

NorCen Financial Services Limited
ABN 32 119 439 113

2018

Annual Report



Wallan & Kilmore
Community Bank Branches



Wally Mott
Chairman



Bruce Nicholls
Deputy Chairman



David Wheeler
Treasurer



Sue Marstaeller
Director



Greg Marshall
Director



David Ford
Director



Kathleen Holland
Director



Terrence Dobson
Director



Susan Langborne
Director



Brent Baker
Director



Sally Chadwick
Company
Secretary



Kate Boulton
Community
Engagement
Officer



NorCen Financial Services Limited

2018 Annual Report

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Your Community Bank continues to grow, with the successful opening of our Customer Service Centre at Broadford in February this year, adding a third township to our successful branches at Wallan and Kilmore.

We have had a bumper year in income, and we now employ 20 staff in our three branches and our Administration Office. Profits have been growing. Pre tax profits distributed to the community since inception have passed \$2.9 million, made possible by the customers and shareholders who bank with our Community Bank Branches at Wallan, Kilmore and Broadford. Our Community Investment budget for this year is \$300,000.00 which will principally be distributed to local organisations and groups as grants.

The Sedgwick Report and the Royal Commission into banking has been well reported in the media. The Bendigo & Adelaide Bank employ Business Bankers and Financial Advisors on salary only basis. Our Business Bankers and Financial Advisor provide the best outcome for our clients, having no incentive to chase commission from selling products that may not suit the customer. Locally, we have a Bendigo Financial Advisor based at Wallan who is available for consultation at our Branches.

We have had a few staff changes this year, several for personal reasons, including Kilmore Manager Shelley McLean relocating to Barwon Heads and our Board Secretary Sheree Tivendale moving to a Government role, along with several other staff. We extend our grateful thanks to Shelley, Sheree and our former staff for their outstanding service. In their place we were fortunate to welcome new manager at Kilmore Simon Halman and new Company Secretary Sally Chadwick. Other changes have been the appointment of Laura Moran as our Mobile Banker and Kate Bolton as our Community Investment and Marketing Officer.

Our staff are our greatest asset being dedicated, professional and well trained in the business of banking; they are led by Senior Manager Jason Chuck, Wallan Branch Manager Tracey

Charry, Kilmore Branch Manager Simon Halman and Broadford Senior Officer Leanne Paice.

At the Annual Grants Night at Trackside on September 4th there were many comments made by the 140 attendees about the friendly customer service that our branches are giving. I have also personally received positive feedback from the community.

During the year Director and original Steering Committee member Andrew Skora retired from the Board, as did Directors Lee Day and Lee Bova. All of these retirements were for lifestyle reasons balancing family, work and social life. I thank those retired Directors for their input into the running of the Company. We also appointed Brent Baker, our Youth Board Associate, as a Director and he will be standing for re-election at the AGM.

We are proud to be progressing our new Wallan Building, which will be a signature commercial building for the region. Our new Wallan home will house the Branch, a regional Business Incubator and our Administration Office, with construction to commence shortly. Many hours of work have been contributed by our Directors to progress this project.

The mix of our Board reflects the community we serve and I thank my fellow Directors for the enthusiasm and dedication they bring to the task of directing our Company's affairs. At a recent Directors retreat we considered future strategy for the Company and have already commenced implementing our findings.

We look forward to another busy and successful year.



Wally Mott
Chairman



It is with great pleasure I submit the financial statements for year ended 30 June 2018.

What a terrific set of numbers they are, our Income increased by \$452,621.00 for the year up 17.4 %. This is due to the continuing extraordinary growth in our banking business. Our staff costs increased by \$258,857.00 due to the increased number of local people we are employing, and well earned pay increases for all our staff.

Our Sponsorship spending increased slightly, but importantly we granted funds to all deserving applicants during the year.

Our depreciation increased by \$110,969.00 for the year due to us claiming accelerated write-off of our existing Wallan Fit Out. We expect to scrap this once we move into our new building late next year. This higher write-off has resulted in our taxable profit remaining almost unchanged at \$542,873.00.

The Board has resolved to pay an unchanged fully franked dividend of 8.3 cents per share in late March 2019.

Our Balance Sheet is strengthened by the addition of further retained funds, our Net Assets are now \$1,992,922.00, almost double contributed equity of \$1,003,089.00. 2018/2019 will be a transformative year for our company, we have very recently granted the tender to construct our new building in Wallan. We have applied for finance of \$3 million to fund this development. We expect the new building will be completed by October/ November 2019, and we will move our Wallan Branch and our Admin Centre as soon as possible on completion.

This will add a significant asset to our balance sheet, as well as our first long term liability. It is very gratifying that our total annual commitment to repay the finance on our loan will be less than this year's increase in banking income. All we need to do is to keep performing as well this year as we did last year, and we can service this debt without any change to our other parameters.

We are blessed that our service area covers one of Melbourne's most dynamic growth corridors.

We anticipate that our growth will continue at a faster rate than organic growth because we add value to every relationship that we establish.

Our staff work ethic, and their positive helpful approach to all our customers, reflects the customers positive experience on our income statement. We intend to do all in our power to make sure that this continues.

Our business is very well set for future growth, we have ample working capital to fund our day to day requirements, and anticipate no change in our positive trajectory.

At our recent strategic weekend held in August, I presented to the Board a very positive picture for our company's future performance, I continue to be very optimistic about our business prospects.

The large change in our balance sheet which will result from the building in Wallan, will not change the direction of the company, we are and will remain a banking service organisation, whose purpose is to add to the well being of our customers, our staff, our partners, our shareholders, and all our other stakeholders.



David Wheeler
Treasurer



Senior Manager's Report

How best to summarise the last 12 months as the Senior Manager of NorCen Financial Service Limited (NorCen). To say it has been a very busy and industrious financial year would somewhat understate what we have been able to achieve since my Annual report last year.

The withdrawal of NAB from Broadford last year gave us the opportunity to look at how we could assist the town from a banking perspective. After town hall meetings and extensive investigation by both NorCen and Bendigo Bank, the decision was made to look at a banking model called a "Customer Service Centre- or CSC".

The Bendigo Bank set specific hurdles that NorCen needed to reach before we could achieve sign-off on our CSC in Broadford. We were charged with attracting both Deposit and Lending funds to the Bendigo Bank to ensure that if/when we opened, we would have an established base of clientele to build on and ensured the local townsfolk had "skin in the game" with their potential new Bank. These targets seemed quite modest, however the reality of actually transferring banking across to the Bendigo Bank for some clients was quite a challenge.

Staff member Leanne Paice and I established an office at Barry Plant Real Estate in Broadford and began to write business immediately. Barry Plant staff were fantastic, and we soon had a professional and confidential environment in which to offer banking solutions to the townsfolk.

The assistance provided by Alana and Greg at the former Broadford Agency was tremendous, and I take this opportunity once again to thank them for all of their help. We would not have achieved our CSC so quickly without their support, and they should be very proud of their efforts. With their assistance, along with support from the Kilmore Bendigo bank branch; the CSC has to date been a success with over \$17 Million on the books. It is wonderful to provide this banking service to the people of Broadford and district, and we look forward to their continued support.

Kilmore entered its third year exceptionally well led by Branch Manager Shelley McLean. A high performing branch, Kilmore experienced significant staff change during the year with Shelley McLean moving to Barwon Heads as their Branch Manager, Laura Moran moving to our mobile lending role, whilst Andrea Lever and Leanne Paice are now based at Broadford. Through new appointments, including new Branch Manager Simon Halman, the branch is now in a very good position.

Kilmore now has footings of \$166 Million, and grew by a very impressive \$26 Million in the last financial year. These figures look great (and they are), however they also re-domiciled over \$12 Million in growth to the new Broadford CSC upon them opening in February, so their actual growth of \$38 million for the year is an incredible result. All staff contributed to this result, however special mention must go to Shelley McLean, Laura Moran and Erin McDonald for their impressive lending performance. What a year for Kilmore.

Wallan, fresh from winning Branch of the Year in our Region last year had another superb year. The team at Wallan achieved growth of \$20.5

Million for the year; and was kept extremely busy with both Lending enquiries and account openings. It is to be noted that Wallan lost \$15 Million off their book due to a large Commercial connection paying down debt, so actual growth was closer to \$36 Million for the year- very close to Kilmore's results. Wallan, ably led by Branch Manager Tracey Charry consistently punch above their weight in comparison to other branches within the region, and their results are a real credit to the team. Wallan celebrated its 10 year anniversary during the year which allowed us to both acknowledge the hard work of both current and former staff and to celebrate their success in style.

Finally, the Board have performed very well as a cohesive unit as we have dealt with various pressing issues throughout the year. Plans for our new branch in Wallan are progressing nicely, and this building will act as a new home for Wallan Community Bank as well as offering community and office spaces and the building will add a new dynamic to the streetscape in Wallan.

The Board made the decision to appoint a specialised Mobile Relationship Manager to service the lending needs of our catchment area outside of hours. This position was filled by one of our most experienced lenders, Laura Moran and she is already excelling in this position.

I thank Chairman Wally Mott and the Board of Bruce Nicholls, Kit Holland, David Wheeler, David Ford, Terry Dobson, Sue Marstaeller, Susan Langborne, Brent Baker, former Directors Andrew Skora, Lee Day, Lee Bova and former Company Secretary Sheree Tivendale for their ongoing support and assistance during the year.

Finally, thank you to Tracey and her team- Jen, Kirsty, Jackie, Louise, Carmel and Tyeisha. Thanks to the Kilmore team of Simon, Jasmyn, Julie, Courtney, Kirsty and Amy. To the Broadford crew of Leanne and Andrea well done. Our staff are our Number One asset, and your hard work over the past 12 months is very much appreciated. I am very proud of all of your efforts. Let's hope 2018 - 2019 is a successful one for you all.

Last year, NorCen distributed \$166,255.47 back into our local communities. NorCen also paid a dividend to shareholders of 8.3c per share. From humble beginnings, NorCen now has three operational sites, employs 20 local staff and is a major financial contributor to Wallan, Kilmore, Broadford and District communities. This is a source of pride to all branch staff, the Board of NorCen and myself as Senior Manager. I see very exciting times on the horizon, and I urge you all play your part by banking with and supporting your local community bank. Together, we can make a massive difference. I look forward to seeing you in one of our branches soon.

Jason Chuck
Senior Manager
Kilmore and Wallan Community Bank
Branches
Broadford Customer Service Centre



Wallan Manager's Report

I am pleased to submit my third annual report for the Wallan + District Community Bank ®.

The 2017/2018 financial year has again seen many great achievements for the Wallan branch with our net growth of \$20.5 Million. This great growth helps us to support so many fantastic deserving local projects and organisations, in our local community, of which we can be extremely proud.

It takes a whole team effort to achieve these great results and I thank Kirsty Goddard, Jen Michelsson, Jackie Ginefra, Kirsty Reid, Louise Costa and our two newest team members, Tyeisha Oorloff and Carmel Borg for their hard work and dedication to our customers and our community.

Our great local team is foundation for supporting our valued customers and hence our community.

Our Branch is now closer to our next major development in the Wallan Heart Town precinct, with the removal of the current building on the proposed site, with plans to start our new building later in the year. This will be an exciting time in the next 12 months, to see the building of our new home that both our staff, customers and local community will no doubt benefit.

It is exciting and pleasing to see such excellent growth and opportunity in Wallan, with the expansion of the town as new development continues and I look forward to the branch and community growing together. It is wonderful to be part of this positive change for Wallan, that benefits from having the community support, where banking really can make a difference.

I encourage each one of our shareholders to keep telling the Community Bank ® story and referring their colleagues, friends and families to bank with us, so we can continue to grow and enrich our community. You are our best advocates and know first hand the difference banking with our Community Bank can make!!

I would also like to thank our wonderful Board Directors; Sheree, Sally, Kate and Senior Manager Jason, Kilmore Branch Manager Simon and Broadford Officer in Charge Leanne Paice along with their respective Kilmore and Broadford teams.



Tracey Charry
Branch Manager
Wallan & District Community Bank

Kilmore Branch Manager's Report

It is with pleasure that I submit my inaugural annual report as Branch Manager of the Kilmore and District Community Bank® since starting with Norcen Financial Services Ltd on the 16th April 2018. This short period of time so far has been a great experience, getting to know our teams, the Board and Bendigo Bank. I thank the Board for having the confidence to appoint me to this role when Shelley McLean, the previous Branch Manager, decided to take a sea change and move to a new Branch Manager role at Barwon Heads.

We are lucky to have a fantastic and dedicated team at the Kilmore & District Community Bank. During the year we have experienced some staffing changes with Shelley and Erin moving to new roles within the Bank, Laura transitioning to a newly created Mobile Relationship Manager role and Kate moving to a new position within Norcen Financial Services Ltd. This has created new opportunities for our existing staff to move up into new roles as well as bringing in a new staff member with previous Bendigo Bank experience. We now have a new team that is working extremely well together. They have all worked hard over the previous year to achieve the incredible results for Kilmore & District Community Bank and the wider community.

In February 2018, Norcen Financial Services Limited successfully opened the new Broadford Customer Service Centre after the closure of the local NAB branch in town. We were able to meet the target set to increase our lending and deposits in the Broadford area. This was made possible through the hard work of Kilmore & District Community Bank staff and Senior Manager Jason Chuck along with the support of the local Broadford community.

The Kilmore branch has grown to nearly \$166 million in footings to end of June 2018 after nearly 3 and a half years since opening. During the 2018 financial year we saw a lending growth of \$27.013 million and deposit growth of \$1.166 million contributing to total growth in footings of \$27.798 million. The Kilmore & District Community Bank also contributed a further lending growth of \$4.361 million and deposit growth of \$7.8 million, a total of \$12.161 million, which was transferred to the new Broadford Customer Service Centre when it opened in February 2018. This was done as part of our program and targets to open in Broadford.

These outstanding results have contributed to an extremely successful year across all areas of the branch. This would not have been possible without the hard work and dedication of our team including Shelley McLean, Laura Moran, Erin McDonald, Kate Boulton, Jasmyne Hickey, Julie Cannan, Courtney Malesevich, Amy George, Leanne Paice, Andrea Lever and Jason Chuck. I congratulate them on their results and focus on customer service and look forward to further success in the coming year.

In addition to this we have also enjoyed an excellent working relationship with our Board. Receiving referrals from them indicates the confidence they have in our team. The Bendigo Bank team led by Shaun Leech and Bill Den Hartog have been a source of great support and encouragement enabling us to perform at such a high level.

I would like to thank everyone who has supported me in my new role as Branch Manager, in particular the Board for having the confidence to appoint me and Senior Manager Jason Chuck for providing the bulk of the training and coaching that has allowed me to be successful so far. I look forward to being part of the success of the Kilmore & District Community Bank® along with our new dedicated team. I am confident that that the 2019 financial year will bring continued success for not only the Bank but the community in which we operate.

Simon Halman
Branch Manager
Kilmore & District Community Bank



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

Directors

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

Walter Hilaire Mott

Chairman

Occupation: Company Director

Qualifications, experience and expertise: Director of the Leader Media Group Pty Ltd 1980-86. Chairman and Managing Director of several companies. 54 years involved in the newspaper and printing industry, 29 years in property investment and development and 39 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

Interest in shares: 128,736

Bruce Harold Edward Nicholls

Deputy Chairman

Occupation: Director

Qualifications, experience and expertise: B. Com (Economics), Dip. Bus, FAICD. Bruce is Chairman, Mitchell Business Network, Past Chair, RACA, former director of several exchange-listed public companies and public corporations, incl. Port of Melbourne Corp. and Goulburn Valley Water Corp. Bruce's community roles include Rotary, CFA and Landcare.

Special responsibilities: Deputy Chairman, Chair Strategic Planning, Chair Risk, Member of Budget & Finance and Audit & Governance Committees

Interest in shares: 36,824

David Allan Wheeler

Treasurer

Occupation: 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. David was previously a 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, Member of Audit & Governance, Budget & Finance, Projects & Development, Procurement & Properties, Community Investment & Marketing Committees

Interest in shares: 11,600

Susan Louise Marstaeller OAM

Director

Occupation: Retired

Qualifications, experience and expertise: Councillor for Mitchell Shire Council for 13 years, twice Mayor, finance, audit and governance experience, Justice of the Peace Victoria, Director Central Ranges LLEN, Director and Secretary of Rivers and Ranges Community Leadership Program.

Other directorships: Rivers and Rangers Community Leadership Inc and Central Ranges LLEN

Special responsibilities: Chair Audit & Governance, Budget & Finance, Human Resources and Procurement & Properties Committees

Interest in shares: 5,001

Gregory Claude Marshall

Director

Occupation: Retired

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

Special responsibilities: Chair Community Investment & Marketing, Member of Projects & Development Committees

Interest in shares: 4,000

David John Ford

Director

Occupation: Senior OH&S Advisor

Qualifications, experience and expertise: Diploma OH&S, Diploma Auditing - Education tertiary. Past President Wallan Primary School Council for 5 years. Senior OH&S Advisor Western Health for 10 years. Fire Brigade (Emergency Services - Yallourn Energy) 13 years.

Special responsibilities: Chair Human Resources Committee, Member of Procurement & Properties and Audit & Governance Committees

Interest in shares: 55,000

Kathleen Mary Holland

Director

Occupation: Manager

Qualifications, experience and expertise: BSc. Owner and Financial Manager of Wallan Family Practice GP clinic for the last 17 years. Member of the Rotary Club of Southern Mitchell, currently serving as Vocational Director and President Elect.

Special responsibilities: Chair: Marketing Public Relations and Events Team; member of Community Investment & Marketing Committee and Strategic Planning Committee.

Interest in shares: 7,000

Terrence Leslie Dobson

Director

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 Projects & Development, Member Procurement & Properties and Community Investment & Marketing Committee

Interest in shares: 7,500

Susan Joanne Langborne

Director (Appointed 14 November 2017)

Occupation: Student and Integration aide

Qualifications, experience and expertise: Susan is currently completing her Bachelor of Psychology and works as an aide at Wallan Secondary College.

Special responsibilities: Chair Procurement & Properties, Chair Youth Engagement Committee, Member of Human Resources Committee and Community Investment & Marketing Committees

Interest in shares: Nil

Brent Alastair Edwin Baker

Director (Appointed 22 May 2018)

Occupation: Business owner and Mechanical Technician

Qualifications, experience and expertise: Runs a small business locally, past and current involvement in local community groups and charities.

Special responsibilities: Member Budget & Finance, Audit & Governance and Youth Engagement Committees

Interest in shares: Nil

Lee Ann Day

Director (Resigned 6 July 2018)

Occupation: Guest Retention Manager Kilmore Toyota

Qualifications, experience and expertise. Lee has lived in the Mitchell Shire since she was 5 years old, she attended Kilmore Primary School and Broadford Secondary College. Lee has a Bachelor 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: Member of Strategic Planning, Community Investment & Marketing and Human Resources Committees

Interest in shares: 500

Lee Joanne Bova

Director (Resigned 22 May 2018)

Special responsibilities: Nil

Interest in shares: Nil

Andrzej Krzysztof Skora

Director (Resigned 25 July 2017)

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 their 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 Super Rules 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: Audit & Governance Committee

Interest in shares: 4,002

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

There have been two company secretaries, Sheree Tivendale and Sally Chadwick, during the current financial year. Sally Chadwick was appointed to the position of Secretary on 25 June 2018. Sally is a non-Director company secretary and is remunerated at commercial rates. Sheree Tivendale was appointed to the position of secretary on 11 November 2015 and resigned on 25 June 2018. Sheree was a non-Director company secretary and was remunerated at commercial rates.

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 2018 \$387,250

Year ended 30 June 2017 \$393,996

Dividends

Year ended 30 June 2017 Cents 8.3

Dividends paid in the year \$ 153,195

Significant Changes in the State of Affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in notes 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	Attended
Walter Hilaire Mott	11	9
Bruce Harold Edward Nicholls	11	9
David Allan Wheeler	11	10
Susan Louise Marstaeller	11	10
Gregory Claude Marshall	11	9
David John Ford	11	9
Kathleen Mary Holland	11	9

Directors' Report (continued)

Terrence Leslie Dobson	11	10
Susan Joanne Langborne (Appointed 14 November 2017)	7	7
Brent Alastair Edwin Baker (Appointed 22 May 2018)	2	1
Lee Ann Day (Resigned 6 July 2018)	11	10
Lee Joanne Bova (Resigned 22 May 2018)	5	4
Andrzej Krzysztof Skora (Resigned 25 July 2017)	1	1

Sub Committees: There were nine sub-committees in 2017- 2018:

- Audit & Governance (six members)
- Budget & Finance (four members)
- Human Resources (four members)
- Strategic Planning (three members)
- Community Investment & Marketing (six members)
- Projects & Development (three members)
- Procurement & Properties (five members)
- Public Relations & Events (one member)
- Youth Engagement (two members)

The board did not record sub-committee meetings and attendances.

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 and governance 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 and governance 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 and signed in accordance with a resolution of the board of directors at Wallan, Victoria on 26 September 2018.



Walter Hilaire Mott,
Chairman

Auditor's Independence Declaration

For year ending June 30 2018

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 2018, 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: 26 September 2018

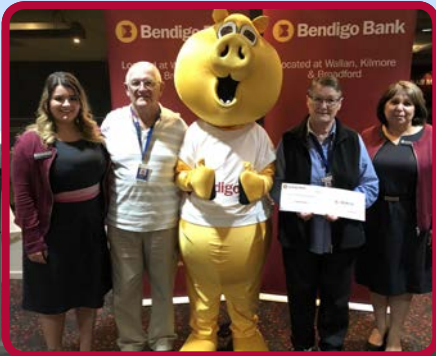


David Hutchings
Lead Auditor

AFS
Partners in success
Chartered Accountants
61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
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Be the change!

Just some of the many community investment recipients from the 2017-2018 financial year at our annual presentation evening in September.



Ambulance Auxiliary



Broadford Football Club



Broadford Pony Club



Broadford Primary School



Camp 4 Cancer



Kilmore Cricket Club



Kilmore First Scouts



Kilmore Pigeon Racing Club



Kilmore Racing Club



Kilmore SES



Kilmore Swim Club



LB Davern Reserve, Wandong

Be the change!



Love In Action



Mitchell Agility Dog Club



Mitchell Shire Concert Band



Pyalong Primary School
and Pyalong Kindergarten



Rotary Club of Southern Mitchell



South Mitchell Neighbourhood Watch Group



St Patrick's Primary School



Steph Ryan MP



Wallan Bowling Club



Wallan Football Club



Wallan Play Group



Wandong Netball Club

Financial Statements

For year ending June 30 2018

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018.

	Notes	2018 - \$	2017 - \$
Revenue from ordinary activities	4	3,048,013	2,595,392
Employee benefits expense		(1,547,081)	(1,288,224)
Charitable donations, sponsorship, advertising and promotion		(234,762)	(216,777)
Occupancy and associated costs (194,531)		(135,703)	
Systems costs		(67,872)	(54,545)
Depreciation and amortisation expense	5	(168,293)	(57,324)
Finance costs	5	(1)	(1)
General administration expenses		(292,600)	(293,422)
Profit before income tax expense		542,873	549,396
Income tax expense	6	(155,623)	(155,400)
Profit after income tax expense	387,250	393,996	
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		387,250	393,996
Earnings per share		¢	¢
Basic earnings per share	22	20.98	21.35

Balance Sheet as at 30 June 2018

	Notes	2018 - \$	2017 - \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	405,229	348,044
Trade and other receivables	8	276,088	242,727
Total Current Assets		681,317	590,771
Non-Current Assets			
Property, plant and equipment	9	1,484,200	1,384,487
Intangible assets	10	50,830	38,473
Deferred tax asset	11	35,428	16,147
Total Non-Current Assets		1,570,458	1,439,107
Total Assets		2,251,775	2,029,878
LIABILITIES			
Current Liabilities			
Trade and other payables	12	124,005	107,884
Current tax liabilities	11	57,033	93,020
Provisions	13	67,023	53,670
Total Current Liabilities		248,061	254,574
Non-Current Liabilities			
Provisions	13	10,792	16,437
Total Non-Current Liabilities		10,792	16,437
Total Liabilities		258,853	271,011
Net Assets		1,992,922	1,758,867
Equity			
Issued capital	14	1,003,089	1,003,089
Retained earnings	15	989,833	755,778
Total Equity		1,992,922	1,758,867

Statement of Changes in Equity for the year ended 30 June 2018

	Notes	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2016		1,003,089	494,674	1,497,763
Total comprehensive income for the year	-	-	393,996	393,996
Transactions with owners in their capacity as owners:				
Shares issued during period	-	-	-	-
Costs of issuing shares	-	-	-	-
Dividends provided for or paid	20	-	(132,892)	(132,892)
Balance at 30 June 2018		1,003,089	755,778	1,758,867
Balance at 1 July 2017		1,003,089	755,778	1,758,867
Total comprehensive income for the year	-	-	387,250	387,250
Transactions with owners in their capacity as owners:				
Shares issued during period	-	-	-	-
Costs of issuing shares	-	-	-	-
Dividends provided for or paid	20	-	(153,195)	(153,195)
Balance at 30 June 2018		1,003,089	989,833	1,992,922

Statement of Cash Flows for the year ended 30 June 2018

	Notes	2018 - \$	2017 - \$
Cash flows from operating activities			
Receipts from customers		3,313,822	2,849,471
Payments to suppliers and employees		(2,616,384)	(2,523,862)
Interest received		4,197	211
Interest paid		(1)	(1)
Income taxes paid		(210,891)	(28,626)
Net cash provided by operating activities	16	490,743	297,193
Cash flows from investing activities			
Payments for property, plant and equipment		(239,668)	(23,973)
Payments for intangible assets		(40,695)	-
Net cash used in investing activities		(280,363)	(23,973)
Cash flows from financing activities			
Dividends paid	20	(153,195)	(132,892)
Net cash used in financing activities		(153,195)	(132,892)
Net increase/(decrease) in cash held		57,185	140,328
Cash and cash equivalents at the beginning of the financial year		348,044	207,716
Cash and cash equivalents at the end of the financial year	7(a)	405,229	348,044

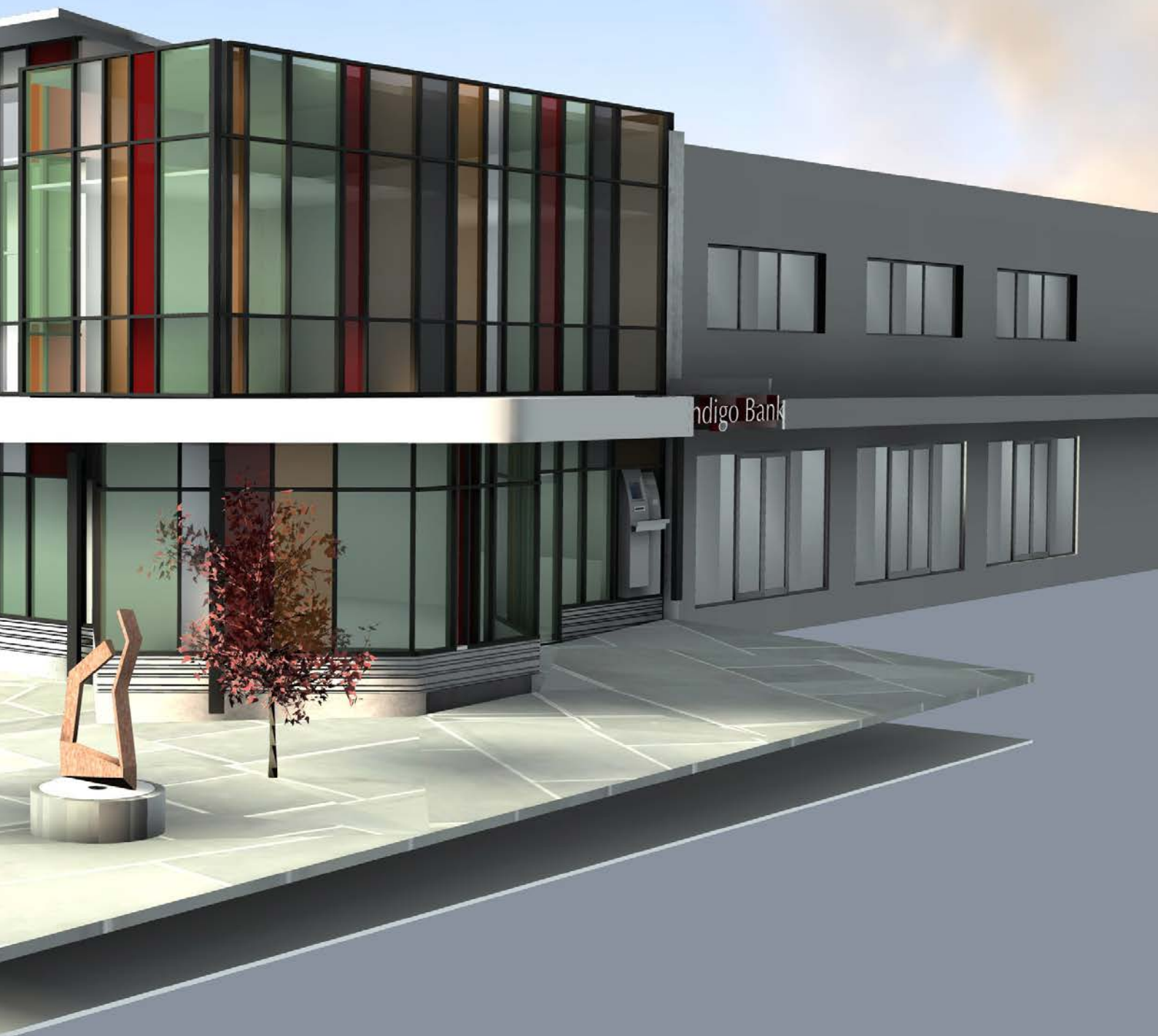
The accompanying notes form part of these financial statements



**A first look
New Community**
to be located



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y Bank® Building
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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 Standards Board (AASB) and the Corporations Act 2001. The company is a forprofit 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 which are significant to the financial statements are disclosed in note 3.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of noncurrent 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

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2017, and are therefore relevant for the current financial year.

AASB 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This accounting standard is not expected to have a material impact on the financial statements.

AASB 15 Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. This accounting standard is not expected to have a material impact on the financial statements.

There are also a number of accounting standards and interpretations issued by the AASB that become effective in future accounting periods.

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2017. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

AASB 16 Leases is effective for annual periods beginning on or after 1 January 2019. The standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The company has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The actual impact of applying AASB 16 on the financial statements in the period of initial application will depend on future economic conditions, including the company's borrowing rate at 1 January 2019, the composition of the lease portfolio at that date, the latest assessment of whether the company will exercise any lease renewal options and the extent to which the company chooses to use practical expedients and recognition exemptions.

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating leases of its branches. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to \$133,798, on an undiscounted basis (see Note 17).

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

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank® branches at Wallan and Kilmore and a customer service centre at Broadford, Victoria.

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.

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

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.

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

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

Commission

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

Fee income

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

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo and Adelaide Bank Limited has also made discretionary financial payments to the company. These are referred to by Bendigo and Adelaide Bank Limited as a "Market Development Fund" (MDF).

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and donations. It is for the board to decide how to use the MDF.

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

Ability to change financial return

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

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

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

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

Monitoring and changing financial return

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

Overall, Bendigo and Adelaide Bank Limited has made it clear that the

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

d) Employee entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the 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:

- buildings	40	years
- plant and equipment	2.5 - 40	years
-leasehold improvements	5 - 15	years
-motor vehicle	3 - 5	years

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

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) Financial liabilities

Financial liabilities include borrowings, trade and other payables and 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 of other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

n) Issued capital

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2018 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

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

	2018 - \$	2017 - \$
Operating activities:		
- gross margin	2,561,713	2,059,664
- services commissions	172,812	231,620
- fee income	278,029	268,126
- market development fund	29,583	35,000
Total revenues from ordinary activities	3,042,137	2,594,410
Non-operating activities:		
- interest received	4,197	211
- other revenue	1,679	771
Total revenue from non-operating activities	5,876	982
Total revenues from ordinary activities	3,048,013	2,595,392

Note 5. Expenses

	2018 - \$	2017 - \$
Depreciation of non-current assets:		
- plant and equipment	12,060	13,855
- Branch leasehold improvements	123,275	25,158
- Customer Service Centre leasehold improvements	3,879	-
- motor vehicles	741	-

Notes to the Financial Statements (continued)

Amortisation of non-current assets:

- franchise agreement	3,900	4,311
- renewal fee	10,550	-
- establishment fee	13,888	14,000
	168,293	57,324

Finance costs:

- interest paid	1	1
Bad debts	3,792	(238)

Note 6. Income tax expense 2018 - \$ 2017 - \$

The components of tax expense comprise:

- Current tax	174,904	151,120
- Movement in deferred tax	(19,281)	4,280
	155,623	155,400

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

Operating profit	542,873	549,396
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	149,290	151,084
Add tax effect of:		
- non-deductible expenses	6,753	4,736
- timing difference expenses	19,281	(4,280)
- other deductible expenses	(420)	(420)
	174,904	151,120
Movement in deferred tax	(19,281)	4,280
	155,623	155,400

Note 7. Cash and cash equivalents 2018 - \$ 2017 - \$

Cash at bank and on hand	405,229	348,044
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Note 7.(a) Reconciliation to cash flow statement

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

Cash at bank and on hand	405,229	348,044
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Note 8. Trade and other receivables

Trade receivables	245,420	217,699
Prepayments	23,497	17,857
Other receivables and accruals	7,171	7,171
	276,088	242,727

Note 9. Property, plant and equipment

Land and buildings

Freehold land		
At cost	778,981	778,981

Branch Leasehold Improvements

At cost	674,686	674,686
Less accumulated depreciation	(265,998)	(142,723)
	408,688	531,963

Customer Service Centre leasehold improvements

At cost	61,003	-
Less accumulated depreciation	(3,879)	-
	57,124	-

Capital works in progress	162,456	28,668
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Plant and equipment

At cost	115,035	104,816
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Less accumulated depreciation	(72,001)	(59,941)
	43,034	44,875

Motor Vehicles

At cost	34,658	-
Less accumulated depreciation	(741)	-
	33,917	-
Total written down amount	1,484,200	1,384,487

Movements in carrying amounts:

Land

Carrying amount at beginning	778,981	778,581
Additions	-	400
Disposals	-	-
Less: depreciation expense	-	-
Carrying amount at end	778,981	778,981

Branch Leasehold Improvements

Carrying amount at beginning	531,963	557,121
Additions	-	-
Disposals	-	-
Transfer	-	-
Less: depreciation expense	(123,275)	(25,158)
Carrying amount at end	408,688	531,963

Customer Service Centre Leasehold improvements

Carrying amount at beginning	-	-
Additions	61,003	-
Disposals	-	-
Transfer	-	-
Less: depreciation expense	(3,879)	-
Carrying amount at end	57,124	-

Plant and equipment

Carrying amount at beginning	44,875	55,552
Additions	10,219	3,178
Disposals	-	-
Transfer	-	-
Less: depreciation expense	(12,060)	(13,855)
Carrying amount at end	43,034	44,875

Motor vehicle

Carrying amount at beginning	-	-
Additions	34,658	-
Disposals	-	-
Less: depreciation expense	(741)	-
Carrying amount at end	33,917	-

Capital works in progress

Carrying amount at beginning	28,668	7,873
Additions	133,788	20,795
Disposals	-	-
Transfer	-	-
Less: depreciation expense	-	-
Carrying amount at end	162,456	28,668
Total written down amount	1,484,200	1,384,487

Depreciation expense - Change in accounting estimate

Effective 1 July 2018, NorCen Financial Services Limited changed its estimate of useful life for its leasehold improvements. AASB 117 Leases, paragraph 27, states that leasehold improvements should be fully depreciated over the shorter of the lease term and its useful life. Notwithstanding the ability to renew for another five year period, the current lease is due to expire on 1 December 2019. The board has decided that

Notes to the Financial Statements (continued)

leasehold improvements are to be depreciated over the remainder of its current lease term. Previously leasehold improvements were depreciated over the estimated useful life of the property of 40 years. The material movement in depreciation expense is disclosed below.

<i>Branch Leasehold Improvements</i>	2018 - \$	2017 - \$
At cost	674,686	674,686
Less accumulated depreciation	(265,998)	(142,723)
	408,688	531,963
Branch Leasehold Improvements depreciation expense	123,275	25,158
Movement from prior period	98,117	1

Note 10. Intangible assets

<i>Franchise fee</i>		
At cost	36,605	31,554
Less: accumulated amortisation	(30,814)	(26,914)
	5,791	4,640
<i>Establishment fee</i>		
At cost	170,000	170,000
Less: accumulated amortisation	(150,055)	(136,167)
	19,945	33,833
<i>Renewal fee</i>		
At cost	25,257	-
Less: accumulated amortisation	(10,550)	-
	14,707	-
Goodwill on agency buyout	10,387	-
Total written down amount	50,830	38,473

Note 11. Tax

	2018 - \$	2017 - \$
Current:		
Income tax payable	57,033	93,020
Non-Current:		
Deferred tax assets		
- accruals	1,012	1,174
- employee provisions	21,399	19,279
- property, plant and equipment	13,017	-
	35,428	20,453
Deferred tax liability		
- property, plant and equipment	-	4,306
	-	4,306
Net deferred tax asset	35,428	16,147
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(19,281)	2,063

Note 12. Trade and other payables

Current:		
Other creditors and accruals	124,005	107,884

Note 13. Provisions

Current:		
Provision for annual leave	40,922	36,523
Provision for long service leave	26,101	17,147
	67,023	53,670
Non-Current:		
Provision for long service leave	10,792	16,437

Note 14. Issued capital

1,634,020 ordinary shares fully paid (2017: 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	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 423 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

Notes to the Financial Statements (continued)

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.

Note 15. Retained earnings

	2018- \$	2017 - \$
Balance at the beginning of the financial year	755,778	494,674
Net profit from ordinary activities after income tax	387,250	393,996
Dividends paid or provided for	(153,195)	(132,892)
Balance at the end of the financial year	989,833	755,778

Note 16. Statement of cash flows

	2018- \$	2017 - \$
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	387,250	393,996
Non cash items:		
- depreciation	139,955	39,013
- amortisation	28,338	18,311
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(33,361)	(15,129)
- (increase)/decrease in other assets	(19,281)	33,354
- increase/(decrease) in payables	16,121	(263,440)
- increase/(decrease) in provisions	7,708	(1,932)
- increase/(decrease) In tax liabilities	(35,987)	93,020
Net cash flows provided by operating activities	490 743	297,193

Note 17. Leases

	2018 - \$	2017 - \$
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	96,740	92,063
- between 12 months and 5 years	37,058	119,381
- greater than 5 years	-	-
	133,798	211 444

The Wallan property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance. The lease is due for renewal on 1 December 2019. The lease has one further five year extension option remaining after that.

The Kilmore property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance. The lease is due for renewal on 12 June 2019. The lease has one further five year extension option remaining after that.

During the period, the company entered into a five-year lease for printing equipment beginning 24 April 2018. The lease is payable in equal monthly instalments with the final instalment due on 24 April 2023.

Note 18. Auditor's remuneration

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

- audit and review services	5,400	4,200
- share registry services	5,759	4,193
- non audit services	5,728	5,537
	16 887	13 930

Note 19. Director and related party disclosures

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

Walter Hilaire Mott
 Bruce Harold Edward Nicholls
 David Allan Wheeler
 Susan Louise Marstaeller
 Gregory Claude Marshall
 David John Ford
 Kathleen Mary Holland
 Terrence Leslie Dobson
 Susan Joanne Langborne (*Appointed 14 November 2017*)
 Brent Alastair Edwin Baker (*Appointed 22 May 2018*)
 Lee Ann Day (*Resigned 6 July 2018*)
 Lee Joanne Bova (*Resigned 22 May 2018*)
 Andrzej Krzysztof Skora (*Resigned 25 July 2017*)

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

	2018- \$	2017 - \$
<i>Transactions with related parties:</i>		
Newspaper House Pty Ltd provided advertising services at market rates during the period. Walter Mott is a Director of and Lee Ann Day was General Manager.	5,192	26,514
NHP provided printing services at market rates during the period. Walter Mott is a Director of NHP.	1,881	546
The North Central Review Pty Ltd. Walter Mott is a director of The North Central Review Pty Ltd	32,652	-

Directors Shareholdings

	2018	2017
Walter Hilaire Mott	128,736	128,736
Bruce Harold Edward Nicholls	36,824	36,824
David Allan Wheeler	11,600	11,600
Susan Louise Marstaeller	5,001	5,001
Gregory Claude Marshall	4,000	4,000
David John Ford	55,000	55,000
Kathleen Mary Holland	7,000	7,000
Terrence Leslie Dobson	7,500	7,500
Susan Joanne Langborne (<i>Appointed 14 November 2017</i>)	-	-

Notes to the Financial Statements (continued)

Brent Alastair Edwin Baker (Appointed 22 May 2018)	-	-
Lee Ann Day (Resigned 6 July 2018)	500	500
Lee Joanne Bova (Resigned 22 May 2018)	-	-
Andrzej Krysztof Skora (Resigned 25 July 2017)	4,002	4,002
	260,163	260,163

Note 20. Dividends paid or provided

	2018 - \$	2017 - \$
a. Dividends paid during the year		
Current year dividend 100% (2017: 100%) franked dividend - 8.3 cents (2017: 7.2 cents) per share	153,195	132,892
The tax rate at which dividends have been franked is 27.5% (2017: 27.5%).		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	435,436	282,654
- franking credits that will arise from payment of income tax as at the end of the financial year	57,033	93,020
- 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:	492,469	375,674
- 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	492 469	375 674

Note 21. Key management personnel disclosures

The directors received remuneration including superannuation, as follows:

Walter Hilaire Mott	6,000	5,000
Bruce Harold Edward Nicholls	2,500	1,500
David Allan Wheeler	5,000	4,000
Susan Louise Marstaeller	2,500	1,500
Gregory Claude Marshall	2,500	1,500
David John Ford	2,500	1,500
Kathleen Mary Holland	2,500	1,500
Terrence Leslie Dobson	5,000	1,500
Susan Joanne Langborne (Appointed 14 November 2017)	2,500	-
Brent Alastair Edwin Baker (Appointed 22 May 2018)	758	-
Lee Ann Day (Resigned 6 July 2018)	2,500	1,500
Lee Joanne Bova (Resigned 22 May 2018)	833	-
Andrzej Krysztof Skora (Resigned 25 July 2017)	-	1,500
	35,091	21,000

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, Victoria. 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 \$200 for the year ended 30 June 2018 (2017: \$nil).

Note 22. Earnings per share

	2018 - \$	2017 - \$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	387,250	393,996
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	Number 1,845,720	Number 1,845,720

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, Kilmore and Broadford, Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 26. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
Unit 1 51 High Street Wallan VIC 3756	Unit 1 51 High Street Wallan VIC 3756
	75A Sydney Street, Kilmore VIC 3764
	63 High Street, Broadford VIC 3658

Note 27. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2018 - \$	2017 - \$	2018 - \$	2017 - \$	2018 - \$	2017 - \$	2018 - \$	2017 - \$	2018 - \$	2017 - \$	2018 - %	2017 - %
Financial assets												
Cash and cash equivalents	405,229	348,044	-	-	-	-	-	-	-	-	0.32	0.32
Receivables	-	-	-	-	-	-	-	-	245,420	217,699	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

	2018 - \$	2017 - \$
Change in profit/(loss)		
Increase in interest rate by 1%	4,052	3,480
Decrease in interest rate by 1%	(4,052)	(3,480)
Change in equity		
Increase in interest rate by 1%	4,052	3,480
Decrease in interest rate by 1%	(4,052)	(3,480)

Directors' Declaration

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 2018 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



Walter Hilaire Mott,
Chairman

Signed on the 26th of September 2018.



Chartered Accountants

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

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

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of NorCen Financial Services Ltd is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards.

What we have audited

NorCen Financial Services Ltd's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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

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

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

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

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

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report so that it gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibility for the audit of the financial report

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

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 26 September 2018



David Hutchings
Lead Auditor



Jason Chuck
Senior Manager



Simon Halman
Kilmore
Branch Manager



Tracey Charry
Wallan
Branch Manager



Leanne Paice
Broadford
Customer
Relationship
Manager



Carmel Borg
Customer Service
Officer



Julie Cannon
Customer
Relationship Officer



Louise Costa
Customer Service
Supervisor



Amy George
Customer Service
Officer



Jackie Ginefra
Customer
Relationship
Officer



Kirsty Goddard
Customer
Relationship
Manager



Jasmyrn Hickey
Customer
Relationship
Manager



Andrea Leaver
Customer Service
Officer



Courtney Malesevic
Customer
Relationship Officer



Jennifer Michelsson
Customer
Relationship
Manager

B Bendigo Bank



Laura Moran
Mobile
Relationship
Manager



Tyeisha Oorloff
Customer Service
Officer



Kirsty Reid
Customer Service
Officer



Carol Ryan
Customer
Relationship
Manager



Wallan & Kilmore **Community Bank®** Branches and Broadford Customer Service Centre

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