

2019

Annual Report



MAP NOT TO SCALE



Wallan & Kilmore
Community Bank Branches



Wally Mott
Chairman



David Wheeler
Treasurer



Sue Marstaeller
Director



Greg Marshall
Director



David Ford
Director



Kathleen Holland
Director



Terence Dobson
Director



Susan Langborne
Director



Brent Baker
Director



Sally Chadwick
Company
Secretary



Kate Boulton
Community
Engagement
Officer



Tracey Charry
Wallan
Branch Manager



Simon Halman
Kilmore
Branch Manager



Leanne Paice
Broadford
Customer
Relationship
Manager



Laura Moran
Mobile
Relationship
Manager



Carol Ryan
Customer
Relationship
Manager



Kirsty Galea
Customer
Relationship
Manager



Jasmyne Lang
Customer
Relationship
Manager



Jennifer Michelsson
Customer
Relationship
Manager



Natalie White
Associate Mobile
Relationship
Manager



Julie Cannon
Customer
Relationship
Officer



Jackie Ginefra
Customer
Relationship
Officer



Courtney Malesevich
Customer
Relationship
Officer



Louise Costa
Customer
Relationship Officer



Amy George
Customer Service
Supervisor



Kirsty Reid
Customer Service
Supervisor



Tyeisha Oorloff
Customer Service
Officer



Carmel Borg
Customer Service
Officer



Andrea Lever
Customer Service
Officer



Rochelle Geary
Customer Service
Officer

NorCen Financial Services Limited

2019 Annual Report

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Our Community Bank continues to invest profits into our Communities of Wallan Kilmore and Broadford. We have just passed the \$3 million milestone since we opened Wallan Branch in 2007.

We have helped nearly 200 Community Groups many of which are on a yearly basis. In the last 12 months there were 83 recipient groups. At our Grants Night on September 10th there were over 240

in attendance with representatives of the groups reporting on how those funds helped each group. The Directors of NorCen all put a lot of time and effort into the management of this company and it's a fantastic result that has been achieved.

The stand out for this last year has been the Kilmore & District Hospital and the local CFA Brigades and SES. Note our Community Bus is now located at the Kilmore & District Hospital.

All three Branches have traded profitably. The Kilmore Branch did have a huge turnover of staff due to sea change, rural change and personal reasons. Many of those staff obtained employment in the Bendigo network at their new locations. We have managed to replace and train new staff who have settled in very well led by manager Simon Halman. The commencement of our Mobile Banker Service with Laura Moran has been a great success, with Laura making appointments to see customers at other locations or after our normal banking hours. Laura is available on 0477 577 006 for appointments. Wallan Branch is led by Tracey Charry and they are looking forward to their move into the new Branch at 59 High Street Wallan.

Our staff are our greatest asset, and they are well trained by Bendigo Adelaide Bank in all aspects of Banking. Jason Chuck who had been with us for 3 years has been appointed as the Regional Manager for South West Victoria; we thank Jason for his valuable assistance with our company. I thank all staff for their support and dedication to the banking business.

Administration staff, Sally Chadwick our Company Secretary has assisted greatly with the Building Project, and has improved our systems and record keeping, and Kate Boulton who looks after the Community Investment process, thank you to both for your dedication and support.

The Broadford Customer Service Centre is doing a great job in servicing Broadford, and we are pleased to announce that it will convert to the "Bendigo Bank Broadford Branch" on December 3rd 2019. Our senior banker Leanne Paice will lead a team of 3 all of whom are experienced bankers. Any other support required will come from our Kilmore or Wallan Community

Branches. Tracey Charry, Wallan Manager and Simon Halman, Kilmore Manager have great teams who are continually being trained in all aspects of Banking so that they are best equipped to assist with client inquiry.

The Wallan Branch re-location to our new building will take place at the end of November. We are very pleased with the building, and we are also excited to announce that we have all the other commercial space in the building leased. This is a signature building for Wallan, and it provides our local Federal Member Rob Mitchell a new office in his electorate. The other space brings Tertiary Education to Wallan with a partnership between GoTafe and La Trobe University. This will allow tertiary courses to take place in Wallan and encourage local students to further their education without the need to travel long distances. This is a great milestone for Wallan, which we are very pleased about.

The Directors of the Company have many tasks and work cohesively together. The Building Committee led by Terry Dobson along with David Wheeler, Sue Marstaeller and Greg Marshall have all taken on the building responsibility, with Terry attending many days each week to keep the project moving. A building of this size and quality requires constant supervision. The new building is complicated and requires constant attention to ensure it will work for us and our clients.

The long term growth of the Wallan, Kilmore and Broadford areas, continues to provide us with opportunities in the future. Wallan will grow to a township size of approximately 45,000 residents, Kilmore will continue to grow, and Broadford is waiting on a Council land use review. There is constant growth in Beveridge and Kal Kallo to the south. The Board will continue to review strategic planning of the area.

The Royal Commission findings were critical of commissions to financial advisor staff being paid for recommending products to customers. At Bendigo Adelaide Bank, staff have always been on fixed salaries so they recommended products that are best for the customer.

The fact that NorCen have a branch network with real bankers employed in those branches, and NorCen profits go back into our community are very important differences.

We look forward to another successful year ahead.

A handwritten signature in black ink, appearing to read 'Wally Mott'.

Wally Mott
Chairman



2018/2019 has been another very successful year for our Company.

Our financial result has been outstanding, our trading surplus before Community Contributions and Company Tax was \$893,461.00 up from \$777,635.00 for the previous year. That represents a 14.8% increase in trading result.

Our Community Contributions increased from \$234,762 to \$327,466 or 39% for this year. We are budgeting to increase this spending again in 2019/2020. To in excess of \$360,000.00

At our grants presentation night in September we returned our three millionth dollar to our community since opening in 2007 and we heard firsthand of the impact of our community contributions across the region.

During 2018/2019 financial year our business became a lot more complicated as we started building our new premises in Wallan. This has required us to borrow for the first time since we opened. We had the option of building modest premises at a much lower cost to only house our Wallan branch, but the Board decided on a much more ambitious project.

On completion the building will house not just our Wallan Bank Branch but will also provide a premises for Rob Mitchell MP member for McEwen and his staff. Between the Bank and Rob Mitchell downstairs will be a café with outdoor alfresco dining in our courtyard which will become the Federation Square equivalent in Wallan. Upstairs we will have an administration centre for our company, along with a 50-seat meeting room for community use. The balance of upstairs has been leased to GOTafe/Latrobe University to finally bring tertiary education to our local community.

This means that as the whole building has already been let to first grade tenants, it will be positively geared from opening.

We are proposing to separate our banking business from our property interests.

In order to do this, we have recently established a wholly owned subsidiary of Norcen Financial Services Limited - named NorCen Properties Pty Ltd. This new entity will own 59 High Street Wallan and will also have the building's debt on its balance sheet. We are required to submit this proposal to Bendigo and Adelaide Bank Limited for formal approval.

We will enter 2020 with a debt of \$3.15 million secured by Mortgage over our new building at 59 High Street Wallan. The

total project cost including land purchase is \$4.8 million. So, we start with equity of \$1.65 million. The whole development is now tenanted to the Federal and State Governments, and to ourselves. With such high-quality tenants in such a low interest rate environment we believe the building will be revalued at a significant premium to its Capital Cost.

Once a revaluation of the property is completed, we will create an asset revaluation reserve on the balance sheet of NorCen Properties Pty Ltd. All of this additional Asset backing will be attributed to our shareholders.

Our current Issued Capital totals \$1,003,089, while net assets are \$2,243,029. Total Issued Shares are 1,845,720 so current Asset Backing is \$1.21 cents per share. This will increase following a revaluation.

At our Annual General meeting we will ask Shareholders to approve the issue of up to 40,000 new shares to up to 20 new investors annually. We want this ability in order to sell shares within the Broadford Community to enable us to brand Broadford as a third Community Bank franchise for our group.

We believe that if a branch acts like a community bank it should be able to call itself one. Bendigo Bank understandably require some buy in by the local Broadford community before allowing us to use this branding. We do not want to go down the costly prospectus route to sell shares in the Broadford community.

This will also allow a new Director to purchase a shareholding upon their appointment, or for staff to reinforce their commitment to our company by becoming shareholders, as well as employees.

The Directors take very seriously their responsibility to minimise the dilution of existing shareholders by issuing new shares, hence the restriction to 40,000 maximum per annum.

I also announce that we will once again pay a fully franked dividend of 8.3 cents per share in March 2020.

I look forward with optimism to our continued success, and to reporting again to you next year.

David Wheeler
Treasurer

Wallan Report



Tracey Charry

It is with great pleasure that I present to you the Manager's report for the 2018/19 year.

It has been a year that has presented many opportunities and challenges in what is a very competitive market, and we should all be proud of the achievements made throughout the year.

During the past year we achieved a number of great outcomes including:

- Participating in numerous local community events and projects to help our community continue to grow and prosper.
- It is through our involvement with these events that lifts our profile within the community and highlights the fantastic achievements that we as a Community Bank branch have made in the Wallan community.

A snapshot of our business as at 30 June 2019:

- 5,274 customers, 2.071 products per customer, \$248.6 million in total business.

With the support and efforts of our shareholders, Directors and staff we continue to make a real difference to both our customers and the local Wallan community.

I would also like to take this opportunity to thank the efforts of all my wonderful staff, including Kirsty Goddard, Jen Michelsson, Jackie Ginefra, Louise Costa, Amy George, Tyeisha Oorloff and Carmel Borg.

Without all their ongoing hard work, dedication and support, the branch would not have been able to achieve the successes of the past year.

I would also like to thank Simon and Leanne, and their respective teams at both Kilmore and Broadford for their hard work and contributing to our total overall results.

I would also like to thank you, the shareholders, who have continued to show support and commitment to the Wallan & District Community Bank. In addition, I would like to make special mention and thanks to our volunteer Directors – Chairman Wally Mott and his team, who spend countless hours being advocates of your Community Bank branch.

The year ahead will certainly present many opportunities for us to continue to build and grow our business in the local Wallan community and surrounding suburbs, and promote the great work that we do in helping our community become an even better place to live, work and play.

We are about to move into our new home at 59 High Street Wallan, a signature building for Wallan and the surrounding area, that will house our new branch, significant regional tenancies and will be the new home of NorCen and its administrative staff. Your support of our Community Banks has enabled this signature building that will be a fantastic asset for shareholders in years to come.

I encourage you all, including your family and friends, to call in and have a talk with our team so that we may assist you with all your financial needs.

By helping our customers grow, we in turn also grow, which enables us to further help our local Wallan and surrounding community to prosper and thrive.

Tracey Charry
Branch Manager
Wallan & District Community Bank



Kilmore Report



Simon Halman

It is with pleasure that I submit my annual report as Branch Manager of the Kilmore and District Community Bank for 2019. This year has been a challenging year with the changing real estate market, interest rate reductions and the rebuilding of our Kilmore Branch team. It has been rewarding and a privilege to continue to lead the Kilmore and Broadford teams and see how much we have achieved over the last 12 months.

We are lucky to have a fantastic and dedicated team at the Kilmore & District Community Bank. We continued to focus on developing our team, many of them being in new roles or new to our Bank. We welcomed Carol Ryan into the team as a Customer Relationship Manager. Carol comes with a strong background in banking and community involvement and has rapidly become a key part of our team. We welcomed Kirsty Reid to the Kilmore Branch as she transferred from Wallan. Kirsty has recently been promoted to Customer Service Supervisor and now takes the lead for the teller duties and compliance in the Branch. We also welcomed Rochelle Geary to the team as a Customer Service Officer after Amy George was promoted to a new role at our Wallan Branch. We have a 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.

The Broadford Customer Service Centre, led by Leanne Paice has continued to grow and become a vital support for the community, being the only bank in town. Congratulations to Leanne and Andrea who have worked tirelessly throughout Broadford.

The Kilmore branch has grown to just over \$195 million in footings to end of June 2019 after nearly 4 and a half years since opening. During the 2019 financial year we saw a lending growth of \$8.7 million and deposit growth of \$3.89 million contributing to total growth in footings of \$16.8 million. This is an excellent result for a relatively new branch team in challenging market conditions.

These 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 our Mobile Relationship Manager Laura Moran and the Branch team Carol Ryan, Jasmyn Lang, Julie Cannan, Courtney Malesevich, Kirsty Reid, Rochelle Geary, 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.

We continue to enjoy an excellent working relationship with our Board and I thank them for the support they have provided over the last year. The Bendigo Bank team led by Shaun Leech has been a source of great support and encouragement enabling us to perform at such a high level. I would finally like to thank Jason Chuck for all his support during the last year and wish him a successful career with Bendigo Bank as he was recently promoted to a Regional Manager role.

I look forward to continuing to see the Kilmore & District Community Bank grow throughout the 2020 financial year and providing support to the community in which we live and work.

Simon Halman
Branch Manager
Kilmore & District Community Bank

Broadford Report



Leanne Paice

It gives me great pleasure to tell you all about the achievements that the Broadford team have reached thanks to the continued support of the Broadford community throughout the last financial year. We have grown by over \$11 million in our footings in the last 12 months with our deposits at \$14 million and our lending at \$13.5 million so our total is now \$27,609,889.

Our Customer Service Centre is truly a team effort with Andrea and I supported in the day to day operations by Simon, Carol, Jasmine, Courtney, Julie, Kirsty and Rochelle from Kilmore and our Mobile Relationship Manager Laura who has contributed magnificently to our figures. I would also like to acknowledge the wonderful support that Jason has given us and the continuing support of our awesome Board.

We look forward to continuing growth in the new financial year in challenging economic conditions which can be achieved through the support of the local community so that we, in turn, can continue to support you. Thankyou for all your hospitality when we are out and about. Andrea has white and one in her coffee and I have white and two!

We are pleased to announce that Bendigo Adelaide Bank has approved the upgrade of Broadford Customer Service Centre to a Bendigo Bank. This will be launched in December 2019.

Leanne Paice
Customer Relationship Manager
Broadford Customer Service Centre



Your directors submit the financial statements of the company for the financial year ended 30 June 2019.

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. Director of North East Broadcasters Ltd and North East Broadcasters Pty Ltd 1996. Chairman and Managing Director of several companies. 55 years involved in the newspaper and printing industry, 30 years in property investment and development and 40 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

David Allan Wheeler **Treasurer**

Occupation: Director

Qualifications, experience and expertise: Retired small business proprietor, past finance and real estate experience.

Special responsibilities: Treasurer, Member of Budget & Finance, Community Investment & Marketing, Human Resources, Strategic Planning, Wallan Project, Building 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.

Special responsibilities: Chair Audit & Governance, Budget & Finance, Human Resources, Business Incubator, Wallan Project, Building, Community Investment & Marketing 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 Building and Audit & Governance 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. President Wallan Primary School for 5 years. Senior OH&S advisor Western Health for 7 years. Fire Brigade (Emergency Services - Yallourn Energy) 13 years.

Special responsibilities: Chair Human Resources, Member of

Procurement, Budget & Finance, 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 President & Vocational Director.

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

Interest in shares: 7,000

Terence 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: Member Building Group, Wallan Project, Business Incubator and Community Investment & Marketing Committees

Interest in shares: 7,500

Susan Joanne Langborne **Director**

Occupation: Student and Integration aide

Qualifications, experience and expertise: Bachelor of Psychological Science.

Special responsibilities: Chair Procurement & Properties, Chair Youth Engagement Committee and Member of Human Resources Committee.

Interest in shares: Nil

Brent Alastair Edwin Baker **Director**

Occupation: Mechanical Technician

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

Special responsibilities: Member Business Incubator, Audit & Governance and Youth Engagement Committees

Interest in shares: Nil

Bruce Harold Edward Nicholls **Deputy Chairman (Resigned 6 February 2019)** **Occupation: Director**

Qualifications, experience and expertise: B. Com (Economics), Dip. Bus, FAICD. Bruce is Chairman of Mitchell of Business Network.

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

Interest in shares: 36,824

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

Directors' Report (continued)

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

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

The company secretary is Sally Chadwick. Sally was appointed to the position of secretary on 25 June 2018.

Sally is a non-Director company secretary and is remunerated at commercial rates. Sally is a senior marketing professional with extensive national and international experience working with professional services and technology organisations.

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 2019	\$403,302
Year ended 30 June 2018	\$387,250
Dividends	
Year ended 30 June 2019	8.3c
Dividends paid in the year	\$153,195

Significant Changes in the State of Affairs

During the period, the company entered into a construction contract with Newpol Construction for the construction of the commercial development at 57-59 High Street, Wallan, Victoria. The total construction is expected to cost \$4,500,000 and to be finalised in October 2019. In anticipation, the board have entered into a commercial loan agreement with Bendigo & Adelaide Bank Limited for \$3,100,000. At the time of this report \$1,039,295 was drawn down. The residual balance is expected to be financed through internal generation of resources by the company.

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

Events since the end of the financial year

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

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 20 and 22 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	12	10
David Allan Wheeler	12	10
Susan Louise Marstaeller	12	11
Gregory Claude Marshall	12	9
David John Ford	12	11
Kathleen Mary Holland	12	9
Terrence Leslie Dobson	12	11
Susan Joanne Langborne	12	11
Brent Alastair Edwin Baker	12	12
Bruce Harold Edward Nicholls (Resigned 6 February 2019)	6	5
Lee Ann Day (Resigned 6 July 2018)	-	-

Sub Committees: There were nine sub-committees in 2018- 2019:

- Audit & Governance (five members)
- Budget & Finance (four members)
- Human Resources (five members)
- Strategic Planning (four members)
- Community Investment & Marketing (seven members)
- Wallan Project (three members)
- Building (four members)
- Business Incubator (three members)
- Procurement & Properties (two 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 on page 7.

Signed in accordance with a resolution of the board of directors at Wallan, Victoria on 18 September 2019.

Walter Hilaire Mott,
Chairman



Directors Terry Dobson and David Wheeler on a site inspection of the new building in Wallan.

Auditor's Independence Declaration

For year ending June 30 2019

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 2019, 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: 18 September 2019

Joshua Griffin
Lead Auditor

AFS
Partners in success
Chartered Accountants

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

Financial Statements

For year ending June 30 2019

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019.

	Notes	2019 - \$	2018 - \$
Revenue from ordinary activities	4	3,371,598	3,048,013
Employee benefits expense		(1,703,286)	(1,547,081)
Charitable donations, sponsorship, advertising and promotion		(327,466)	(234,762)
Occupancy and associated costs		(212,283)	(194,531)
Systems costs		(79,493)	(67,872)
Depreciation and amortisation expense	5	(175,547)	(168,293)
Finance costs	5	(59)	(1)
General administration expenses		(307,469)	(292,600)
Profit before income tax expense		565,995	542,873
Income tax expense	6	(162,693)	(155,623)
Profit after income tax expense		403,302	387,250
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		403,302	387,250
Earnings per share		¢	¢
Basic earnings per share	23	21.85	20.98

Balance Sheet as at 30 June 2019

	Notes	2019 - \$	2018 - \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	360,196	405,229
Trade and other receivables	8	333,083	276,088
Total Current Assets		693,279	681,317
Non-Current Assets			
Property, plant and equipment	9	2,737,810	1,484,200
Intangible assets	10	24,838	50,830
Deferred tax asset	11	70,450	35,428
Total Non-Current Assets		2,833,098	1,570,458
Total Assets		3,526,377	2,251,775
LIABILITIES			
Current Liabilities			
Current tax liabilities	11	77,623	57,033
Trade and other payables	12	81,343	124,005
Borrowings	13	1,025,103	-
Provisions	14	79,985	67,023
Total Current Liabilities		1,264,054	248,061
Non-Current Liabilities			
Provisions	14	19,294	10,792
Total Non-Current Liabilities		19,294	10,792
Total Liabilities		1,283,348	258,853
Net Assets		2,243,029	1,992,922
Equity			
Issued capital	15	1,003,089	1,003,089
Retained earnings	16	1,239,940	989,833
Total Equity		2,243,029	1,992,922

Statement of Changes in Equity for the year ended 30 June 2019

	Notes	Issued Capital \$	Retained Earnings \$	Total Equity \$
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	21	-	(153,195)	(153,195)
Balance at 30 June 2018		1,003,089	989,833	1,992,922
Balance at 1 July 2018		1,003,089	989,833	1,992,922
Total comprehensive income for the year	-	-	403,302	403,302
Transactions with owners in their capacity as owners:				
Shares issued during period	-	-	-	-
Costs of issuing shares	-	-	-	-
Dividends provided for or paid	21	-	(153,195)	(153,195)
Balance at 30 June 2019		1,003,08	1,239,940	2,243,029

Statement of Cash Flows for the year ended 30 June 2019

	Notes	2019 - \$	2018 - \$
Cash flows from operating activities			
Receipts from customers		3,629,788	3,313,822
Payments to suppliers and employees		(2,974,826)	(2,616,384)
Interest received		8,446	4,197
Interest paid		(59)	(1)
Income taxes paid		(177,125)	(210,891)
Net cash provided by operating activities	17	486,224	490,743
Cash flows from investing activities			
Payments for property, plant and equipment		(1,403,165)	(239,668)
Payments for intangible assets		-	(40,695)
Net cash used in investing activities		(1,403,165)	(280,363)
Cash flows from financing activities			
Proceeds from borrowings	13	1,025,103	-
Dividends paid	21	(153,195)	(153,195)
Net cash provided by/(used in) financing activities		871,908	(153,195)
Net increase/(decrease) in cash held		(45,033)	57,185
Cash and cash equivalents at the beginning of the financial year		405,229	348,044
Cash and cash equivalents at the end of the financial year	7(a)	360,196	405,229

The accompanying notes form part of these financial statements

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 two new accounting standards which have been issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 January 2018, and are therefore relevant for the current financial year.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The existing revenue recognition through the monthly Bendigo and Adelaide Bank Limited profit share provides an accurate reflection of consideration received in exchange for the transfer of services to the customer. Therefore based on our assessment this accounting standard has not materially affected any of the amounts recognised in the current period and is not likely to affect future periods.

AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

Based on our assessment this accounting standard has not had any impact on the carrying amounts of financial assets or liabilities at 1 July 2018. For additional information about accounting policies relating to financial instruments, see Note 1k).

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 2018. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

AASB 16 Leases

Only AASB 16, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. AASB 16 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. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

AASB 16 replaces existing leases guidance, including AASB 117 *Leases* and related Interpretations. This standard is mandatory for annual reporting periods beginning on or after 1 January 2019.

The company plans to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

The company has assessed the estimated impact that initial application of AASB 16 will have on its financial statements. The actual impacts of adopting the standard on 1 July 2019 may change.

The company will recognise new assets and liabilities for operating leases of its branches and office equipment. The nature of expenses related to these leases will now change as the company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the company recognised operating lease expense on a straight-line basis over the term of the lease.

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

Based on the information currently available, the company estimates that it will recognise additional lease liabilities and new right-of-use assets of \$307,942.

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:



1st Broadford Scout Group



Kilmore CFA



BlazeAid



Broadford secondary college



Hidden valley Golf Club



Kilmore & District mens shed Inc.



Kilmore Hospital Garden Party Op Shop

Thanks to your support
\$3 m
to c



Broadford mens shed



Broadford Netball Club



CFA & SES Groups



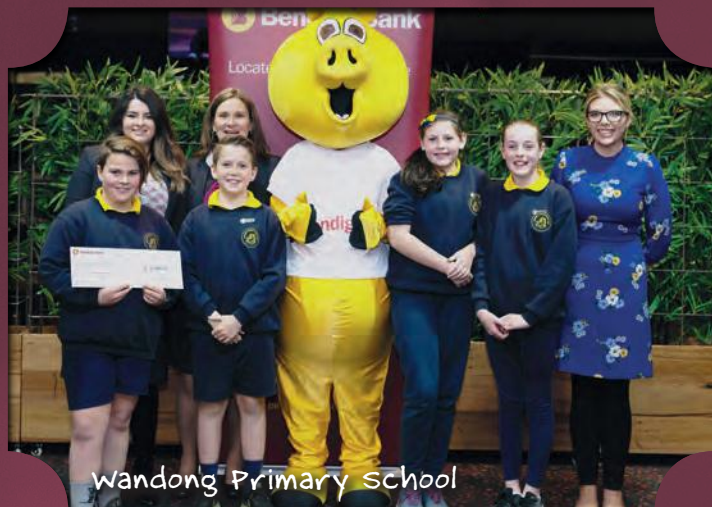
Kilmore Junior Football Club



Mitchell Honbestu sister city Assoc.



The Kilmore International School



Wandong Primary School

rt, we've given over
million
our local community!



Broadford Football & Netball Club



Kilmore & District Hospital



Lions Club of Wandong & Wallan



River Ranges Community Leadership Inc.



South Mitchell Neighbourhood Watch Group



Wallan & District Netball Association



Wandong Heathcote Junction Community Action Group



Glenaroua Riding Club



Kilmore Swimming Club



Mitchell Ranges soccer club



Mitchell shire concert Band



Upper Plenty Primary School



variety the children's charity



wallan Basketball Club



wallan Neighbourhood House

Notes to the Financial Statements (continued)

- 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 arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts. 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 (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit or loss, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement

(i) Financial liabilities

Financial liabilities include borrowings, trade and other payables and non-derivative financial liabilities (excluding financial guarantees). They are subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

(ii) Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit and loss (FVTPL).

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle amount outstanding on specified dates.

The company's trade and most other receivables are measured at amortised cost as well as deposits that were previously classified as held-to-maturity under AASB 139.

A financial asset is subsequently measured at FVOCI if it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle amount outstanding on specified dates; and
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the conditions of amortised cost and FVOCI's measurement condition are subsequently measured at FVTPL.

The company's investments in equity instruments are measured at FVTPL unless the company irrevocably elects at inception to measure at FVOCI.

Derecognition

(i) Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(ii) Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

Notes to the Financial Statements (continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Impairment

The company recognises a loss allowance for expected credit losses on:

- financial assets that are measured at fair value through other comprehensive income;
- lease receivables;
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The company uses the simplified approach to impairment, as applicable under AASB 9. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- trade receivables that result from transactions that are within the scope of AASB 15, that contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables is used, taking into consideration various data to get to an expected credit loss, (ie diversity of its customer base, appropriate groupings of its historical loss experience etc.).

Recognition of expected credit losses in financial statements

At each reporting date, the entity recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

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.

Expected credit loss assessment for Bendigo and Adelaide Bank Limited

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited. Due to the reliance on Bendigo and Adelaide Bank Limited the company has reviewed the credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit risk exposure of the company.

The most recent credit rating provided by the ratings agencies is as follows:

Ratings Agency	Long-Term	Short-Term	Outlook
Standard & Poor's	BBB+	A-2	Stable
Fitch Ratings	A-	F2	Stable
Moody's	A3	P-2	Stable

Based on the above risk ratings the company has classified Bendigo and Adelaide Bank Limited as low risk.

The company has performed a historical assessment of receivables from Bendigo and Adelaide Bank Limited and found no instances of default. As a result no impairment loss allowance has been made in relation to the Bendigo & Adelaide Bank Limited receivable as at 30 June 2019.

Expected credit loss assessment for other customers

The company has performed a historical assessment of the revenue collected from other customers and found no instances of default. As a result no impairment loss allowance has been made in relation to other customers as at 30 June 2019.

(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

Notes to the Financial Statements (continued)

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:

- 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
- subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the 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 2019 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

	2019 - \$	2018 - \$
Operating activities:		
- gross margin	2,813,794	2,561,713
- services commissions	209,433	172,812
- fee income	297,752	278,029
- market development fund	40,000	29,583
Total revenues from ordinary activities	3,360,979	3,042,137
Non-operating activities:		
- interest received	8,446	4,197
- other revenue	2,173	1,679
Total revenue from non-operating activities	10,619	5,876
Total revenues from ordinary activities	3,371,598	3,048,013

Note 5. Expenses

	2019 - \$	2018 - \$
Depreciation of non-current assets:		
- Branch leasehold improvements	123,777	123,275
- Customer Service Centre leasehold improvements	7,436	3,879
- plant and equipment	11,410	12,060
- motor vehicles	6,932	741

Notes to the Financial Statements (continued)

Amortisation of non-current assets:

- franchise agreement	4,205	3,900
- establishment fee	14,057	13,888
- renewal fee	7,730	10,550
	175,547	168,293

Finance costs:

- interest paid	59	1
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Bad debts	2,322	3,792
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Note 6. Income tax expense 2019 - \$ 2018 - \$

The components of tax expense comprise:

- Current tax	197,714	174,904
- Movement in deferred tax	(35,021)	(19,281)
	162,693	155,623

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

Operating profit	565,995	542,873
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Prima facie tax on profit from ordinary activities at 27.5% (2018: 27.5%)	155,648	149,290
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Add tax effect of:

- non-deductible expenses	7,465	6,753
- timing difference expenses	35,021	19,281
- other deductible expenses	(420)	(420)
	197,714	174,904

Movement in deferred tax	(35,021)	(19,281)
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	162,693	155,623
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Note 7. Cash and cash equivalents 2019 - \$ 2018 - \$

Cash at bank and on hand	360,196	405,229
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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	360,196	405,229
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Note 8. Trade and other receivables

Trade receivables	308,159	245,420
Prepayments	17,753	23,497
Other receivables and accruals	7,171	7,171
	333,083	276,088

Note 9. Property, plant and equipment

Freehold land

At cost	778,981	778,981
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Branch Leasehold Improvements

At cost	674,686	674,686
Less accumulated depreciation	(389,775)	(265,998)
	284,911	408,688

Customer Service Centre Leasehold improvements

At cost	61,003	61,003
Less accumulated depreciation	(11,315)	(3,879)
	49,688	57,124

Plant and equipment

At cost	118,350	115,035
Less accumulated depreciation	(83,411)	(72,001)
	34,939	43,034

Motor Vehicles

At cost	34,658	34,658
Less accumulated depreciation	(7,673)	(741)
	26,985	33,917

Capital works in progress	1,562,306	162,456
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Total written down amount	2,737,810	1,484,200
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Movements in carrying amounts: 2019 - \$ 2018 - \$

Land

At carrying amount	778,981	778,581
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Branch Leasehold Improvements

Carrying amount at beginning	408,688	531,963
Additions	-	-
Disposals	-	-
Transfer	-	-
Less: depreciation expense	(123,777)	(123,275)
Carrying amount at end	284,911	408,688

Customer Service Centre Leasehold improvements

Carrying amount at beginning	57,124	-
Additions	-	61,003
Disposals	-	-
Transfer	-	-
Less: depreciation expense	(7,436)	(3,879)
Carrying amount at end	49,688	57,124

Plant and equipment

Carrying amount at beginning	43,034	44,875
Additions	3,315	10,219
Disposals	-	-
Transfer	-	-
Less: depreciation expense	(11,410)	(12,060)
Carrying amount at end	34,939	43,034

Motor vehicle

Carrying amount at beginning	33,917	-
Additions	-	34,658
Disposals	-	-
Less: depreciation expense	(6,932)	(741)
Carrying amount at end	26,985	33,917

Capital works in progress

Carrying amount at beginning	162,456	28,668
Additions	1,399,850	3,788
Disposals	-	-
Transfer	-	-
Carrying amount at end	1,562,306	162,456
Total written down amount	2,737,810	1,484,200

During the period, the company entered into a construction contract with Newpol Construction for the construction of the commercial development at 57-59 High Street, Wallan, Victoria. The total cost is expected to be \$4,500,000 and to be finalised in October 2019. While the project is under construction the costs incurred are capitalised as work-in-progress (WIP). In accordance with Australian Accounting Standard AASB 116: Property, Plant and Equipment the project will be recognised as a depreciable asset when it is available for use.

Depreciation expense - Change in accounting estimate

Effective 1 July 2017, 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.

Notes to the Financial Statements (continued)

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 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>	2019 - \$	2018 - \$
At cost	674,686	674,686
Less accumulated depreciation	(389,775)	(265,998)
	284,911	408,688
Branch Leasehold Improvements depreciation expense	123,777	123,275
Movement from prior period	502	98,117

Note 10. Intangible assets

<i>Franchise fee</i>		
At cost	36,605	36,605
Less: accumulated amortisation	(35,019)	(30,814)
	1,586	5,791
<i>Establishment fee</i>		
At cost	170,000	170,000
Less: accumulated amortisation	(164,112)	(150,055)
	5,888	19,945
<i>Renewal fee</i>		
At cost	25,257	25,257
Less: accumulated amortisation	(18,280)	(10,550)
	6,977	14,707
Goodwill on agency buyout	10,387	10,387
Total written down amount	24,838	50,830

Note 11. Tax

Current:	2019 - \$	2018 - \$
Income tax payable	77,623	57,033
Non-Current:		
Deferred tax assets		
- accruals	1,582	1,012
- employee provisions	27,302	21,399
- property, plant and equipment	41,566	13,017
	70,450	35,428
Net deferred tax asset	70,450	35,428
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(35,022)	(19,281)

Note 12. Trade and other payables

Current:		
Other creditors and accruals	81,343	124,005

Note 13. Borrowings

Current:		
Bank loans	1,037,925	-
Less borrowing costs	(12,822)	-
	1,025,103	-

The bank loan was taken out to finance the Wallan Project. The available loan facility has a 12 month term and a limit of \$3,150,000. The loan is secured by the property as well as a fixed and floating charge over the company's assets. Interest is recognised at the applicable rate of 4.98%.

Note 14. Provisions

Current:		
Provision for annual leave	55,449	40,922
Provision for long service leave	24,536	26,101
	79,985	67,023
Non-Current:		
Provision for long service leave	19,294	10,792

Note 15. Issued capital

1,845,720 ordinary shares fully paid (2018: 1,845,720)		
	1,028,710	1,028,710
Less: equity raising expenses	(25,621)	(25,621)
	1,003,089	1,003,089

The issued capital is reconciled as follows:

	2019 - No.	2018 - No.
Initial issued capital		
- Wallan prospectus shares issued	817,010	817,010
- Wallan bonus shares issued 1:1	817,010	817,010
- Kilmore prospectus shares issued	211,700	211,700
Closing ordinary shares issued	1,845,720	1,845,720

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:

Notes to the Financial Statements (continued)

- 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 422 shareholders.

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

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

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

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

Note 16. Retained earnings

	2019 - \$	2018 - \$
Balance at the beginning of the financial year	989,833	755,778
Net profit from ordinary activities after income tax	403,302	387,250
Dividends paid or provided for	(153,195)	(153,195)
Balance at the end of the financial year	1,239,940	989,833

Note 17. Statement of cash flows

	2019 - \$	2018 - \$
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	403,302	387,250
Non cash items:		
- depreciation	149,555	139,955
- amortisation	25,992	28,338
Changes in assets and liabilities:		
- increase in receivables	(56,995)	(33,361)
- increase in other assets	(35,022)	(19,281)
- (increase)/decrease in payables	(42,662)	16,121
- increase in provisions	21,464	7,708
- (increase)/decrease in tax liabilities	20,590	(35,987)
Net cash flows provided by operating activities	486,224	490,743

Note 18. Leases

	2019 - \$	2018 - \$
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	77,513	96,740
- between 12 months and 5 years	159,143	37,058
- greater than 5 years	-	-
	236,656	133,798

The Wallan property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance. The current lease term is due to expire on 1 December 2019. The lease has one further five year extension option which is not expected to be exercised.

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

The Broadford property lease is a non-cancellable lease with a two year term, with rent payable monthly in advance. The lease commenced 1 December 2017. The lease has two further two year extension options remaining. The lease is currently under negotiation.

The office equipment lease is 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 19. Auditor's remuneration

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

- audit and review services	5,500	5,400
- share registry services	7,025	5,759
- non audit services	9,695	5,728
	22,220	16,887

Note 20. Director and related party disclosures

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

Walter Hilaire Mott
David Allan Wheeler
Susan Louise Marstaeller
Gregory Claude Marshall
David John Ford
Kathleen Mary Holland
Terence Leslie Dobson
Susan Joanne Langborne
Brent Alastair Edwin Baker
Bruce Harold Edward Nicholls (*Resigned 6 February 2019*)
Lee Ann Day (*Resigned 6 July 2018*)

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

	2019 - \$	2018 - \$
Transactions with related parties:		
Newspaper House Pty Ltd provided advertising services at market rates during the period. Walter Mott is a Director of Newspaper House and Lee Ann Day is General Manager.	9,689	5,192
Y Media provided printing services at market rates during the period. Walter Mott is a Director of Y Media.	-	1,881
The North Central Review Pty Ltd. Walter Mott is a director of The North Central Review Pty Ltd.	36,606	32,652
James Yeates Printing Pty Ltd. Walter Mott is a director of James Yeates Printing Pty Ltd.	55	-

Notes to the Financial Statements (continued)

Directors Shareholdings

	2019	2018
Walter Hilaire Mott	128,736	128,736
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
Terence Leslie Dobson	7,500	7,500
Susan Joanne Langborne	-	-
Brent Alastair Edwin Baker	-	-
Lee Ann Day (Resigned 6 July 2019)	500	500
Bruce Harold Edward Nicholls (Resigned 6 February 2018)	36,824	36,824
	256,161	256,161

Note 21. Dividends paid or provided

	2019 - \$	2018 - \$
a. Dividends paid during the year		
Current year dividend		
Fully franked dividend - 8.3 cents (2018: 8.3 cents) per share	153,195	153,195
The tax rate at which dividends have been franked is 27.5% (2018: 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	554,453	435,436
- franking credits that will arise from payment of income tax as at the end of the financial year	77,623	57,033
- 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:	632,076	492,469
- 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	632,076	492,469

Note 22. Key management personnel disclosures

The directors received remuneration including superannuation, as follows:

Walter Hilaire Mott	6,000	6,000
David Allan Wheeler	5,000	5,000
Susan Louise Marstaeller	2,500	2,500
Gregory Claude Marshall	2,500	2,500
David John Ford	2,500	2,500
Kathleen Mary Holland	2,500	2,500
Terence Leslie Dobson	5,000	5,000
Susan Joanne Langborne	2,500	2,500
Brent Alastair Edwin Baker	2,500	758
Lee Ann Day (Resigned 6 July 2018)	-	2,500
Bruce Harold Edward Nicholls (Resigned 6 February 2019)	1,458	2,500
	32,458	34,258

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 2019 (2018: \$200).

Note 23. Earnings per share

	2019 - \$	2018 - \$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	403,302	387,250
(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 24. 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 25. 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 26. 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 27. 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	Unit 1 51 High Street
Wallan VIC 3756	Wallan VIC 3756

Note 28. 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					
	2019 - \$	2018 - \$	2019 - \$	2018 - \$	2019 - \$	2018 - \$	2019 - \$	2018 - \$	2019 - \$	2018 - \$	2019 - %	2018 - %
Financial assets												
Cash and cash equivalents	360,196	405,229	-	-	-	-	-	-	-	-	0.51	0.32
Receivables	-	-	-	-	-	-	-	-	308,159	245,420	N/A	N/A
Financial assets												
Interest bearing liabilities	1,037,925										0.04	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 2019, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2019 - \$	2018 - \$
Change in profit/(loss)		
Increase in interest rate by 1%	(6,777)	4,052
Decrease in interest rate by 1%	6,777	(4,052)
Change in equity		
Increase in interest rate by 1%	(6,777)	4,052
Decrease in interest rate by 1%	6,777	(4,052)

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 2019 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 18th of September 2019.



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

Report on the audit of the financial report

Our opinion

In our opinion, the accompanying 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 2019 and of its financial performance for the year ended; 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 company.

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 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: 18 September 2019



Joshua Griffin
Lead Auditor



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

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

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

Broadford Customer
Service Centre
63 High St, Broadford VIC 3658
Phone: (03) 5454 1233

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