2020

Annual Report

NorCen Financial Services Limited

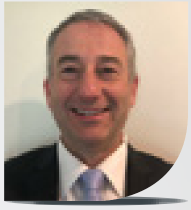
ABN 32 119 493 113

David Wheeler
Chairperson

Kathleen Holland
Deputy Chairperson

David Ford
Treasurer

Brent Baker
Director



Ortensio Caroli
Director

Terrence Dobson
Director

Susan Marstaeller
Director

Wally Mott
Director

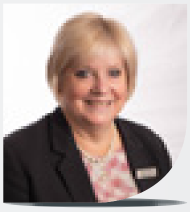
Sheree Tivendale
Director

Sally Chadwick
Company Secretary

Kate Boulton
Community Engagement & Marketing Officer

Tracey Charry
Wallan Branch Manager

Simon Halman
Kilmore Branch Manager



Leanne Paice
Broadford Customer Relationship Manager

Laura Moran
Mobile Relationship Manager

Kirsty Galea
Customer Relationship Manager

Jasmyn Lang
Customer Relationship Manager

Jennifer Michelsson
Customer Relationship Manager

Carol Ryan
Customer Relationship Manager

Natalie White
Assistant Relationship Manager

Julie Cannan
Customer Relationship Officer

Louise Costa
Customer Relationship Officer

Jackie Ginefra
Customer Relationship Officer

Courtney Malesevich
Customer Relationship Officer

Rochelle Geary
Customer Service Supervisor

Kirsty Reid
Customer Service Supervisor

Carmel Borg
Customer Service Officer

Andrew Gough
Customer Service Officer

Andrea Lever
Customer Service Officer

Tyeisha Oorloff
Customer Service Officer

Casey Smith
Customer Service Officer

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Chairperson's report.

For year ending June 30 2020.

2019/2020 has been a watershed year for our Community Company.

Firstly, I want to sincerely thank my predecessor in my role Mr Wally Mott. Wally is probably Mitchell Shires pre-eminent business- man. It is a credit to him that he devotes so much time to our social business, and it is a credit to the business that it has earned his devoted interest. During his Chairpersonship we thrived. We purchased land in High Street Wallan and decided to build our flagship building at 59 High Street Wallan. We continued our main endeavour of providing financial support to our community. NorCen is now set up to rapidly grow this support over coming years.

Our new Treasurer Mr David Ford has reported a record result for the 2019/2020 trading year. This is despite the second half being affected by the COVID-19 pandemic.

When I took over the reins in December 2019, I inherited a great business, well managed and growing strongly. I hope I don't prove to be a jinx, because Victoria was immediately decimated by bushfires which were no sooner extinguished before the pandemic gathered momentum.

To date no Staff or Board member has tested positive and we have remained open at all sites every day.

We are so lucky that our branches service the fastest growing part of the State of Victoria. As Wallan, Kilmore and Broadford all expand over coming years our business will grow also. Our challenge is to grow at a greater rate than the surrounding economy.

Currently we have a little over 8000 individual customers. The three towns have combined population of around 30,000 residents. Our penetration is therefore about 25%. This is well in excess of the Bendigo Banks overall rate of 7.4% of the Australian population, but we want to grow this rate to over 30% quickly and keep going up from there.

Our terrific and committed staff, guided by a passionate Board of Directors and Bendigo Bank regional staff will be up to the challenge I am sure.

2019/2020 was a growth year for our business, despite the sale of Bendigo Bank's wealth business on 1st July 2019. Our overall business grew by $12million, in banking footings. This was our least growth since opening in 2007.

Our income grew from $3,371,598 to $3,692,852. Growth of 9.5% year on year. This year we added rental income from 59 High Street Wallan. Along with $50,000 boost from the Federal Government, which will be repeated this financial year. Rent received will more than double the current interest cost of servicing our debt, so also contributes to our net income. Rental Income will also more than double this financial year because of a 6 months rent free period, granted to the Federal Government, which has now been fully provided.

We are budgeting to grow our banking footings by $32million this year and are currently ahead of target. We have grown more in the first quarter this year than we did in all last year. $32million is 6.5% increase in footings, while inflation is at less than 1%, so this will be a challenging target. Margins continue to be tight so our banking income will probably grow by less than 6.5% this year.

Since 30th June 2020, we have exchanged contracts to purchase our premises in Broadford. This transaction settled on 25th September 2020. With interest rates currently so low, we can finance this purchase, for considerably less than we currently pay to lease the ground floor. This will add to our Asset Backing once settled.

You will notice that for the first time we have created an Asset Revaluation reserve of $521,000 on our Balance Sheet. This reflects the sworn valuation of 59 High Street Wallan now it is completed. It is a great result that the building is valued at more than its actual build cost.

The building is now fully occupied between our own business and the Federal and State Governments. What a wonderful tenant mix, the envy of many property investors.

Our main purpose is to provide funds back to our community. This year our Community Sponsorships reduced slightly from last financial year. This is not a reflection of anything other than a reduction in funds applied for by community groups.

Bendigo Bank

Our Community Investment Sub-Committee very ably led by my Deputy Chairperson Mrs Kit Holland meets bi-monthly to consider requests from our community. Last financial year we received fewer applications that ticked our boxes. We are expecting a considerable increase this financial year. The pandemic has decimated many local sporting and community groups. Whole seasons have been missed and many other sponsors have withdrawn support. We intend to step up and help fill gaps for many local organisations.

Recently we gave $25,000 to Kilmore SES and we have also recently installed "Love in Action" as rent free tenants in our previous Admin centre at 60 Wellington Street.

We have had discussions with Mitchell Shire officers and intend to work closely with local government to assist with the recovery process. Our State and Federal governments have also advised they will provide ongoing support. By working together, we feel it less likely that we will duplicate assistance, while community banking funds will be distributed widely within our service area.

The current situation is not unlike the Black Saturday bushfire tragedy of 2009. We consider that we will probably provide over $250,000 to local groups as pandemic relief.

These funds come from our profitable trading, which is totally dependent on the support of our customers. Since opening in 2007 we have enjoyed great support from a very loyal cadre of committed customers. Our banking products are competitively priced and our customer service is far better, than any of our competitors.

This business model has worked successfully locally now for 13 years and we intend to continue to offer the same great service on an ongoing basis. Our competitors have responded to the current crisis by cutting hours and service levels, that is not the Community Bank way.

I am very confident that our business will thrive as a result, and COVID-19 will prove to be a minor setback, quickly overcome. This is not true for every local business or individual. The true tragedy of the pandemic apart from the lives lost, is the economic damage to people and businesses.

Bendigo Bank, our business partner responded quickly to customer's pain and instituted relief via financial hardship measures. Knowing the sincerity of their community spirit, I am sure that relief will continue for as long as required to see customers back on their feet. It is in no-one's interest to enforce strict contract terms in these situations. I am confident that Bendigo Bank will continue to provide understanding assistance wherever required.

We enter the current trading year in a sound financial position. Wanting to continue to expand our footprint locally, while contributing to all our stake-holders well-being. Having now completed a period of acquisition, the business will consolidate in the short term, but always being open to opportunities that may arise.

That is what our business is all about. We intend to pursue our goals vigorously.

Kind Regards

David Wheeler
Chairperson

Treasurer's report.

For year ending June 30 2020.

It is with pleasure that I submit the financial results for the trading year ending 30th June 2020.

The second half of the financial year started off with its challenges, I along with my fellow Directors watched on as the events around us unfolded. First the fires over the Christmas period, then the development of the COVID-19 worldwide pandemic. No one knew what effect this pandemic would have on the Australian economy and our business.

The remarkable growth of two of our three branches during the 2020/2019 financial year has seen us increase our income this year over last. Income has risen from $3,371,598 for 2018/2019 to $3,692,852 for this financial year.

Our business footings (loans and deposits) have grown by $11.99 million to $483 million, or 2.5% for the year, an encouraging performance under these circumstances.

As a result, our trading surplus before tax ($165,776) and community dividends ($302,527) was $957,138 for the year up from $893,461 the year before.

Total compressive income for the past year attributable to the ordinary shareholder of the company = Profit after tax expense ($488,835) & other comprehensive income ($521,887), net of income tax. Total = $1,010,722. Up from $403,302 in 2019.

This has enabled us to announce a fully franked dividend at a tax rate of 27.5 % of 10 cents per share, which will be paid during March 2021 in line with normal dividend payment schedule.

The Directors hope that this dividend payment will help to stimulate the local economy.

Our balance sheet is also strengthened with net assets growing from $2,243,029 to $3,033,950 during the year growth of $790,921 or 35%, an excellent increase for a single trading year.

Having blue-chip tenants such as GoTafe and Federal Member of Parliament (Rob Mitchell) at our Wallan branch site, has created an exciting and valued partnership.

The next one to two years will be challenging. The level of those challenges is unclear as the Covid-19 situation is such a fluid one worldwide. Our Directors and Managers have worked tirelessly to:

- Ensure as far as reasonably practicable, that our staff and our customers stay safe when in our branches.
- That NorCen is adaptable to the fluid situation we find ourselves in, which will enable us to best support our community.

I congratulate our Staff and Directors for their hard work throughout this event so far.

I look forward to reporting to you on our progress next financial year. One we hope will include that COVID-19 is on the wane.

Please stay safe.

David Ford
Treasurer

Branch Manager's report - Kilmore & Broadford.

For year ending June 30 2020.

It is my pleasure to be submitting my annual report as Branch Manager for the Kilmore & District and Broadford branches for 2020. What a year it has been, challenging doesn't quite seem to be the right word. We are navigating through uncharted territory with COVID-19 and all the challenges this brings. Notwithstanding this, it has been a rewarding year and a privilege to be able to continue to lead the teams of these two successful branches.

I am lucky to have a dedicated and talented team at the Kilmore & District Community Bank. This year saw some staff movement and the opportunity to continue to invest in our team to ensure our customers are well looked after and our staff are challenged and developed as individuals. We welcomed Casey Smith into our team in January 2020 as a Customer Service Officer. Casey comes with a solid background within the Bendigo Bank group having worked at the Mt Beauty Community Bank Branch. Having relocated to our local area she was keen to continue her career within the NorCen Group. Casey replaced Rochelle who was promoted into a Customer Service Supervisor role at our Wallan Branch – congratulations to Rochelle. All of our team has worked hard over the last year to achieve outstanding results in the circumstances for our community, our customers and our business.

This year also saw the Broadford Customer Service Centre become a fully fledged Branch within the NorCen Financial Services group in December 2019. This is reflective of the growth we have seen from Broadford and the dedication of the team there led by Leanne Paice. Due to the growth and demands of our Broadford Branch we welcomed a new staff member, Andrew Gough as a Customer Service Officer who joined both Leanne and Andrea. Andrew is new to the banking industry and comes with a strong background in customer service. Andrew has quickly become an integral member of the team. Congratulations to the team at Broadford for another wonderful year.

The Kilmore Branch has grown to $207 million in footings at the end of June 2020 after just over 5½ years since opening. The 2020 financial year saw a lending growth of $6.3 million and deposit growth $19.3 million. This contributed to a total growth in footings of $11.87 million after allowing for the withdrawal of the financial planning business.

The Broadford Branch has also seen continued growth over the last financial year. Footings increased to just over $36 million. Lending growth of $5.9 million and deposit growth of $1.4 million contributed to overall growth of just over $7.2 million for the year.

Given the uncertainty and conditions we have seen these results represent the strength of these two branches. We continue to enjoy success across all areas of our branches and take a great level of satisfaction and reward when we see the benefit that our community enjoys as a result. I would like to thank our hard working team in our branches consisting of Carol Ryan, Jasmyn Lang, Courtney Malesevich, Julie Cannan, Kirsty Reid, Casey Smith, Leanne Paice, Andrea Lever and Andrew Gough. In addition, I thank our Mobile Relationship team of Laura Moran and Natalie White whose work also contributed to these results. I look forward to the coming year and further success across our branches.

We continue to enjoy a warm and excellent working relationship with our Board and I thank them for all the support they have provided over the past year. The Bendigo Bank team led by Shaun Leech has been a great source of encouragement and support also – thankyou.

I look forward to another year of continued success throughout the 2021 financial year and providing support to the community in which we live and work.

Simon Halman
Branch Manager
Kilmore & District and Broadford Branches.

Branch Manager's report - Wallan.

For year ending June 30 2020.

It gives me great pleasure to report on the Wallan & District Community Bank Branch performance for the 2019/20 financial year.

Wallan Branch had some exciting changes during this financial year, as we moved into our new NorCen House, in November, 12 years since we first opened. This was a wonderful achievement all round, and a testament to what can be achieved when supporting your Community Bank Branch.

In February we had our official opening, and were honoured to have our MD, Marnie Baker take time out of her busy schedule to officiate the ribbon cutting and declare the branch officially open.

The banking industry continues to undergo constant change, and as a Community Bank branch we are not immune to these changes. Digital technology continues to forge forward to meet consumer demand, and record-low interest rates continue to challenge our profit margins. However, it is our point of difference of investing in our community that sets us apart from our competitors.

We continue to enjoy a stable staffing team within our branch, with only one staff change being our Customer Service Supervisor, Amy George transferring to another branch in December, and taking up a position closer to her new home. Amy was replaced by Rochelle Geary being promoted into this role, from Kilmore commencing in Feb 2020.

Customer Relationship Managers: Kirsty Galea & Jennifer Michelsson

Customer Relationship Officers: Jackie Ginefra & Louise Costa

Customer Service Officers: Tyeisha Oorloff & Carmel Borg

We are also supported by our Mobile Relationship Team led by Laura Moran & Natalie White who also contributed to our results.

We are fortunate to have such experienced and knowledgeable staff who are dedicated to our customers and our business, and I thank each of them for all their tireless efforts.

We have also continued to strengthen our community collaboration with Love In Action, by gifting the house at 60 Wellington Street, to be used for their tireless volunteer work across our region, just one of many not for profit groups that we support.

I would like to show my appreciation and sincere thanks to the Board for their dedication and contribution to our Community Bank Branch. Thank you also to the Bendigo Team led by Shaun Leech, for your ongoing support and encouragement.

Tracey Charry
Branch Manager
Wallan & District Community Bank Branch

Mobile Relationhip Manager’s report.

For year ending June 30 2020.

Hello, for those of you who don’t know me, my name is Laura Moran the Mobile Relationship Manager for NorCen Financial Services Ltd. Along with my Associate Natalie White, we bring a service to our Local Community supporting those who have busy lifestyles or are not able to get into any one of our 3 branches during business hours.

If you require an appointment outside of business hours or on a weekend, whether that be in person at your home or over a Video Conference Call, we are able to accommodate your needs. Servicing not only our Local Townships but all of Central Victoria.

Our 2019/2020 year saw many trials and tribulations for the financial sector. Starting the year off with a Royal Commission, our state experiencing some of the worst Bushfires we have seen and then a Worldwide Pandemic that we are all still feeling the effects of now. Even with all of this our mobile team has been able to help a total of 115 Customers achieve their financial goals; whether that be Purchasing their First Home, their Next Home, Building a New House or buying a New Car or Caravan.

Having worked for Bendigo Bank for the past 18 years, we work as a team and pride ourselves on making the customers experience a seamless and as enjoyable process as possible whilst giving them the best solution for their Banking needs.

I would like to take this opportunity to thank all of the Shareholders, Customers, our Board of Directors and my work colleagues for a wonderful year of successes and support. I look forward to seeing what we can achieve in our next financial year.

Laura Moran
Mobile Relationship Manager

Directors' report.

The Directors.

The directors of the company who held office during or since the end of the financial year are:

David Allan Wheeler (Chairperson).

Occupation: Director.

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

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

Interest in shares: 11,600 ordinary shares.

Kathleen Mary Holland (Deputy Chairperson).

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 Secretary.

Special responsibilities: Deputy Chairperson, Chair, Community Investment & Marketing, Strategic Planning Committees.

Interest in shares: 7,000 ordinary shares.

David John Ford (Treasurer).

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: Treasurer, Budget Committee, Community Investment and Marketing.

Interest in shares: 55,000 ordinary shares.

Brent Alastair Edwin Baker (Non-executive 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: Audit & Governance and Youth Engagement Committees, Community Investment and Marketing.

Interest in shares: nil share interest held.

Ortensio Caroli (Non-executive director - appointed 16 October 2019).

Occupation: General Manager - Business & Finance, North Vic Constructions Pty Ltd (Civil Construction Industry).

Qualifications, experience and expertise: Ortensio has over 30 years banking experience at NAB Business Banking. At NAB he was responsible for growing the bank's business banking sector, leading a team of 38 across the West and North of Melbourne; before leaving to join a family operated transport company servicing the Eastern Seaboard. Now working locally as the General Manager of North Vic Constructions Pty Ltd, Ortensio brings his industry knowledge and wealth of business banking expertise to NorCen.

Special responsibilities: Chair - Human Resources Committee, Community Investment and Marketing.

Interest in shares: nil share interest held.

Terrence Leslie Dobson (Non-executive director).

Occupation: Retired.

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

Special responsibilities: Chair Wallan Project, Human Resources Committee, Community Investment and Marketing.

Interest in shares: 7,500 ordinary shares.

The directors present the consolidated financial statements of the group comprising of NorCen Financial Services Limited (the company) and its subsidiaries for the financial year ended 30 June 2020.

Susan Joanne Langborne (Non-executive director - resigned 3 February 2020).

Occupation: Student and Integration aide.

Qualifications, experience and expertise: Bachelor of Psychological Science.

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

Interest in shares: nil share interest held.

Gregory Claude Marshall (Non-executive director - resigned 27 November 2019).

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 over 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 ordinary shares.

Susan Louise Marstaeller OAM (Non-executive director).

Occupation: Retired.

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

Other directorships: Rivers and Ranges Community Leadership Program and Central Ranges Local Learning and Employment Network.

Special responsibilities: Governance Chair, Budget & Finance, Projects, Strategic Planning, Community Investment and Marketing.

Interest in shares: 5,001 ordinary shares.

Walter Hilaire Mott (Non-executive director).

Occupation: Company Director.

Qualifications, experience and expertise: Director of the Leader Media Group Pty Ltd 1980-86. Director of North East Broadcasters Ltd. Chairperson 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: Low Volume Market Committee Chair, Community Investment and Marketing.

Interest in shares: 128,736 ordinary shares.

Sheree Elise Tivendale (Non-executive director - appointed 16 October 2019).

Occupation: Business Consultant.

Qualifications, experience and expertise: Sheree has extensive experience across many industries and both government and corporate roles. Sheree is passionate about building communities and the benefits of Community Banking. Sheree brings experience to the Board in marketing, governance and compliance. Sheree has 3 young children and operates a small farm and family business and is a local Civil Celebrant.

Special responsibilities: Strategic Planning, Human Resources, Building and Properties, Community Investment and Marketing, Youth Engagement.

Interest in shares: 8,000 ordinary shares.

Directors were in office for this entire year unless otherwise stated.

No directors have material interest in contracts or proposed contracts with the group.

Directors' report. (continued)

Company Secretary.

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

Qualifications, experience and expertise: 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 activity.

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

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

Operating results.

The profit of the group for the financial year after provision for income tax was:

	Year ended	
	30 June 2020 $	1 July 2019 $
Profit after income tax	488,835	403,302
Other comprehensive income	521,887	-
Total comprehensive income	**1,010,722**	**403,302**

Directors' interests.

	Fully paid ordinary shares		
	Balance at start of year	Changes during the year	Balance at end of year
David Allan Wheeler	11,600	-	11,600
Walter Hilaire Mott	128,736	-	128,736
Susan Louise Marstaeller OAM	5,001	-	5,001
David John Ford	55,000	-	55,000
Kathleen Mary Holland	7,000	-	7,000
Terrence Leslie Dobson	7,500	-	7,500
Brent Alastair Edwin Baker	-	-	-
Sheree Elise Tivendale	2,000	6,000	8,000
Ortensio Caroli	-	-	-
Susan Joanne Langborne	-	-	-
Gregory Claude Marshall	4000	-	4000

Dividends.

During the financial year, the following dividends were provided for and paid.

The dividends have been provided for in the consolidated financial statements.

	Cents per share	Total amount $
Final fully franked dividend	8.30	153,195
Total amount	**8.30**	**153,195**

New accounting standards implemented.

The group has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: Leases (AASB 16) has been applied retrospectively without restatement of comparatives by recognising the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: Leases. See note 4 for further details.

Significant changes in the state of affairs.

In December 2019 the building at 59 High Street Wallan was opened upon completion of construction. The Wallan branch commenced operations from the new building at this time.

During the financial year, the Australian economy was greatly impacted by COVID-19. Bendigo Bank, as franchisor, announced a suite of measures aimed at providing relief to customers affected by the COVID-19 pandemic. The relief support and uncertain economic conditions has not materially impacted the group's earnings for the financial year. As the pandemic continues to affect the economic environment, uncertainty remains on the future impact of COVID 19 to the group's operations.

In the opinion of the directors there were no other significant changes in the state of affairs of the group 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.

During July 2020 a contract was signed to purchase the Broadford branch building premises for $600,000. The contract is due to settle on 30 September 2020.

There are no other 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 group the results of those operations or the state of affairs of the company, in future years.

Likely developments.

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

Environmental regulation.

The group 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 of is a member of or an entity in which a director has a substantial financial interest except as disclosed in note 30 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 managers in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or managers 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 financial year were:

	Board meetings attended	
Director	Eligible	Attended
David Allan Wheeler	12	12
Walter Hilaire Mott	12	10
Susan Louise Marstaeller OAM	12	9
David John Ford	12	12
Kathleen Mary Holland	12	11
Terrence Leslie Dobson	12	10
Brent Alastair Edwin Baker	12	10
Sheree Elise Tivendale	9	9
Ortensio Caroli	9	9
Susan Joanne Langborne	7	6
Gregory Claude Marshall	6	5

Sub Committees: There were eleven sub-committees in 2019-2020:

- Audit & Governance (five members)
- Building (four members)
- Budget & Finance (four members)
- Business Incubator (three member)
- Human Resources (five members)
- Procurement & Properties (two members)
- Strategic Planning (four members)
- Public Relations & Events (one member)
- Community Investment & Marketing (nine members)
- Wallan Project (three members)
- 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 group may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the group 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 note 29 to the accounts.

The board of directors has considered the non-audit services provided during the year by the auditor and, in accordance with the advice received from the Audit and Governance Committee, is satisfied that the provision of the non-audit services is compatible with, and 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, integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the group, acting as an advocate for the group or jointly sharing risks 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 15.

Signed in accordance with a resolution of the directors at Wallan, Victoria.

David Allan Wheeler
Chairperson

Dated this 5th day of October 2020.

Lead Auditor’s independence declaration.

AFS
Partners in success
Chartered Accountants

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

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 2020, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 5 October 2020

Joshua Griffin
Lead Auditor

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Taxation | Audit | Business Services

NorCen Financial Services Limited.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2020.

	Notes	2020 $	2019 $
Revenue from contracts with customers	8	3,484,609	3,320,979
Other revenue	9	207,652	42,173
Finance income	10	591	8,446
Employee benefit expenses	11(d)	(1,824,927)	(1,735,744)
Charitable donations, sponsorship, advertising and promotion		(302,527)	(327,466)
Occupancy and associated costs		(140,453)	(212,283)
Systems costs		(94,846)	(79,493)
Depreciation and amortisation expense	11(a)	(237,792)	(175,547)
Impairment losses	11(b)	(10,387)	-
Financial costs	11(c)	(106,873)	(59)
General administration expenses		(320,436)	(275,011)
Profit before income tax expense		**654,611**	**565,995**
Income tax expense	12(a)	(165,776)	(162,693)
Profit after income tax expense		**488,835**	**403,302**
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Net gain on revaluation of land and buildings	25(b)	521,887	-
Other comprehensive income for the year, net of income tax		**521,887**	**-**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**1,010,722**	**403,302**
Earnings per share		**¢**	**¢**
- Basic and diluted earnings per share:	32(a)	26.48	21.85

The accompanying notes form part of these financial statements.

NorCen Financial Services Limited.

Consolidated Statement of Financial Position as at 30 June 2020.

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	13(a)	489,547	360,196
Trade and other receivables	14(a)	324,194	333,083
Total current assets		**813,741**	**693,279**
Non-current assets			
Property, plant and equipment	15(a)	5,778,276	2,737,810
Right-of-use assets	16(a)	268,292	-
Intangible assets	17(a)	170,161	24,838
Deferred tax asset	18(b)	-	70,450
Total non-current assets		**6,216,729**	**2,833,098**
Total assets		**7,030,470**	**3,526,377**
LIABILITIES			
Current liabilities			
Trade and other payables	19(a)	203,735	81,343
Current tax liabilities	18(a)	17,350	77,623
Loans and borrowings	20(a)	288,341	1,025,103
Lease liabilities	21(b)	29,620	-
Employee benefits	23(a)	103,060	79,985
Total current liabilities		**642,106**	**1,264,054**
Non-current liabilities			
Trade and other payables	19(b)	135,544	-
Loans and borrowings	20(b)	2,725,520	-
Lease liabilities	21(c)	288,220	-
Employee benefits	23(b)	20,065	19,294
Provisions	22(a)	26,221	-
Deferred tax liability	18(b)	158,844	-
Total non-current liabilities		**3,354,414**	**19,294**
Total liabilities		**3,996,520**	**1,283,348**
Net assets		**3,033,950**	**2,243,029**
EQUITY			
Issued capital	24(a)	1,003,089	1,003,089
Reserves	25(b)	521,887	-
Retained earnings	26	1,508,974	1,239,940
Total equity		**3,033,950**	**2,243,029**

The accompanying notes form part of these financial statements.

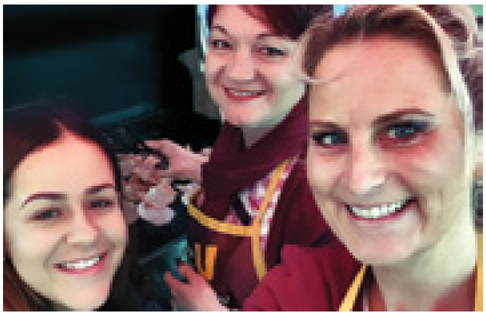
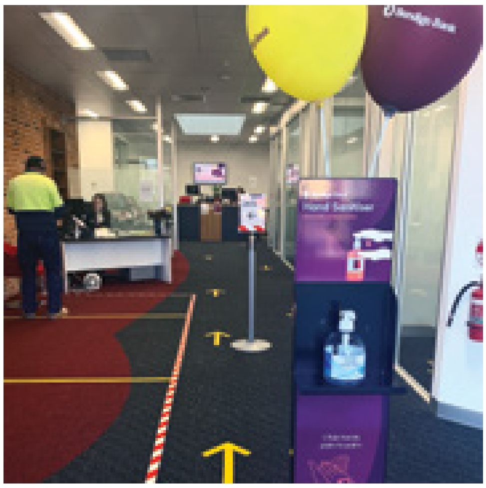
NorCen Financial Services Limited.

Consolidated Statement of Changes in Equity for the year ended 30 June 2020.

	Notes	Issued capital $	Revaluation reserve $	Retained earnings $	Total equity $
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:					
Dividends provided for or paid	31(a)	-	-	(153,195)	(153,195)
Balance at 30 June 2019		**1,003,089**	**-**	**1,239,940**	**2,243,029**
Balance at 1 July 2019		1,003,089		1,239,940	2,243,029
Effect of AASB 16: Leases	3(d)	-		(66,606)	(66,606)
Restated balance at 1 July 2019		1,003,089		1,173,334	2,176,423
Total comprehensive income for the year		-	521,887	488,835	1,010,722
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	31(a)	-	-	(153,195)	(153,195)
Balance at 30 June 2020		**1,003,089**	**521,887**	**1,508,974**	**3,033,950**

The accompanying notes form part of these financial statements.



NorCen Financial Services Limited.

Consolidated Statement of Cash Flows for the year ended 30 June 2020.

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		4,051,661	3,629,788
Payments to suppliers and employees		(2,835,545)	(2,974,826)
Interest received		591	8,446
Interest paid		(87,808)	(59)
Lease payments (interest component)	11(c)	(17,561)	-
Lease payments not included in the measurement of lease liabilities	11(e)	(78,232)	-
Income taxes paid		(169,447)	(177,125)
Net cash provided by operating activities	**27**	**863,659**	**486,224**
Cash flows from investing activities			
Payments for property, plant and equipment		(2,482,021)	(1,403,165)
Payments for intangible assets		(31,724)	-
Net cash used in investing activities		**(2,513,745)**	**(1,403,165)**
Cash flows from financing activities			
Proceeds from loans and borrowings		2,002,569	1,025,103
Repayment of loans and borrowings		(13,810)	-
Lease payments (principal component)	21(a)	(56,127)	-
Dividends paid	31(a)	(153,195)	(153,195)
Net cash provided by financing activities		**1,779,437**	**871,908**
Net cash increase/(decrease) in cash held		**129,351**	**(45,033)**
Cash and cash equivalents at the beginning of the financial year		360,196	405,229
Cash and cash equivalents at the end of the financial year	**13(a)**	**489,547**	**360,196**

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2020.

NOTE 1. REPORTING ENTITY.

This is the consolidated financial report for NorCen Financial Services Limited (the company) and its subsidiaries (together referred to as the group). The group is a for profit entity limited by shares, and incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered office: Unit 3, 59 High Street Wallan 3756 VIC

Principal place of business: Unit 3, 59 High Street Wallan 3756 VIC

Further information on the nature of the operations and principal activity of the group is provided in the directors' report. Information on the group's related party relationships is provided in Note 30.

NOTE 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE.

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on an accrual and historical cost basis, except for certain properties, financial instruments, and equity financial assets that are measured at revalued amounts or fair values at the end of each reporting period.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

These consolidated financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 5 October 2020.

NOTE 3. CHANGES IN ACCOUNTING POLICIES, STANDARDS AND INTERPRETATIONS.

The group initially applied AASB 16 Leases from 1 July 2019. AASB Interpretation 23 Uncertainty over Income Tax Treatments is also effective from 1 July 2019 but is not expected to have a material impact on the group's consolidated financial statements. The group's existing policy for uncertain income tax treatments is consistent with the requirements in Interpretation 23.

The group has implemented a new Accounting Standard which has come into effect and is included in the results. AASB 16: Leases (AASB 16) has been applied retrospectively without restatement of comparatives by recognising the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: Leases.

(a) Definition of a lease.

Previously, the group determined at contract inception whether an arrangement was or contained a lease under Interpretation *4 Determining whether an Arrangement contains a Lease*. The group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4.

On transition to AASB 16, the group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The group applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed for whether there is a lease under AASB 16.

Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

(b) As a lessee.

As a lessee, the group leases assets including property and IT equipment. The group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to the ownership of the underlying asset to the group. Under AASB 16, the group recognises right-of-use assets and lease liabilities for most of these leases (i.e. these leases are on balance sheet).

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2020.

NOTE 3. CHANGES IN ACCOUNTING POLICIES, STANDARDS AND INTERPRETATIONS. (continued)

(b) As a lessee. (continued)

Leases classified as operating leases under AASB 117

Previously, the group classified property and IT equipment leases as operating leases under AASB 117. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the group's incremental borrowing rate as at 1 July 2019.

Right-of-use assets are measured at either:

- their carrying amount as if AASB 16 had been applied since the lease commencement date, discounted using the group's incremental borrowing rate at the date of initial application: the group applied this approach to its property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments; the group applied this approach to all other leases.

The group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The group has used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. The practical expedients include that the group:

- did not recognise right-of-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term on contracts that have options to extend or terminate.

(c) As a lessor.

The group leases out its investment property. The group has classified these leases as operating leases.

(d) Impact on financial statements.

On transition to AASB 16, the group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	Notes	June 1 2019 $
Impact on equity presented as decrease		
ASSET		
Right-of-use assets - land and buildings	16(a)	367,201
Deferred tax asset	18(b)	25,264
LIABILITY		
Lease liabilities	21(a)	(415,691)
Provision for make-good	22(b)	(43,380)
EQUITY		
Retained earnings		(66,606)

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 4.79%.

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2020.

NOTE 3. CHANGES IN ACCOUNTING POLICIES, STANDARDS AND INTERPRETATIONS. (continued)

(d) Impact on financial statements. (continued)

	Notes	June 1 2019 $
Lease liabilities reconciliation on transition		
Operating lease disclosure as at June 2019		236,656
Add: additional options now expected to be exercised		190,687
Add: variable market review / index based increase		112,250
Less: AASB 117 lease commitments reconciliation		9,325
Less: lease exempt as low-value		(8,920)
Less: lease exempt as short-term		(28,138)
Less: present value discounting		(96,169)
Lease liability as at 1 July 2019		**415,691**

NOTE 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

The group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise (see also Note 3).

(a) Revenue from contracts with customers.

The group has entered into a franchise agreement with Bendigo Bank. The group delivers banking and financial services of Bendigo Bank to its community. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the group. Interest margin share is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the group's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the group's right to receive the payment is established.

The group acts as an agent under the franchise agreement and revenue arises from the rendering of services through its franchise agreement.

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement. Under AASB 15 *Revenue from Contracts with Customers* (AASB 15), revenue recognition for the group's revenue stream is as follows:

Revenue	Includes	Performance obligation	Timing of recognition
Franchise agreement profit share.	Margin, commission, and fee income.	When the group satisfies its obligation to arrange for the services to be provided to the customer by the supplier (Bendigo Bank as franchisor).	On completion of the provision of the relevant service. Revenue is accrued monthly and paid within 10 business days after the end of each month.

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 group – margin, commission and fee income. Bendigo Bank decides the form of revenue the group earns on different types of products and services.

The revenue earned by the group 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.

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 Bank for a deposit,
- *minus* any costs of funds i.e. interest applied by to fund a loan.

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2020.

NOTE 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

(a) Revenue from contracts with customers. (continued)

The group is entitled to a share of the margin earned by Bendigo Bank. If this reflects a loss, the group incurs a share of that loss.

Commission

Commission revenue is in the form of commission generated for products and services sold. This commission is recognised at a point in time which reflects when the group has fulfilled its performance obligation.

The group receives trailing commission for products and services sold. Ongoing trailing commission payments are recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission income is outside the control of the group, and is a significant judgement area.

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.

Core banking products

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

Ability to change financial return

Under the franchise agreement, Bendigo Bank may change the form and amount of financial return that the group receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo Bank 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 group receives on a particular product or service. The effect of the change on the revenue earned by the group is entirely dependent on the change.

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

(b) Other revenue.

The group's activities include the generation of income from sources other than the core products under the franchise agreement. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and can be reliably measured.

Revenue	Revenue recognition policy
Rental income	Rental income from investment properties, including property owned and right-of-use assets leased, is accounted for on a straight-line basis over the lease term. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount.
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

All revenue is stated net of the amount of Goods and Services Tax (GST).

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2020.

NOTE 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

(b) Other revenue. (continued)

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo Bank has also made MDF payments to the group.

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 grants. It is for the board to decide how to use the MDF.

The payments from Bendigo Bank are discretionary and may change the amount or stop making them at any time. The group retains control over the funds, the funds are not refundable to Bendigo Bank.

Cash flow boost

During the financial year, in response to the COVID-19 outbreak, *Boosting Cash Flow for Employers (Coronavirus Economic Response Package) Act 2020 (CFB Act)* was enacted. The purpose was to provide temporary cash flow to small and medium businesses that employ staff and have been affected by the economic downturn associated with COVID-19.

The amounts received or receivable is in relation to amounts withheld as withholding tax reported in the activity statement. This essentially subsidises the group's obligation to remit withholding tax to the Australian Taxation Office. For reporting purposes, the amounts subsidised are recognised as revenue.

The amounts are not assessable for tax purposes and there is no obligation to repay the amounts when the cash flow of the group improves.

(c) Economic dependency - Bendigo Bank.

The group has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank.

The group is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry.

The group operates as a franchise of Bendigo Bank, using the name "Bendigo Bank" and the logo and system of operations of Bendigo Bank. The group manages the Community Bank on behalf of Bendigo Bank, however all transactions with customers conducted through the Community Bank are effectively conducted between the customers and Bendigo Bank.

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, with the group 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 Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

The group 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 Bank entity to bear as long as the group has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

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

- the design, layout and fit out of the Community Bank premises
- training for the branch managers 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 group revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2020.

NOTE 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

(d) Employee benefits.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages (including non-monetary benefits), annual leave, and sick leave which are expected to be wholly settled within 12 months of the reporting date. They are measured at amounts expected to be paid when the liabilities are settled, plus related on-costs. Expenses for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

An annual leave liability is recognised for the amount expected to be paid if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

Defined superannuation contribution plans

The group contributes to a defined contribution plan. Obligations for superannuation contributions to defined contribution plans are expensed as the related service is provided.

Contributions to a defined contribution plan are expected to be settled wholly before 12 months after the end of the financial year in which the employees render the related service.

Other long-term employee benefits

The group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods.

That benefit is discounted to determine its present value. Consideration is given to expected future wage and salary levels plus related on-costs, experience of employee departures, and years of service achieved. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimate future cash outflows.

Remeasurements are recognised in profit or loss in the period in which they arise.

(e) Taxes.

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

The group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore recognises them under *AASB 137 Provisions, Contingent Liabilities and Contingent Assets.*

Current income tax

Current tax assets and liabilities are measured at amounts expected to be recovered from or paid to the taxation authorities. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for all deductible temporary differences, carried-forward tax losses, and unused tax credits to the extent that it is probable that future taxable profits will be available against which they can be used.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

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 entity intends to settle its tax assets and liabilities on a net basis.

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2020.

NOTE 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

(e) Taxes. (continued)

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except:

- when the amount of GST incurred on a sale or purchase of assets or services is not payable to or 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 revenue or expense item.
- when 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 statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

(f) Cash and cash equivalents.

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise: cash on hand, deposits held with banks, and short-term, highly liquid investments (mainly money market funds) that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

(g) Property, plant and equipment.

Recognition and measurement

Items of property, plant and equipment are measured at cost or fair value as applicable, which includes capitalised borrowings costs, less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the group.

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line or diminishing value method over their estimated useful lives, and is recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

Asset class	Method	Useful Life
Building	Straight-line	6 to 40 years
Leasehold improvements	Straight-line	4 to 10 years
Plant and equipment	Straight-line and diminishing value	2 to 40 years
Motor vehicles	Straight-line	5 years

Depreciation methods, useful life, and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Intangible assets.

Intangible assets of the group include the franchise fees paid to Bendigo Bank conveying the right to operate the Community Bank franchise. The group also acquired an agency/customer list from Bendigo Bank.

Recognition and measurement

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed as either finite or indefinite.

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2020.

NOTE 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

(h) Intangible assets. (continued)

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

Amortisation

Intangible assets with finite lives are amortised over their useful life and assessed for impairment whenever impairment indicators are present. Intangible assets assessed as having indefinite useful lives are tested for impairment at each reporting period and whenever impairment indicators are present. The indefinite useful life is also reassessed annually.

The estimated useful life and amortisation method for the current and comparative periods are as follows:

Asset class	Method	Usefull Life
Franchise establishment fee	Straight-line	Over the franchise term (5 years)
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)
Domiciled accounts	Assessed for impairment	Finite

Amortisation methods, useful life, and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Financial instruments.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The group's financial instruments include trade debtors and creditors, cash and cash equivalents, borrowings and leases.

Sub-note (i) and (j) refer to the following acronyms:

Acronym	Meaning
FVTPL	Fair value through profit or loss
FVTOCI	Fair value through other comprehensive income
SPPI	Solely payments of principal and interest
ECL	Expected credit loss
CGU	Cash-generating unit

Recognition and initial measurement

Trade receivables are initially recognised when they originated. All other financial assets and financial liabilities are initially recognised when the group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to the acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVTOCI - debt investment; FVTOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2020.

NOTE 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

(i) Financial instruments. (continued)

Financial assets (continued)

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. On initial recognition, the group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - business model assessment

The group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed.

Financial assets - subsequent measurement and gains and losses

- Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities - classification, subsequent measurement and gains and losses

Borrowings and other financial liabilities (including trade payables) are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Where the group enters into transactions where it transfers assets recognised in the statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred asset, the transferred assets are not derecognised.

Financial liabilities

The group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. The group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(j) Impairment.

Non-derivative financial assets

The group recognises a loss allowance for ECL on its trade receivables.

ECL's 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.

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

Community Investment.

Our Community Investment year started with a focus on how to assist our community groups with projects, infrastructure, events and celebrations. As we encountered the impact of COVID-19 across our state and its effect on our community; we shifted to ensuring that our investment best supported the challenges faced.

A major investment and one of which we are extremely proud was to give Love In Action a home in Wallan. Now located at 60 Wellington Street in Wallan, Love in Action have a secure, local base and the room their resources and volunteers need. The support they provide for our community members across the shire is outstanding and we as an organization feel honoured to be able to assist them to continue to do their great work.

Although COVID-19 has meant that this year we were unable to come together as a community for our annual Community Grants Night to celebrate the fantastic diversity of our grant recipients; we are proud that we have been able to assist so many local organisations.

Our Coffee for Teachers program was a tangible and very popular thank you to our local teachers and administrative staff for their wonderful work in such challenging circumstances. This program also enabled us to directly support our local cafes across Wallan, Kilmore and Broadford, bringing customers into their premises and allowing these small businesses to reach new customers and know their community was keen to support them.

The Bendigo Bank prides itself on being the bank with the point of difference – with profits going back into your community. Profits our customers generate just by banking with us.

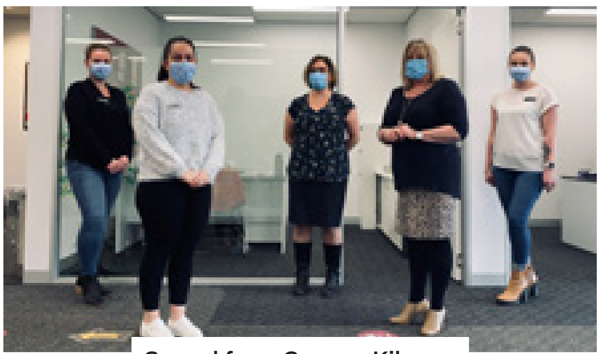
Our Community Bank contributions for the last year totalled $302,527 which has been placed with a wide range of community groups and organizations, enriching our towns for the better.

These various projects are living proof of the power of Community Banking in our district, while Banking is our business, Community is our purpose.

The total investment grants to the local community since opening in 2007 is over $3.2 million, which makes us incredibly proud. These grants have made a huge difference to so many clubs, schools and community groups.

Kathleen Holland
Chair Community Investment Marketing Committee

Kilmore SES



Casual for a Cause - Kilmore

South Mitchell Neighbourhood Watch

Kilmore Cricket Club

Casual for a Cause Day - Donation to Love In Action

Thanks to your support

$3.2 m

to our local community

Wallan Scouts

Kilmore Football Club

Jeremy Scrivens
Love In Action Wallan

Love in Action are thrilled to be given the "Bank House '' as our new 'hub' in Wallan. Already in two months we have made the place feel like home and the LIA team has been working from here to deliver food, supplies and lots of love to over 100 families in Wallan and surrounds. We are thrilled to be in partnership with Bendigo Bank serving our community. . Thanks so much to the Bendigo Bank, Board, staff and customers - bringing community together.

Kilmore Invitational Racing Pigeon Club

Rotary Club of Southern Mitchell

we have given back over

million

Wandong Primary School

Community Bank Adventure Playground

Wallan Netball Club

Upper Plenty Primary School

Coffee for Teachers Program

Wallan Reserves Grand Final winning team.

Hidden Valley & Wallan District Men's Shed

NOTE 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

(j) Impairment. (continued)

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.

The group's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 14 days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the group. The group also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no impairment loss allowance has been made in relation to trade receivables as at 30 June 2020.

Non-financial assets

At each reporting date, the group reviews the carrying amount of its non-financial assets (other than investment property, contracts assets, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped into the smallest groups of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed.

(k) Issued capital.

Ordinary shares

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

(l) Provisions.

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

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

The estimated provisions for the current and comparative periods are to restore the premises under a 'make-good' clause.

The group is required to restore the leased premises to its/their original condition before the end of the lease term. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements, ATM installed at the branch, and incidental damage caused from the removal of assets.

(m) Leases.

The group has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and Interpretation 4. The details of accounting policies under AASB 117 and Interpretation 4 are disclosed separately.

Policy applicable from 1 July 2019

At inception of a contract, the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into, on or after 1 July 2019.

NOTE 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

(m) Leases. (continued)

As a lessee

At commencement or on modification of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of property the group has elected not to separate lease and non-lease components and account for the lease and non-lease components as a single lease component.

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the group by the end of the lease term or the costs of the right-of-use asset reflects that the group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate.

The group determines its incremental borrowing rate by obtaining interest rates from funding sources and where necessary makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual guarantee; and
- the exercise price under a purchase option the group is reasonable certain to exercise, lease payments in an option renewal period if the group is reasonably certain to exercise that option, and penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, if the group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The group has elected not to recognise right-of-use assets and lease liabilities for leases of short-term leases and low-value assets, including IT equipment. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

A short-term lease is a lease that, at commencement date, has a lease term of 12 months or less.

As a lessor

At inception or on modification of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the group acts as a lessor, it determines at lease inception whether each lease is a finance or operating lease.

To classify each lease, the group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the group considers certain indicators such as whether the lease is for the major part of the economic life of the asset. The group is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor.

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2020.

NOTE 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

(m) Leases. (continued)

As a lessor (continued)

The group applies the derecognition and impairment requirements in AASB 9 to the net investment in the lease (see Note 4(l)). The group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the group as a lessor in the comparative period were not different from AASB 16 except for the classification of the sub-lease entered into during the current reporting period that resulted in a finance lease classification.

Policy applicable before 1 July 2019

For contracts entered into before 1 July 2019, the group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed the right to use an asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

In the comparative period, as a lessee the group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

As a lessor

When the group acted as a lessor, it determined at lease inception whether each lease was a finance or operating lease.

To classify each lease, the group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

(n) Fair value measurement.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the group has access at that date. The fair value of a liability reflects its non-performance risk.

If there is no quoted price in an active market, the group uses valuation techniques that maximise the use of relevant observable inputs and maximise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of property on initial recognition is the transaction price - i.e. the fair value of the consideration given or received.

(o) Standards issued but not yet effective.

A number of new standards are effective for annual reporting periods beginning after 1 January 2019, however the changes are not expected to have a significant impact on the group's consolidated financial statements.

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2020.

NOTE 5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS.

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the group's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Judgements.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

Note	Judgement
Note 8 - revenue recognition	whether revenue is recognised over time or at a point in time;
Note 21 - leases:	
(a) control	(a) whether a contract is or contains a lease at inception by assessing whether the group has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
(b) lease term	(b) whether the group is reasonably certain to exercise extension options, termination periods, and purchase options;
(c) discount rates	(c) judgement is required to determine the discount rate, where the discount rate is the group's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the group and underlying asset including: - the amount; - the lease term; - economic environment; and - other relevant factors.

(b) Assumptions and estimation uncertainties.

Information about assumptions and estimation uncertainties at 30 June 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note	Assumptions
Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
Note 15 - fair value	determining the fair value less costs to sell of the disposal group on the basis of significant unobservable inputs;
Note 11(b) - impairment test of intangible assets	key assumptions underlying recoverable amounts;
Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
Note 23 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;
Note 22 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement.

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2020.

NOTE 6. FINANCIAL RISK MANAGEMENT.

The group has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including currency, price, cash flow and fair value interest rate).

The group'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 group. The group does not use derivative instruments.

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

(a) Credit risk.

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers.

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

(b) Liquidity risk.

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

30 June 2020		Contractual cash flows		
Non-derivative financial liability	**Carrying amount**	**Not later than 12 months**	**Between 12 months and five years**	**Greater than five years**
Bank loans	3 ,013,861	288,341	1,153,364	1,572,156
Lease liabilities	317,380	44,200	176,800	169,434
Trade payables	180,725	45,181	135,544	-
	3 ,512,426	**377,722**	**1 ,465,708**	**1,741,590**

30 June 2019		Contractual cash flows		
Non-derivative financial liability	**Carrying amount**	**Not later than 12 months**	**Between 12 months and five years**	**Greater than five years**
Bank loans	1 ,025,103	1 ,025,103	-	-
	1 ,025,103	**1 ,025,103**	**-**	**-**

(c) Market risk.

Market risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the group's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2020.

NOTE 6. FINANCIAL RISK MANAGEMENT. (continued)

(c) Market risk. (continued)

Price risk

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

Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo Bank and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest-rate risk.

The group held cash and cash equivalents of $489,547 at 30 June 2020 (2019: $360,196). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB on Standard & Poor's credit ratings.

NOTE 7. CAPITAL MANAGEMENT.

The board's policy is to maintain a strong capital base so as to sustain future development of the group. The board of directors monitor the return on capital and the level of distributions to shareholders. Capital is represented by total equity as recorded in the statement of financial position.

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

The distribution limit is the greater of:

(a) 20% of the profit or funds of the group otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the group 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 group 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 2020 can be seen in the statement of profit or loss and other comprehensive Income.

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

NOTE 8. REVENUE FROM CONTRACTS WITH CUSTOMERS

The group generates revenue primarily from facilitating community banking services under a franchise agreement with Bendigo Bank. The group is entitled to a share of the margin earned by Bendigo Bank.

Revenue from contracts with customers	2020 $	2019 $
Revenue:		
- Revenue from contracts with customers	3 ,484,609	3,320,979
	3 ,484,609	**3,320,979**

Disaggregation of revenue from contracts with customers		
At a point in time:		
- Margin income	2 ,993,635	2 ,813,794
- Fee income	282,821	297,752
- Commission income	208,153	209,433
	3,484,609	**3,320,979**

There was no revenue from contracts with customers recognised over time during the financial year.

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2020.

NOTE 9. OTHER REVENUE.

The group generates other sources of revenue from rental income from owned investment properties, discretionary contributions received from the franchisor and cash flow boost from the Australian Government.

Other revenue	2020 $	2019 $
Revenue		
- Rental Income	95,662	-
- Market development fund income	51,667	40,000
- Cash flow boost	50,000	-
- Other income	10,323	2,173
	207,652	**42,173**

NOTE 10. FINANCE INCOME.

The group holds financial instruments measured at amortised cost. Interest income is recognised at the effective interest rate.

Finance income	2020 $	2019 $
At amortised cost:		
- Cash at bank	591	8,446
	591	**8,446**

NOTE 11. EXPENSES.

(a) Depreciation and amortisation expense.	2020 $	2019 $
Depreciation of non-current assets:		
- Buildings	134,319	123,777
- Leasehold improvements	8,122	7,436
- Plan and equipment	9,587	11,410
- Motor vehicles	6,932	6,932
	158,960	**149,555**
Depreciation of right-of-use assets:		
- Leased land and buildings	38,522	-
	38,522	**-**
Amortisation of intangible assets:		
- Franchise fee	2,131	4,205
- Franchise establishment fee	5,888	14,057
- Franchise renewal process fee	32,291	7,730
	40,310	**25,992**
Total depreciation and amortisation expense	**237,792**	**175,547**

The non‑current tangible and intangible assets listed above are depreciated and amortised in accordance with the group's accounting policy (see Note 4g and 4h).

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2020.

NOTE 11. EXPENSES. (continued)

(b) Impairment losses.	2020 $	2019 $
Impairment of intangible assets:		
- Domiciled accounts	10,387	-
	10,387	**-**

See note 17c) for more information.

(c) Finance costs.	Notes	2020 $	2019 $
Finance costs:			
- Bank loan interest paid or accrued		87,808	59
- Lease interest expense	21(a)	17,561	-
- Unwinding of make-good provision		1,504	-
		106,873	**59**

Finance costs are recognised as expenses when incurred using the effective interest rate.

(d) Employee benefit expenses.	2020 $	2019 $
Wages and salaries	1,489,178	1,407,241
Non-cash benefits	22,910	4,645
Contributions to defined contribution plans	136,564	131,679
Expenses related to long service leave	10,628	6,046
Other expenses	165,647	186,133
	1,824,927	**1,735,744**

(e) Recognition exemption.

The group has elected to exempt leases from recognition where the underlying asset is assessed as low-value or the lease term is 12 months or less.

	2020 $	2019 $
Expenses relating to low-value leases	45,404	-
Expenses relating to short-term leases	32,828	-
	78,232	**-**

Expenses relating to leases exempt from recognition are included in systems costs and occupancy and associated costs.

The group pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition.

The group's lease for the Wallan branch expired in December 2019. The group has elected to exempt from recognition leases with a lease term expiring within 12 months of initial application upon transition.

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2020.

NOTE 12. INCOME TAX EXPENSE.

Income tax expense comprises current and deferred tax. Attributable current and deferred tax expense is recognised in the other comprehensive income or directly in equity as appropriate.

(a) Amounts recognised in profit or loss.	**2020 $**	**2019 $**
Current tax expense		
- Current tax	109,175	197,714
- Movement in deferred tax	40,501	(35,021)
- Adjustment to deferred tax on AASB 16 retrospective application	25,264	-
- Reduction in company tax rate	(9,164)	-
	165,776	**162,693**

Progressive changes to the group tax rate have been enacted. Consequently, as of 1 July 2020, the group tax rate will be reduced from 27.5% to 26%. This change resulted in a gain of $9,164 related to the remeasurement of deferred tax assets and liabilities of the group.

(b) *Prima facie* income tax reconciliation.	**2020 $**	**2019 $**
Operating profit before taxation	654,611	565,995
Prima facie tax on profit from ordinary activities	182,762	155,649
Tax effect of:		
- Non-deductible expenses	6,347	7,464
- Non-assessable income	13,750	-
- Other deductible expenses	(420)	(420)
- Temporary differences	(65,764)	35,021
- Movement in deferred tax	40,501	(35,021)
- Leases initial recognition	25,264	-
- Reduction in company tax rate	(9,164)	-
	165,776	**162,693**

NOTE 13. CASH AND CASH EQUIVALENTS.

(a) Cash and cash equivalents.	**2020 $**	**2019 $**
Cash at bank and on hand	489,547	360,196
	489,547	**360,196**

NOTE 14. TRADE AND OTHER RECEIVABLES.

(a) Current assets.	**2020 $**	**2019 $**
Trade receivables	292,992	308,159
Prepayments	24,031	17,753
Other receivables and accruals	7,171	7,171
	324,194	**333,083**

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2020.

NOTE 15. PROPERTY, PLANT AND EQUIPMENT.

(a) Carrying amounts.	**2020 $**	**2019 $**
Land:		
At fair value	800,000	778,981
	800,000	**778,981**
Buildings:		
At cost and fair value	5,022,662	674,686
Less: accumulated depreciation	(215,937)	(389,775)
	4,806,725	**284,911**
Leasehold improvements		
At cost	140,913	61,003
Less: accumulated depreciation	(19,437)	(11,315)
	121,476	**49,688**
Plant and equipment		
At cost	107,285	118,350
Less: accumulated depreciation	(77,263)	(83,411)
	30,022	**34,939**
Motor vehicles:		
At cost	34,658	34,658
Less: accumulated depreciation	(14,605)	(7,673)
	20,053	**26,985**
Capital works in progress:		
At cost	-	1,562,306
	-	**1,562,306**
Total written down amount	**5,778,276**	**2,737,810**

The directors do not believe the carrying amount exceeds the recoverable amount of the above assets. The directors therefore believe the carrying amount is not impaired.

(b) Reconciliation of carrying amounts.	**2020 $**	**2019 $**
Land		
Carrying amount at beginning	778,981	778,981
Revaluation	21,019	-
Carrying amount at end	**800,000**	**778,981**

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2020.

NOTE 15. PROPERTY, PLANT AND EQUIPMENT. (continued)

(b) Reconciliation of carrying amounts. (continued)	2020 $	2019 $
Buildings		
Carrying amount at beginning	284,911	408,688
Assets transferred in - at cost	3,957,307	-
Revaluation	698,826	-
Depreciation	(134,319)	(123,777)
Carrying amount at end	**4,806,725**	**284,911**
Leasehold improvements		
Carrying amount at beginning	49,688	57,124
Additions	79,910	-
Depreciation	(8,122)	(7,436)
Carrying amount at end	**121,476**	**49,688**
Plant and equipment		
Carrying amount at beginning	34,939	43,034
Additions	7,111	3,315
Disposals	(2,441)	-
Depreciation	(9,587)	(11,410)
Carrying amount at end	**30,022**	**34,939**
Motor vehicles		
Carrying amount at beginning	26,985	33,917
Depreciation	(6,932)	(6,932)
Carrying amount at end	**20,053**	**26,985**
Capital works in progress		
Carrying amount at beginning	1,562,306	162,456
Additions	2,395,001	1,399,850
Assets transferred out - at cost	(3,957,307)	-
Carrying amount at end	**-**	**1,562,306**
Total written down amount	**5,778,276**	**2,737,810**

(c) Changes in estimates.

During the financial year, the group assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods.

There were no changes in estimates for the current reporting period.

NOTE 15. PROPERTY, PLANT AND EQUIPMENT. (continued)

(d) Fair value hierarchy.

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

The group's property was independently valued effective 31 March 2020 by Opteon Property Group on 17 March 2020 for security purposes for Bendigo Bank. The valuation resulted in an increment to the carrying amount of the property resulting in net gain on revaluation of $521,887 in the statement of profit or loss and other comprehensive income.

The directors do not believe there has been a significant change in the assumptions as at balance date. The directors therefore believe the carrying amount of the property reflects its fair value as at 30 June 2020.

NOTE 16. RIGHT-OF-USE ASSETS.

Right-of-use assets are measured at amounts equal to the present value of enforceable future payments on the adoption date, adjusted for lease incentives, make-good provisions, and initial direct costs.

The group derecognises right-of-use assets at the termination of the lease period or when no future economic benefits are expected to be derived from the use of the underlying asset.

(a) Carrying amounts.	Notes	2020 $	2019 $
Leased land and buildings			
At cost		485,583	-
Less: accumulated depreciation		(217,291)	-
Total written down amount		**268,292**	**-**

(b) Reconciliation of carrying amounts.	Notes	2020 $	2019 $
Leased land and buildings			
Carrying amount at beginning		-	-
Initial recognition on transition	3(d)	545,970	-
Accumulated depreciation on adoption	3(d)	(178,769)	-
Remeasurement adjustments		(60,387)	-
Depreciation		(38,522)	-
Carrying amount at end		**268,292**	**-**
Total written down amount		**268,292**	**-**

NOTE 17. INTANGIBLE ASSETS.

(a) Carrying amounts.	2020 $	2019 $
Franchise fee		
At cost	69,275	36,605
Less: accumulated amortisation	(37,150)	(35,019)
	32,125	**1,586**
Franchise establishment fee		
At cost	170,000	170,000
Less: accumulated amortisation	(170,000)	(164,112)
	-	**5,888**

NOTE 17. INTANGIBLE ASSETS. (continued)

(a) Carrying amounts. (continued)

	2020 $	2019 $
Franchise renewal process fee		
At cost	188,607	25,257
Less: accumulated amortisation	(50,571)	(18,280)
	138,036	**6,977**
Cash-generating unit - domiciled accounts		
At cost	10,387	10,387
Less: accumulated impairment	(10,387)	-
	-	**10,387**
Total written down amount	**170,161**	**24,838**

(b) Reconciliation of carrying amounts.

	2020 $	2019 $
Franchise fee		
Carrying amount at beginning	1,586	5,791
Additions	32,670	-
Amortisation	(2,131)	(4,205)
Carrying amount at end	**32,125**	**1,586**
Franchise establishment fee		
Carrying amount at beginning	5,888	19,945
Amortisation	(5,888)	(14,057)
Carrying amount at end	**-**	**5,888**
Franchise renewal process fee		
Carrying amount at beginning	6,977	14,707
Additions	163,350	-
Amortisation	(32,291)	(7,730)
Carrying amount at end	**138,036**	**6,977**
Cash-generating unit - domiciled accounts		
Carrying amount at beginning	10,387	10,387
Impairment	(10,387)	-
Carrying amount at end	-	10,387
Total written down amount	**170,161**	**24,838**

(c) Changes in estimates.

The group has re-assessed the useful life of its cash-generating unit for business domiciled from Bendigo Bank to the group based on new information from Bendigo Bank relating to the customer product life cycle.

As a result of the reassessment, the carrying amount was found to exceed the recoverable amount indicating the asset is now fully impaired. As such, an impairment loss of $10,387 has been recognised for the financial year ending 30 June 2020.

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2020.

NOTE 18. TAX ASSETS AND LIABILITIES.

(a) Current tax.	2020 $	2019 $
Income tax payable	**17,350**	**77,623**

(b) Differed tax.

Movement in the group's deferred tax balances for the year ended 30 June 2020:

Deferred tax assets	30 June 2019 $	Recognised in profit or loss $	Recognised in other comprehensive income	Recognised in equity $	30 June 2020 $
- expense accruals	1,583	(175)	-	-	1,408
- employee provisions	27,301	4 ,738	-	-	32,039
- make-good provision	-	(5,113)	-	11,930	6,817
- lease liability	-	(31,676)	-	114,314	82,638
- property, plant and equipment	41,566	(41,566)	-	-	-
Total deferred tax assets	**70,450**	**(73,792)**	**-**	**126,244**	**122,902**
Deferred tax liabilities					
- property, plant and equipment	-	14,033	197,957	-	211,990
- right-of-use assets	-	(31,224)	-	100,980	69,756
Total deferred tax liabilities	-	(17,191)	197,957	100,980	281,746
Net deferred tax assets (liabilities)	**70,450**	**(56,601)**	**(197,957)**	**25,264**	**(158,844)**

Movement in the group's deferred tax balances for the year ended 30 June 2019:

Deferred tax assets	30 June 2018 $	Recognised in profit or loss $	Recognised in other comprehensive income	Recognised in equity $	30 June 2019 $
- expense accruals	1,012	571	-	-	1,583
- employee provisions	21,399	5 ,902	-	-	27,301
- property, plant and equipment	13,071	28,549	-	-	41,566
Total deferred tax assets	**35,428**	**35,022**	**-**	**-**	**70,450**
Net deferred tax assets (liabilities)	**35,428**	**35,022**	**-**	**-**	**70,450**

(c) Uncertainty over income tax treatments.

As at balance date, there are no tax rulings, or interpretations of tax law, which may result in tax treatments being over-ruled by the taxation authorities. The group believes that its accrual for income taxes is adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

NOTE 19. TRADE CREDITORS AND OTHER PAYABLES.

Where the group is liable to settle an amount within 12 months of reporting date, the liability is classified as current. All other obligations are classified as non-current.

(a) Current liabilities,	2020 $	2019 $
Trade creditors	45,181	-
Other creditors and accruals	158,554	81,343
	203,735	**81,343**

NOTE 19. TRADE CREDITORS AND OTHER PAYABLES. (continued)

(b) Non-current liabilities.	2020 $	2019 $
Trade creditors	135,544	-
	135,544	**-**

NOTE 20. LOANS AND BORROWINGS.

(a) Current liabilities.	2020 $	2019 $
Secured bank loans	288,341	1,025,103
	288,341	**1,025,103**

(b) Non-current liabilities.	2020 $	2019 $
Secured bank loans	2,725,520	-
	2,725,520	**-**

(c) Terms and repayment schedule.

	Nominal interest rate	Year of maturity	30 June 2020		30 June 2019	
			Face value	Carrying value	Face value	Carrying value
Secured bank loans	2.96%	2032	3,013,861	3,013,861	1,025,103	1,025,103

NOTE 21. LEASE LIABILITIES.

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 4.79%.

The discount rate used in calculating the present value of enforceable future payments takes into account the particular circumstances applicable to the underlying leased assets (including the amount, lease term, economic environment, and other relevant factors).

The group has applied judgement in estimating the remaining lease term including the effects of any extension or termination options reasonably expected to be exercised, applying hindsight where appropriate.

Lease portfolio

The group's lease portfolio includes:

- Kilmore branch	The lease agreement is a non-cancellable lease with an initial term of five years which commenced in June 2014. An extension option term of five years was exercised in June 2019. The lease has one further five year extension options available. The group is reasonably certain to exercise the final five-year lease term.
- Broadford branch	The lease agreement is a non-cancellable lease with an initial term of two years which commenced in December 2017. An extension option term of two years was exercised in December 2019. The premises was purchased by the group after the end of the financial year with a settlement date of 30 September 2020.

The group assesses at the lease commencement date whether it is reasonably certain to exercise extension options. The group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

(a) Lease liability measurement.

Where the group is a lessee for the premises to conduct its business, extension options are included in the lease term except when the group is reasonably certain not to exercise the extension option. This is due to the significant disruption of relocating premises and the loss on disposal of leasehold improvements fitted out in the demised leased premises.

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2020.

NOTE 21. LEASE LIABILITIES. (continued)

Lease liabilities on transition	Notes	2020 $	2019 $
Balance at the beginning (finance lease liabilities)		-	-
Initial recognition on AASB 16 transition	3(d)	415,691	-
Remeasurement adjustments		41,724	-
Lease payments - interest		17,561	
Lease payments		(73,688)	
		317,840	**-**

(b) Current lease liabilities.

Property lease liabilities		44,200	-
Unexpired interest		(14,580)	-
		29,620	**-**

(c) Non-current lease liabilities.

Property lease liabilities		346,234	-
Unexpired interest		(58,014)	-
		288,220	**-**

(d) Maturity analysis.

- Not later than 12 months		44,200	-
- Between 12 months and 5 years		176,800	-
- Greater than 5 years		169,434	-
Total undiscounted lease payments		**390,434**	**-**
Unexpired interest		(72,594)	-
Present value of lease liabilities		**317,840**	**-**

(e) Impact on the current reporting period.

During the financial year, the group has mandatorily adopted AASB 16 for the measurement and recognition of its leases. The primary impact on the profit or loss is that lease payments are split between interest and principal payments and the right-of-use asset depreciates. This is in contrast to the comparative reporting period where lease payments under AASB 117 were expensed as incurred. The following note presents the impact on the profit or loss for the current reporting period.

Comparison under current AASB 16 and former AASB 117

The net impact for the current reporting period is an increase in profit after tax of $11,673.

Profit or loss - increase (decrease) in expenses	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
- Occupancy and associated costs	73,688	(73,688)	-
- Depreciation and amortisation expense	-	38,522	38,522
- Finance costs	-	19,065	19,065
Decrease in expenses - before tax	**73,688**	**(16,101)**	**57,587**
- Income tax expense / (credit) - current	(20,264)	20,264	-
- Income tax expense / (credit) - deferred	-	(15,836)	(15,836)
Decrease in expenses - after tax	**53,424**	**(11,673)**	**41,751**

NOTE 21. LEASE LIABILITIES. (continued)

(f) Leases as lessor.

Operating lease

The group leases out its property. The group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognised by the group during the financial year was $95,662 (2019: nil).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

2020 - Operating leases under AASB 16	2020	2019
- Within 12 months	197,500	-
- Between one and two years	201,600	-
- Between two and three years	134,614	-
- Between three and four years	115,299	-
- Between four and five years	43,870	-
Total undiscounted lease receivable	**692,883**	**-**

NOTE 22. PROVISIONS.

As at the reporting date, the make-good of the leased premises is not expected to be wholly settled within 12 months. The balance is classified as non-current.

(a) Non-current liabilities.	2020	2019
Make-good on leased premises	26,221	-
	26,221	**-**

(b) Make-good provision.

In accordance with the branch lease agreements, the group must restore the leased premises to their original condition before the expiry of the lease term.

The group has estimated the provision based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process.

Provision	Notes	2020 $	2019 $
Balance at the beginning		-	-
Face-value of make-good costs recognised	3(d)	61,460	-
Present value discounting	3(d)	(18,080)	-
Present value unwinding		1,504	-
Provision remeasurements		(18,663)	-
		26,221	**-**

(c) Changes in estimates.

During the financial year, the group re-assessed the lease agreement with respect to the make-good and restoration clauses. The estimated costs were revised with respect to an analysis of restoration costs of bank branches completed by Bendigo Bank's property team. The provision was previously assessed as nil or immaterial with no provision recognised in the accounts. The lease for the Kilmore branch is due to expire in April 2029 at which time it is expected the face-value costs to restore the premises will fall due.

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2020.

NOTE 23. EMPLOYEE BENEFITS.

(a) Current liabilities.	2020 $	2019 $
Provision for annual leave	70,989	55,449
Provision for long service leave	32,071	24,536
	103,060	**79,985**

(b) Non-current liabilities.

Provision for long service leave	20,065	19,294
	20,065	**19,294**

(c) Key judgement and assumptions.

Employee attrition rates

The group uses historical employee attrition rates in determining the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with long service leave legislation.

NOTE 24. ISSUED CAPITAL.

	2020		2019	
	Number	$	Number	2019 $
Ordinary shares - fully paid	1,028,710	1,028,710	1,028,710	1,028,710
Bonus shares - fully paid (1:1)	817,010	-	817,010	-
Less: equity raising costs	-	(25,621)	-	(25,621)
	1,845,720	**1,003,089**	**1,845,720**	**1,003,089**

(b) Rights attached to issued capital.

Ordinary shares

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 group as a community based group, 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 group.

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 Bank 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).

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 group's constitution and the *Corporations Act 2001*.

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2020.

NOTE 24. ISSUED CAPITAL. (continued)

(b) Rights attached to issued capital. (continued)

Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the group (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the group predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the group to that person the number of shareholders in the group 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 group had 421 shareholders (2019: 422 shareholders).

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

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 group or any voting power in the group, 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 25. RESERVES.

(a) Nature and purpose of reserves.

Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment.

(b) Disaggregation of reserve balances, net of tax.

Reserves for the period ended 30 June 2020	Revaluation reserve $	Total other comprehensive income $
Revaluation of property plant and equipment	521,887	521,887
Balance at end of reporting period	**521,887**	**521,887**

NOTE 26. RETAINED EARNINGS.

	Notes	2020 $	2019 $
Balance at beginning of reporting period		1,239,940	989,833
Adjustment for transition to AASB 16	3(d)	(66,606)	-
Net profit after tax from ordinary activities		488,835	403,302
Dividends provided for or paid	31(a)	(153,195)	(153,195)
Balance at end of reporting period		**1,508,974**	**1,239,940**

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2020.

NOTE 27. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES.

	2020 $	2019 $
Net profit after tax from ordinary activities	**488,835**	**403,302**
Adjustments for:		
- Depreciation	197,482	149,555
- Amortisation	40,310	25,992
- Impairment losses on intangible assets	10,387	-
- Loss on disposal of non-current assets	2,441	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	8,890	(56,995)
- (Increase)/decrease in other assets	(115,869)	(35,022)
- Increase/(decrease) in trade and other payables	110,361	(42,662)
- Increase/(decrease) in employee benefits	23,846	21,464
- Increase/(decrease) in provisions	(17,159)	-
- Increase/(decrease) in tax liabilities	114,135	20,590
Net cash flows provided by operating activities	**863,659**	**486,224**

NOTE 28. FINANCIAL INSTRUMENTS.

The following shows the carrying amounts for all financial instruments at amortised costs. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Notes	2020 $	2019 $
Financial assets			
Trade and other receivables	14	300,163	315,330
Cash and cash equivalents	13	489,547	360,196
		789,710	**675,526**
Financial liabilities			
Trade and other payables	19	180,725	-
Secured bank loans	20	3,013,861	1,025,103
Lease liabilities	21	317,840	-
		3,512,426	**1,025,103**

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2020.

NOTE 29. AUDITOR'S REMUNERATION.

Amount received or due and receivable by the auditor of the group for the financial year.

Audit and review services	2020 $	2019 $
- Audit and review of financial statements	5,700	5,500
	5,700	**5,500**

Non audit services		
- Taxation advice and tax compliance services	5,420	4,325
- General advisory services	6,735	5,370
- Share registry services	4,799	7,025
	16,954	**16,720**
Total auditor's remuneration	**22,654**	**22,220**

NOTE 30. RELATED PARTIES.

(a) Details of key management personnel.

The directors of the company during the financial year were:

- David Allan Wheeler
- Walter Hilaire Mott
- Susan Louise Marstaeller OAM
- David John Ford
- Kathleen Mary Holland
- Terrence Leslie Dobson
- Brent Alastair Edwin Baker
- Sheree Elise Tivendale
- Ortensio Caroli
- Susan Joanne Langborne
- Gregory Claude Marshall

(b) Key management personnel compensation.

Key management personnel compensation comprised the following.	2020 $	2019 $
Short-term employee benefits	64,607	32,458
	64,607	**32,458**

Compensation of the group's key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined contribution plan.

(c) Related party transactions.

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

Transactions with related parties	2020 $	2019 $
- The North Central Review Pty Ltd. Walter Mott is a director of The North Central Review Pty Ltd.	37,953	36,606
- James Yeates Printing Pty Ltd. Walter Mott is a director of James Yeates Printing Pty Ltd.	264	55
Total transactions with related parties	**38,217**	**36,661**

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. There is no requirement to own Bendigo Bank shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo Bank shareholders. The total benefits received by the directors from the Directors' Privilege Package are $725 for the year ended 30 June 2020 (2019: $200).

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2020.

NOTE 31. DIVIDENDS PROVIDED FOR OR PAID.

(a) Dividends provided for and paid during the period.

The following dividends were provided for and paid to shareholders during the reporting period as presented in the statement of changes in equity and statement of cash flows.

	30 June 2020		30 June 2019	
	Cents	$	Cents	2019 $
Fully franked dividend	8.30	153,195	8.30	153,195
Total dividends paid during the financial year	**8.30**	**153,195**	**8.30**	**153,195**

The tax rate at which dividends have been franked is 27.5% (2019: 27.5%).

(b) Franking account balance.	2020 $	2019 $
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	554,453	435,436
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	169,447	177,125
- Franking debits from the payment of franked distributions	(58,108)	(58,108)
Franking account balance at the end of the financial year	**665,792**	**554,453**
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	17,350	77,623
Franking credits available for future reporting periods	**683,142**	**632,076**

The ability to utilise franking credits is dependent upon the group's ability to declare dividends.

NOTE 32. EARNINGS PER SHARE.

(a) Basic and diluted earnings per share.

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	2020 $	2019 $
Profit attributable to ordinary shareholders	488,835	403,302
	Number	Number
Weighted-average number of ordinary shares	1,845,720	1,845,720
	Cents	Cents
Basic and diluted earnings per share	**26.48**	**21.85**

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2020.

NOTE 33. COMMITMENTS.

(a) Lease commitments.

Following the adoption of AASB 16 as of 1 July 2019, all lease commitment information and amounts for the financial year ending 30 June 2020 can be found in 'Lease liabilities' (Note 21).

Operating lease commitments - lessee

Non-cancellable operating leases contracted for but not capitalised in the financial statements.

Payable - minimum lease payments:	2020 $	2019 $
- not later than 12 months	-	77,513
- between 12 months and 5 years	-	159,143
Minimum lease payments payable	**-**	**236,656**

(b) Other commitments.

The group has no other commitments contracted for which would be provided for in future reporting periods.

NOTE 34. CONTINGENCIES.

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

NOTE 35. SUBSEQUENT EVENTS.

During July 2020 a contract was signed to purchase the Broadford branch building premises for $600,000. The contract is due to settle on 30 September 2020.

There have been no other significant events occurring after the reporting period which may affect either the group's operations or the results of those operations or the group's state of affairs.

Director's 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 consolidated financial statements and notes of the group are in accordance with the Corporations Act 2001 ,

(i) giving a true and fair view of the group's financial position as at 30 June 2020 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 group will be able to pay its debts as and when they become due and payable.

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

David Allan Wheeler (Chairperson)

Dated this 5th day, October 2020

Independent Audit Report.

Partners in success

Chartered Accountants

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

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

Report on the audit of the financial 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 group's financial position as at 30 June 2020 and of its financial performance for the year ended; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

What we have audited
NorCen Financial Services Ltd's (the group) financial report comprises the:

✓ Statement of profit or loss and other comprehensive income
✓ Statement of financial position
✓ 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 group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES* 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the 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 group 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.

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Independent Audit Report.

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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 group 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 group'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 group 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: 5 October 2020

Joshua Griffin
Lead Auditor

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

Notes.

Bendigo Bank

Community Bank - Wallan
1/59 High Street
Wallan VIC 3756
p: 5783 2422
e: wallan@bendigoadelaide.com.au
w: bendigobank.com.au/wallan

Community Bank - Kilmore
75A Sydney Street,
Kilmore VIC 3764
p: 5781 0066
e: kilmore@bendigoadelaide.com.au
w: bendigobank.com.au/Kilmore

Bendigo Bank - Broadford
63 High Street,
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e: broadford@bendigoadelaide.com.au
w: bendigobank.com.au/broadford

facebook/WallanDistrictCommunityBankBranch

BendigoCB_WallanKilmore.

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