financial performance is remarkable for a new community bank branch, we can only thank the Kilmore community and our customers for the level of support shown to our first expansion site. Also the wonderful staff who have performed so well since opening the branch.

Of the \$667,454.00 surplus \$616,688.00 was distributed back to our communities in grants and sponsorships, this includes the second instalment of \$260,000 yet to be given to Mitchell Shire Council as our contribution to the **Community Bank®** Adventure Playground project, which is now nearing completion. Leaving Net Profit Before Tax of \$50,766.00.

The inclusion of \$260,000 as a debt at year end, has reduced our net assets by this amount, once the \$260,000 is paid our asset base will return to around \$1,700,000.00.

This financial year will be far more challenging than any previous, commencing 1st July 2016, Bendigo Bank have amended our income share. This will reduce our income by over \$300,000 for the current financial year, from what it would have been had the income share model remained as it was up until 30th June 2016.

In effect we are required to add about \$60 million in additional business before our income will start to grow again. Bendigo are entitled to make this change under the franchise agreement signed in 2014 in order to open our Kilmore branch. This makes our business less profitable than it has been up to now, but our business will remain viable, and with further growth, will return to providing significant returns to all stakeholders over the next few years.

Our franchise agreement limits our ability to pay shareholders dividends of either 5% over the 90 day bill rate, or 20% of our gross surplus before tax. Under either of these formulas we anticipate that Dividend payments will reduce for 2017 trading year. We also will not be able to maintain our sponsorships and grants program at \$600,000 per annum.

We anticipate spending between \$200,000 and \$300,000 on community funding this year, which will enable us to continue providing a large range of community groups with funding for their projects.

By 30th June 2017, we believe we will be in much better position to predict future income and expenditure. By then we also hope to have a final price on development of 57-59 High Street Wallan.

We purchased the old newsagency site at public auction in September 2015. We applied to Mitchell Shire to demolish the existing building in order to construct a signature development on the site. Councils response was to apply to the State Planning Minister to heritage list the old newsagency building and an interim heritage order was issued in August 2016.

Discussions with Council are ongoing, and we remain confident that we will reach a mutually agreeable result. As at 19th September 2016, we are still awaiting a formal approval. This development will be the major investment that NorCen Financial Services Ltd. will undertake over the next few years. With the support of our partners the Bendigo Bank, we hope to have this development completed sometime in 2018.

This will provide the company with some investment income to add to our banking income, hence providing some diversity to our business. We believe that on completion what we propose to build will be valued far higher than it's cost of construction, due mainly to its prime location in the centre of the Wallan shopping precinct, and the standard of the development that we construct, and the fact that we will be the principal occupier.

Once completed we will move our Wallan branch into the new development, we shall also include a "Business Incubator" where current local small businesses have the opportunity to move away from being home based, at a greatly reduced cost.

It is an exciting time to be involved with our company, and I look forward to reporting on our progress in the future.



David Wheeler  
Treasurer



Wallan Branch Manager Tracey Charry, Senior Manager Jason Chuck and Kilmore Branch Manager Shelley McLean.

# Branch Manager's Reports

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For year ending June 30, 2016

## Kilmore Branch Manager (2015-2016) Kevin Hannam

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It is with great pleasure, and great sadness, that I submit my last report for the Kilmore & District **Community Bank®**. As you are aware I have moved into a senior role with the Bendigo & Adelaide Bank, assisting **Community Bank®** boards in the Geelong District, to hopefully achieve the same success we have at NorCen Financial Services Ltd.

The Kilmore branch, in its first 18 months of trading, has achieved growth no other Community Bank® branch has ever come close to. We have grown to \$105 million in footings in this short period. The 2016 financial year saw us achieve lending growth of \$26.6 million and deposit growth of \$8.8 million a total of \$35.4 million. Importantly, the branch is now contributing profits every month, enabling the company to again exceed \$400,000 in Community Investment. Three significant projects were commenced in the past twelve months. We have purchased a community bus for use of the Wallan & Kilmore community organisations. We also purchased the old newsagency in Wallan to build our future home, and business incubator for Wallan & District **Community Bank®**. The Board has committed \$520,000 towards the construction of an **Community Bank®** Adventure Playground in Hadfield Park, costing in excess of \$2 million. This was achieved through a collaboration between the **Community Bank®** Board, the Mitchell Shire and the State Government. These projects are living proof of the power of Community Banking in our district, due entirely to the support of our local communities.

None of these achievements would be possible without the dedicated and loyal staff at both Community Banks. Shelley McLean, Laura Moran, Leanne Paice, Leanne Cook, Melissa and Andrea have provided amazing support to myself, and service to our Kilmore customers. We also enjoy an excellent working relationship with our Board, very capably led by Chairman Wally Mott. The Board has given us a constant stream of referrals which shows the confidence they have in our staff. Our Regional Office team, especially our Regional Manager, Jodie McLeod, has supported and encouraged us to perform at the high level we have, for year after year.

Being my last report, I would like to thank everyone in the past and present, who has believed in my leadership, and who have helped make NorCen Financial Services Ltd, the envy of the **Community Bank®** network.

The measure of any leader is to leave something in a better shape than when they started. I am certain this is the case, and Wallan and Kilmore **Community Bank®** will continue to achieve results that strengthen the communities they are part of.

Kevin Hannam  
Kilmore Branch Manager



## Kilmore Branch Manager (2016-2017) Shelley McLean

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It is with great pleasure that I present my inaugural report as Acting Branch Manager of the Kilmore & District **Community Bank®** Branch. I have had the privilege of leading the team at Kilmore since May following on from former Manager Kevin Hannam who was promoted within the Bendigo Bank network.

Our **Community Bank®** branch has had great support from our local community which really enables us to continue to make high levels of sponsorship grants back to our community. We have been able to provide infrastructure to a range of community and sporting groups and have returned a combined total of \$356,688 from the Wallan and Kilmore & District **Community Bank®** branches back to our community, which includes the **Community Bank®** Bus which is managed through the Mitchell Shire Council.

The Kilmore & District **Community Bank®** Branch team are dedicated to providing the best possible service to our customers and I sincerely thank the team for their enthusiasm, hard work and commitment to our **Community Bank®** branch. I would like to express my sincere thanks to

Kevin Hannam for his commitment to establishing the Kilmore & District **Community Bank®** Branch and to the brilliant team at Kilmore, Laura Moran, Leanne Cook, Leanne Paice, Melissa Hall and Andrea Lever.

Our team has outstanding support from our devoted Board of Directors and I would also like to express my thanks to all of the Directors, our Chairman Wally Mott and our Regional Office team led by Jodie McLeod and John Sirolii.

I look forward to continuing the wonderful results we have seen from Kilmore in the coming year and continuing the growth and I thank our community for their ongoing support of the Kilmore & District **Community Bank®** Branch.

Shelley McLean  
Kilmore Branch Manager



## Wallan Branch Manager Tracey Charry

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I am pleased to present my second report as Branch Manager of the Wallan & District **Community Bank®** Branch.

The 2015/16 financial year has seen our **Community Bank®** branch be able to support many fantastic local projects and organisation in our community and this makes our branch really proud. We are eagerly watching the development of the **Community Bank®** Adventure Playground in Hadfield Park, Wallan and look forward to seeing our community enjoy this magnificent development, that is proudly supported by the Wallan and Kilmore **Community Bank®** branches and was made possible by \$520,000 of **Community Bank®** company funding.

Our great local team is the foundation for supporting our valued customers and hence our community, so I would particularly like to thank Jennifer Michelsson, Kirsty Goddard, Erin McDonald, Julie Cannon, Jackie Ginefra, Louise Costa and Kirsty Reid. The team take a great deal of pride in assisting our customers and serving our community and I thank them for

their ongoing hard work and dedication to the role, but whilst we are a full service bank, we are even bigger than that.

We now have 6,702 customers at the Wallan & District **Community Bank®** Branch with over \$183.4 million on our books. We continue to grow by approximately 81 new accounts each month.

I encourage each and every one of our shareholders to keep telling the **Community Bank®** story and referring their colleagues, friends and family to bank with us so we can continue to grow and continue to enrich our community.

Tracey Charry  
Wallan Branch Manager



# Directors' Report

## For year ending June 30, 2016

Your directors submit the financial statements of the company for the financial year ended 30 June 2016.

### Directors

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

#### Walter (Wally) Hilaire Mott Chairman

Occupation: Company Director

Qualifications, experience and expertise: Director of the Leader Media Group Pty Ltd 1980-86. Director of North East Broadcasters Ltd and North East Broadcasters Pty Ltd 1996. Chairman and Managing Director of several companies. 51 years involved in the newspaper and printing industry, 20 years involved with regional radio, 30 years in property investment and development, 38 years farming in the Whittlesea and Mitchell Districts. Formal Qualifications include Apprenticeship at the Melbourne School of Printing and Graphic Arts. Life Member Whittlesea Agricultural Society.

Special responsibilities: Chairman. Ex officio on all committees.

Interest in shares: 121,736



#### Bruce Harold Edward Nicholls Deputy Chairman

Occupation: Director

Qualifications, experience and expertise: B.Sc. (Economics), Dip. Bus, FAICD.

Bruce has extensive experience in corporate governance, business management and franchise operations. Bruce is involved in a range of community groups such as the CFA and Landcare and local sporting clubs and the President Elect of Southern Mitchell Rotary Club. Director of Port of Melbourne.

Special responsibilities: Deputy Chairman. Chair of Strategic Planning, Community Investment and Marketing, Procurement & Properties, Budget and Finance committees.

Interest in shares: 31,824



#### David Allan Wheeler Treasurer

Occupation: Company Director

Qualifications, experience and expertise: 20 years self employed running a small business. Prior experience in real estate, finance and marketing. 15 years involvement with community banking. He was Director and Treasurer of Valley Community Financial Services Limited which operated 5 community bank franchises in the Diamond Valley for 13 years.

Special responsibilities: Treasurer. Chair of Budget and Finance. Audit and Governance, Project Wallan and Community Investment and Marketing committees.

Interest in shares: 11,600



#### Susan (Sue) Louise Marstaeller Director

Occupation: Local Councillor (Mayor)

Qualifications, experience and expertise: Councillor for Mitchell Shire Council for 13 years, three terms as Mayor, finance, audit and governance experience, Justice of the Peace Victoria, Director Central Ranges Local Learning and Employment Network.

Special responsibilities: Rotational Chair. Audit and Governance, Human Resources, Procurement &



Properties and Budget & Finance Committees.

Interest in shares: 5,001

#### Gregory (Greg) Claude Marshall Director

Occupation: Retired

Qualifications, experience and expertise: Prior to retirement Greg was employed for 45 years in the commercial building construction. Greg was involved in quantity surveying, building estimating and in the last 10 years and took over the managing directorship over this private building company being responsible for the overall running of the business.

Special responsibilities: Chair of Community Investment and Marketing, Procurement & Properties and Project Wallan committees.

Interest in shares: 4,000



#### Andrzej (Andrew) Krzysztof Skora Director

Occupation: Accountant

Qualifications, experience and expertise: Andrzej Skora has worked in various accounting practices within Victoria. In July 2000 Andrew moved to Wallan where he now lives with his wife Christina and there three children. Over the past sixteen years Andrew has focused his attention in establishing and running his own accounting practice, Wallan Accounting & Taxation Services. Andrew has completed his Bachelor of Business in Accounting, is a registered tax agent and member of the National Tax & Accountants' Association and currently holds a practising certificate. He is also the Treasurer and member of the Craigieburn Superrules Football Club, coaches junior basketball and is a classic car motoring enthusiast. Andrew was a founding member of the Wallan & District Community Bank steering committee and has been a Director of Wallan & District Financial Services Ltd, now Norcen Financial Services Ltd. since its inception in May 2006.

Special responsibilities: Chair of **Community Bank®** Adventure Playground. Chair of Audit and Governance and Community Investment and Marketing committees.

Interest in shares: 4,002



#### David John Ford Director

Occupation: Senior OH&S Advisor

Qualifications, experience and expertise: Diploma Occupational Health and Safety, Diploma Auditing in Tertiary Education. President of Wallan Primary School for 5 years and has been the Senior Occupational Health and Safety advisor at Western Health for over 7 years. Previously had 13 years experience with the Fire Brigade (Emergency Services - Yallourn Energy).

Special responsibilities: Chair of Procurement & Properties and Human Resources Committees.

Interest in shares: 55,000



#### Kathleen (Kit) Mary Holland Director

Occupation: Manager

Qualifications, experience and expertise: B.Sc. Owner and manager of GP clinic in Wallan since 2001. Coordinator of the Junior Tennis at Kilmore and former Vice President Kilmore Toy Library. Member of Rotary since 2013.

Special responsibilities: Vice Chair of Community Investment and Marketing Committee and Strategic Planning committee.



## Directors' Report (continued)

Interest in shares: 2,000

### Terrence (Terry) Leslie Dobson

Director (Appointed 24 November 2015)

Occupation: Retired

Qualifications, experience and expertise: Has extensive experience in the building and construction industry and has managed several business operations. Terry has utilised his skills and experience to train others in the industry and spent several years as a trade teacher. Terry has a number of trade certifications.

Special responsibilities: Chair of Project Wallan. Human Resources and Community Investment & Marketing committees.

Interest in shares: 6500



### Lee Ann Day

Director (Appointed 24 November 2015)

Occupation: General Manager - Newspaper Publishing and Commercial Printing Business

Qualifications, experience and expertise: Lee has been with Newspaper House Pty Ltd for 10 years, starting within the production department as a Graphic Designer in 2006. Over the ten year period she worked her way through roles in the business and was appointed General Manager in 2013. Lee has lived in the Mitchell Shire since she was 5 years old, attended Kilmore Primary School and Broadford Secondary College. Lee has a bachelors degree in Graphic Design with the Australian Academy of Design and last year completed an Advanced Diploma of Management with the Australian Institute of Management. Lee has also been a member of the Kilmore Field and Game Gun Club for almost 20 years.

Special responsibilities: Chair of Human Resources. Strategic Planning, Community Investment and Marketing committees.

Interest in shares: 500



Directors were in office for this entire year unless otherwise stated. No directors have material interests in contracts or proposed contracts with the company.

### Company Secretary

Sheree Tivendale was appointed to the position of non-Director Company Secretary on the 5th of November 2015 and is remunerated at commercial rates. Sheree brings a wealth of experience and qualifications in business management, human resources, marketing and corporate governance and is currently completing a double degree in Business and Psychology and has extensive experience managing organisations and as a company Director.

### Principal Activities

The principal activities of the company during the financial year were facilitating Community Bank® services under management rights to operate franchised branches of Bendigo and Adelaide Bank Limited.

There have been no significant changes in the nature of these activities during the year.

### Operating results

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

Year ended 30 June 2016	<b>\$28,281</b>
Year ended 30 June 2015	<b>\$160,511</b>

### Dividends

Year ended 30 June 2016

**8 Cents**

Dividends paid in the year

**\$147,657**

### Significant changes in the state of affairs

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

### Events since the end of the financial year

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company the results of those operations or the state of affairs of the company, in future years.

This financial year will be far more challenging than any previous, commencing 1st July 2016, Bendigo Bank have amended our income share. This will reduce our income by over \$300,000 for the current financial year, from what it would have been had the income share model remained as it was up until 30th June 2016.

### Likely developments

The company will continue its policy of facilitating banking services to the community. But due to Funds transfer pricing our profits will be reduced in the 2016-17 financial year.

### Environmental regulation

The company is not subject to any significant environmental regulation.

### Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 19 and 21 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

### Indemnification and insurance of directors and officers

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

### Directors' meetings

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

Board Meetings	Attended	Eligible
Walter Hilaire Mott	12	10
Susan Louise Marstaeller	12	10
Bruce Harold Edward Nicholls	12	9
David Allan Wheeler	12	12
Gregory Claude Marshall	12	9
Andrzej Krzysztof Skora	12	11
David John Ford	12	10
Kathleen Mary Holland	12	11
Terrence Leslie Dobson (Appointed 24 November 2015)	10	10
Lee Ann Day (Appointed 24 November 2015)	10	10

### 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.

### Non audit services

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

The board of directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor

independence requirements of the Corporations Act 2001 for the following reasons:

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

### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

Signed in accordance with a resolution of the board of directors at Wallan, Victoria on 28 September 2016.

Walter Hilaire Mott,  
Chairman

## Auditor's Independence Declaration



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

As lead auditor for the audit of NorCen Financial Services Ltd for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

Andrew Frewin Stewart  
61 Bull Street, Bendigo Vic 3550  
Dated: 16 September 2016

David Hutchings  
Lead Auditor

# Financial Statements

For year ending June 30, 2016

## Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	Notes	2016 - \$	2015 - \$
Revenue from ordinary activities	4	2,494,885	2,106,924
Employee benefits expense		(1,308,288)	(992,389)
Charitable donations, sponsorship, advertising and promotion		(616,688)	(490,782)
Occupancy and associated costs		(138,453)	(135,608)
Systems costs		(59,653)	(44,400)
Depreciation and amortisation expense	5	(61,252)	(32,781)
Finance costs	5	(3,602)	(1,389)
General administration expenses		(256,183)	(203,528)
<b>Profit before income tax expense</b>		<b>50,766</b>	<b>206,047</b>
Income tax expense	6	(22,485)	(45,536)
<b>Profit after income tax expense</b>		<b>28,281</b>	<b>160,511</b>
<b>Total comprehensive income for the year</b>		<b>28,281</b>	<b>160,511</b>
<b>Earnings per share for profit attributable to the ordinary shareholders of the company:</b>			
		\$	\$
Basic earnings per share	22	1.53	9.30

## Balance Sheet as at 30 June 2016

	Notes	2016 - \$	2015 - \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	207,716	853,439
Trade and other receivables	8	227,598	188,701
Current tax asset	11	29,474	595
<b>Total Current Assets</b>		<b>464,788</b>	<b>1,042,735</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	1,399,127	639,831
Intangible assets	10	56,784	75,095
Deferred tax asset	11	20,427	22,490
<b>Total Non-Current Assets</b>		<b>1,476,338</b>	<b>737,416</b>
<b>Total Assets</b>		<b>1,941,126</b>	<b>1,780,151</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	371,324	86,965
Provisions	13	53,463	62,126
<b>Total Current Liabilities</b>		<b>424,787</b>	<b>149,091</b>
<b>Non-Current Liabilities</b>			
Provisions	13	18,576	13,921
<b>Total Non-Current Liabilities</b>		<b>18,576</b>	<b>13,921</b>
<b>Total Liabilities</b>		<b>443,363</b>	<b>163,012</b>
<b>Net Assets</b>		<b>1,497,763</b>	<b>1,617,139</b>

<b>Equity</b>			
Issued capital	14	1,003,089	1,003,089
Retained earnings	15	494,674	614,050
<b>Total Equity</b>		<b>1,497,763</b>	<b>1,617,139</b>

## Statement of Changes in Equity for the year ended 30 June 2016

	Issued capital \$	Retained earnings \$	Total equity \$
<b>Balance at 1 July 2014</b>	<b>799,019</b>	<b>582,739</b>	<b>1,381,758</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>160,511</b>	<b>160,511</b>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	211,700	-	211,700
Costs of issuing shares	(7,630)	-	(7,630)
Dividends provided for or paid	-	(129,200)	(129,200)
<b>Balance at 30 June 2015</b>	<b>1,003,089</b>	<b>614,050</b>	<b>1,617,139</b>
<b>Balance at 1 July 2015</b>	<b>1,003,089</b>	<b>614,050</b>	<b>1,617,139</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>28,281</b>	<b>28,281</b>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(147,657)	(147,657)
<b>Balance at 30 June 2016</b>	<b>1,003,089</b>	<b>494,674</b>	<b>1,497,763</b>

## Statement of Cash Flows for the year ended 30 June 2016

	Notes	2016 - \$	2015 - \$
<b>Cash flows from operating activities</b>			
Receipts from customers		2,708,570	2,244,416
Payments to suppliers and employees		(2,356,771)	(2,027,454)
Interest received		5,275	33,270
Interest paid		(3,602)	(1,388)
Income taxes paid		(49,301)	(92,220)
<b>Net cash provided by operating activities</b>	<b>16</b>	<b>304,171</b>	<b>156,624</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(802,237)	(416,908)
Payments for intangible assets		-	(80,000)
<b>Net cash used in investing activities</b>		<b>(802,237)</b>	<b>(496,908)</b>
<b>Cash flows from financing activities</b>			
Proceeds of share issues		-	211,700
Payment of share issue costs		-	(7,631)
Dividends paid		(147,657)	(129,200)
<b>Net cash provided by/ (used in) financing activities</b>		<b>(147,657)</b>	<b>74,869</b>
<b>Net decrease in cash held</b>		<b>(645,723)</b>	<b>(265,415)</b>
Cash and cash equivalents at the beginning of the financial year		853,439	118,854
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7(a)</b>	<b>207,716</b>	<b>853,439</b>

# Notes to the Financial Statements

For year ending June 30, 2016

## Note 1. Summary of significant accounting policies

### a) Basis of preparation

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

### Compliance with IFRS

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

### Critical accounting estimates

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

### Historical cost convention

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

### Comparative figures

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

### Application of new and amended accounting standards

The following amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) became mandatorily effective for accounting periods beginning on or after 1 July 2015, and are therefore relevant for the current financial year.

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.
- AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.

None of the amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2015, materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The following accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) become effective in future accounting periods.

Effective for annual reporting periods beginning on or after

- AASB 9 Financial Instruments, and the relevant amending standards. 1 January 2018
- AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 1 January 2018

- AASB 16 Leases 1 January 2019
- AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations. 1 January 2016
- AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation. 1 January 2016
- AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants. 1 January 2016
- AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements. 1 January 2016
- AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. 1 January 2018
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle. 1 January 2016
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101. 1 January 2016
- AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception. 1 January 2016
- AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses. 1 January 2017
- AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107. 1 January 2017

The company has not elected to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2015. Therefore the abovementioned accounting standards or interpretations have no im

### Economic dependency - Bendigo and Adelaide Bank Limited

"The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank® branches at Wallan and Kilmore."

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the Community Bank® branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the Community Bank® branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

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

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

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as

## Notes to the Financial Statements (continued)

the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the Community Bank® branches franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- advice and assistance in relation to the design, layout and fit out of the Community Bank® branches
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

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

### b) Revenue

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

#### Revenue calculation

Over the period from September 2013 to February 2015, Bendigo and Adelaide Bank Limited conducted a review of the Community Bank® model, known as 'Project Horizon'. This was conducted in consultation with the community banking network. The objective of the review was to develop a shared vision of the Community Bank® model that positions it for success now and for the future.

The outcome of that review is that the fundamental franchise model and community participation remain unchanged. Changes to be implemented over a three year period reflect a number of themes, including a culture of innovation, agility and flexibility, network collaboration, director and staff development and a sustainable financial model. This will include changes to the financial return for Community Bank® companies from 1 July 2016. A funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin. All revenue paid on core banking products will be through margin share. Margin on core banking products will be shared on a 50/50 basis.

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

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

#### Core banking products

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

#### Margin

Margin is arrived at through the following calculation:

Interest paid by customers on loans less interest paid to customers on deposits

plus any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,

minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan. From 1 July 2016, both will mean the cost for Bendigo and Adelaide Bank Limited to borrow the money in the market.

Products and services on which margin is paid include variable rate deposits and variable rate home loans. From 1 July 2016, examples include Bendigo Bank branded at call deposits, term deposits and home loans.

For those products and services on which margin is paid, the company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

#### Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products. This currently also includes Bendigo Bank branded fixed rate home loans and term deposits of more than 90 days, but these will become margin products from 1 July 2016.

#### Fee income

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

#### Ability to change financial return

"Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited earns revenue. The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the Company receives on a particular product or service. The effect of the change on the revenue earned by the Company is entirely dependent on the change."

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

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

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

## Notes to the Financial Statements (continued)

### Monitoring and changing financial return

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

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

### Monitoring and changing financial return (continued)

As discussed above in relation to Project Horizon, among other things, there will be changes in the financial return for **Community Bank®** companies from 1 July 2016. This includes 50% share of margin on core banking products, all core banking products become margin products and a funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin.

The Board is yet to appreciate the full impact of the above changes on our revenue moving forward. We would anticipate that by the time of this year's AGM we will be able to inform our shareholders of the likely outcomes of the new model.

The Board is continuing to work with Bendigo and Adelaide Bank Ltd to understand any potential changes to revenue and will provide further details as appropriate in due course.

### c) Income tax

#### Current tax

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

#### Deferred tax

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

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

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

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

#### Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items

credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

### d) Employee entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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

### e) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

### f) Trade receivables and payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

### g) Property, plant and equipment

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

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

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

- leasehold improvements 40 years
- plant and equipment 2.5 - 40 years
- furniture and fittings 4 - 40 years

### h) Intangibles

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

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

### i) Payment terms

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

## Notes to the Financial Statements (continued)

### j) Borrowings

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

### k) Financial instruments

#### Recognition and initial measurement

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

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

#### Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

#### Classification and subsequent measurement

##### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

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

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

##### (iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

##### (iv) Financial liabilities

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

#### Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

### l) Leases

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

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

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

### m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

### n) Contributed equity

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

### o) Earnings per share

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

### p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

## Note 2. Financial risk management

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

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

#### (i) Market risk

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

#### (ii) Price risk

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

#### (iii) Credit risk

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

## Notes to the Financial Statements (continued)

### (iv) Liquidity risk

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

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

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

### (vi) Capital management

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

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

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2016 can be seen in the statement of comprehensive income.

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

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

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

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

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

#### Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

### Note 3. Critical accounting estimates and judgements

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates

of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

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

#### Estimation of useful lives of assets

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

#### Impairment of assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

### Note 4. Revenue from ordinary activities

	2016 - \$	2015 - \$
Operating activities:		
- services commissions	2,477,960	2,073,654
Total revenue from operating activities	2,477,960	2,073,654
Non-operating activities:		
- interest received	5,275	33,270
- other revenue	11,650	-
Total revenue from non-operating activities	16,925	33,270
Total revenues from ordinary activities	2,494,885	2,106,924

## Notes to the Financial Statements (continued)

### Note 5. Expenses

	2016 - \$	2015 - \$
Depreciation of non-current assets:		
- plant and equipment	17,783	21,137
- buildings	25,158	-
Amortisation of non-current assets:		
- franchise agreement	4,311	3,477
- franchise renewal fee	14,000	8,167
	61,252	32,781
Finance costs:		
- interest paid	3,602	1,389
Bad debts	(272)	1,350

### Note 6. Income tax expense

	2016 - \$	2015 - \$
The components of tax expense comprise:		
- Current tax	20,526	76,768
- Future income tax benefit attributable to losses	-	(23,674)
- Movement in deferred tax	206	-
- Recoupment of prior year tax losses	-	1,184
- Adjustment to deferred tax to reflect change of tax rate in future periods	1,857	-
- Under/(Over) provision of tax in the prior period	(104)	(8,742)
	22,485	45,536
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	50,766	206,047
Prima facie tax on profit from ordinary activities at 30%	15,230	61,814
Add tax effect of:		
- non-deductible expenses	5,587	4,901
- timing difference expenses	167	10,053
- other deductible expenses	(458)	-
	20,526	76,768
Movement in deferred tax	206	(23,674)
Adjustment to deferred tax to reflect change of tax rate in future periods	1,857	1,184
Under/(Over) provision of income tax in the prior year	(104)	(8,742)
	22,485	45,536

### Note 7. Cash and cash equivalents

	2016 - \$	2015 - \$
Cash at bank and on hand	207,716	234,781
Term deposits	-	618,658
	207,716	853,439



2015-2016 Grants Night

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

	2016 - \$	2015 - \$
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:		
Cash at bank and on hand	207,716	234,781
Term deposits	-	618,658
	207,716	853,439

### Note 8. Trade and other receivables

	2016 - \$	2015 - \$
Trade receivables	201,597	162,525
Prepayments	18,430	18,605
Other receivables and accruals	7,571	7,571
	227,598	188,701

### Note 9. Property, plant and equipment

	2016 - \$	2015 - \$
Land and buildings		
Freehold land at cost	778,581	-
Buildings		
At cost	82,560	712,352
Less accumulated depreciation	(117,566)	(92,408)
	564,994	619,944
Plant and equipment		
At cost	101,638	48,190
Less accumulated depreciation	(46,086)	(28,303)
	55,552	19,887
Total written down amount	1,399,127	639,831

### Note 9. Property, plant and equipment (continued)

	2016 - \$	2015 - \$
Movements in carrying amounts:		
Land		
Carrying amount at beginning	-	-
Additions	778,581	-
Disposals	-	-
Less: depreciation expense	-	-
Carrying amount at end	778,581	-
Buildings		
Carrying amount at beginning	619,944	233,479
Additions	7,873	404,195
Disposals	-	-
Reclassifying assets to plant and equipment	(37,665)	-
Less: depreciation expense	(25,158)	(17,730)
Carrying amount at end	564,994	619,944
Plant and equipment		
Carrying amount at beginning	9,887	10,580
Additions	15,782	12,714
Disposals	-	-
Reclassifying assets from buildings	37,666	-
Less: depreciation expense	(17,783)	(3,407)
Carrying amount at end	55,552	19,887
Total written down amount	1,399,127	639,831

## Notes to the Financial Statements (continued)

### Note 10. Intangible assets

	2016 - \$	2015 - \$
Franchise fee		
At cost	31,554	31,554
Less: accumulated amortisation	(22,603)	(18,292)
	8,951	13,262
Establishment fee		
At cost	170,000	170,000
Less: accumulated amortisation	(122,167)	(108,167)
	47,833	61,833
Total written down amount	56,784	75,095

### Note 11. Tax

	2016 - \$	2015 - \$
Current:		
Income tax refundable	(29,474)	(595)
Non-Current:		
Deferred tax assets		
- accruals	715	817
- employee provisions	19,811	21,673
	20,526	22,490
Deferred tax liability		
- property, plant and equipment	99	-
	99	-
Net deferred tax asset	20,427	22,490
Movement in deferred tax charged to statement of comprehensive income	2,063	(22,490)

### Note 12. Trade and other payables

	2016 - \$	2015 - \$
Current:		
Trade creditors	286,619	22,783
Other creditors and accruals	84,705	64,182
	371,324	86,965

### Note 13. Provisions

	2016 - \$	2015 - \$
Current:		
Provision for annual leave	32,745	40,437
Provision for long service leave	20,718	21,689
	53,463	62,126
Non-Current:		
Provision for long service leave	18,576	13,921

### Note 14. Contributed equity

	2016 - \$	2015 - \$
1,634,020 ordinary shares fully paid (2015: 1,634,020)	817,010	817,010
211,700 shares issued under the Kilmore prospectus dated 19 December 2014	211,700	211,700
Total ordinary shares fully paid 30 June 2015	1,028,710	1,028,710
Less: equity raising expenses	(25,621)	(25,621)
	1,003,089	1,003,089

### Rights attached to shares

#### (a) Voting rights

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

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

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

#### (b) Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

#### (c) Transfer

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

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

### Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if 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").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 386. As at the date of this report, the company had 426 shareholders.

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

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

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

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

## Notes to the Financial Statements (continued)

### Note 15. Retained earnings

	2016 - \$	2015 - \$
Balance at the beginning of the financial year	614,050	582,739
Net profit from ordinary activities after income tax	28,281	160,511
Dividends paid or provided for	(147,657)	(129,200)
Balance at the end of the financial year	494,674	614,050

### Note 16 Statement of cash flows

	2016 - \$	2015 - \$
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	28,281	160,511
Non cash items:		
- depreciation	42,941	21,137
- amortisation	18,311	11,644
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(38,898)	(8,175)
- (increase)/decrease in other assets	(26,817)	(23,085)
- increase/(decrease) in payables	284,361	(20,375)
- increase/(decrease) in provisions	(4,008)	38,566
- increase/(decrease) in current tax liabilities	-	(23,599)
Net cash flows provided by operating activities	304,171	156,624

### Note 17. Leases

	2016 - \$	2015 - \$
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	88,410	87,900
- between 12 months and 5 years	78,111	164,992
	166,521	252,892

The Wallan property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease has extension provisions for 2 further five year options available. The lease is due for renewal in 1 July 2017.

The Kilmore property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease has extension provisions for 2 further five year options available. The lease is due for renewal in 12 June 2019.

### Note 18. Auditor's remuneration

	2016 - \$	2015 - \$
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,100	2,600
- share registry services	5,360	5,328
- other non audit services	3,265	5,341
	12,725	13,269

### Note 19. Director and related party disclosures

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

Walter Hilaire Mott  
 Susan Louise Marstaeller  
 Bruce Harold Edward Nicholls  
 David Allan Wheeler  
 Gregory Claude Marshall  
 Andrzej Krzysztof Skora  
 David John Ford  
 Kathleen Mary Holland  
 Terrence Leslie Dobson (Appointed 24 November 2015)  
 Lee Ann Day (Appointed 24 November 2015)  
 Peter Anthony Roylance (Resigned 28 July 2015)

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

Transactions with related parties:

	2016 - \$	2015 - \$
Walter Mott, Director and Lee Ann Day, General Manager of Newspaper House Pty Ltd - Advertising	21,040	22,956
Walter Mott, Director James Yeates Printing Pty Ltd - Signage	-	374

#### Directors Shareholdings

	2016	2015
Walter Hilaire Mott	121,736	121,736
Susan Louise Marstaeller	5,001	5,001
Bruce Harold Edward Nicholls	31,824	31,824
David Allan Wheeler	11,600	11,600
Gregory Claude Marshall	4,000	4,000
Andrzej Krzysztof Skora	4,002	4,002
David John Ford	55,000	55,000
Kathleen Mary Holland	2,000	2,000
Terrence Leslie Dobson (Appointed 24 November 2015)	6,500	-
Lee Ann Day (Appointed 24 November 2015)	500	-
Peter Anthony Roylance (Resigned 28 July 2015)	2,002	2,002

There was no movement in directors shareholdings during the year.

### Note 20. Dividends paid or provided

	2016 - \$	2015 - \$
a. Dividends paid during the year		
Current year dividend		
100% (2015: 100%) franked dividend		
- 8 cents (2015: 7 cents) per share	147,657	129,200
The tax rate at which dividends have been franked is 30% (2015: 30%). Dividends proposed will be franked at a rate of 30% (2015: 30%).		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	304,436	363,328
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	48,857	(595)

## Notes to the Financial Statements (continued)

- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	353,293	362,733
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	353,293	362,733

### Note 21. Key Management Personnel Disclosures

	2016 - \$	2015 - \$
The directors received remuneration including superannuation, as follows:		
Walter Hilaire Mott	5,000	1,500
Susan Louise Marstaeller	1,500	5,000
Bruce Harold Edward Nicholls	1,500	1,500
David Allan Wheeler	4,000	4,000
Gregory Claude Marshall	1,500	1,500
Andrzej Krzysztof Skora	1,500	1,500
David John Ford	1,500	1,500
Kathleen Mary Holland	1,500	1,500
Terrence Leslie Dobson (Appointed 24 November 2015)	1,000	-
Lee Ann Day (Appointed 24 November 2015)	1,000	-
Peter Anthony Roylance (Resigned 28 July 2015)	-	-
	20,000	18,000

### Community Bank® Directors' Privileges Package

The board has adopted the Community Bank® Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the Community Bank® branches at Wallan and Kilmore. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the Directors from the Directors' Privilege Package are \$nil for the year ended 30 June 2016 (2015: \$nil).

### Note 22. Earnings per share

	2016 - \$	2015 - \$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	28,281	160,511
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,845,720	1,726,820

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

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

### Note 24. Contingent liabilities and contingent assets

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

### Note 25. Segment reporting

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

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

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

Registered Office  
Unit 1 51 High Street  
Wallan VIC 3756

Principal Place of Business  
Unit 1 51 High Street  
Wallan VIC 3756  
75A Sydney Street  
Kilmore VIC 3764



Official opening of the Broadford Pavilion.



Wandong Warriors team jersey presentation to Wallan Branch.

## Notes to the Financial Statements (continued)

### Note 27. Financial instruments

#### Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2016 - \$	2015 - \$	2016 - \$	2015 - \$	2016 - \$	2015 - \$	2016 - \$	2015 - \$	2016 - \$	2015 - \$	%	%
Financial assets												
Cash and cash equivalents	207,716	234,781	-	618,658	-	-	-	-	-	-	1.14	3.23
Receivables	-	-	-	-	-	-	-	-	201,597	162,525	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	286,619	22,783	N/A	N/A

#### Net Fair Values

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

#### Credit Risk

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

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

#### Interest Rate Risk

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

#### Sensitivity Analysis

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

As at 30 June 2016, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2016 - \$	2015 - \$
Change in profit/(loss)		
Increase in interest rate by 1%	2,077	8,534
Decrease in interest rate by 1%	2,077	8,534
Change in equity		
Increase in interest rate by 1%	2,077	8,534
Decrease in interest rate by 1%	2,077	8,534

## Directors' Declaration

### For year ending June 30, 2016

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

In the opinion of the directors:

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

(i) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and

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

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

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



**Walter Hilaire Mott,**  
Chairman

Signed on the 28th of September 2016.

# Independent Audit Report



## Independent auditor's report to the members of NorCen Financial Services Ltd

### Report on the financial report

We have audited the accompanying financial report of NorCen Financial Services Ltd, which comprises the balance sheet as at 30 June 2016, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

### Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

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

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

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### **Independence**

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

### **Auditor's opinion on the financial report**

In our opinion:

1. The financial report of NorCen Financial Services Ltd is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2016 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated: 16 September 2016



**David Hutchings**  
Lead Auditor



**\$2,318,912**

returned to **your** community  
since June 2007



Wallan & District **Community Bank**® Branch  
1/51 High Street, Wallan VIC 3756  
Phone: (03) 5783 2422  
[www.bendigobank.com.au/wallan](http://www.bendigobank.com.au/wallan)

Kilmore & District **Community Bank**® Branch  
75A Sydney Street, Kilmore VIC 3764  
Phone: (03) 5781 0066  
[www.bendigobank.com.au/kilmore](http://www.bendigobank.com.au/kilmore)

Franchisee: NorCen Financial Services Limited  
PO Box 368, Wallan VIC 3756  
ABN: 32 119 493 113

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