2021 Annual Report

NorCen Financial Services Limited

ABN 32 119 493 113

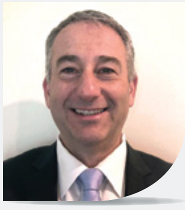
David Wheeler
Chairperson

Kathleen Holland
Deputy Chairperson

Sheree Tivendale
Treasurer

Wally Mott
Director

Susan Marstaeller
Director



Ortensio Caroli
Director

Benjamin Gregory
Director

Lee Partridge
Director

Sally Chadwick
Company Secretary

Kate Boulton
Community Engagement & Marketing Officer

Simon Halman
Senior Branch Manager

Carol Ryan
Wallan Branch Manager

Kirsty Galea
Kilmore Branch Manager

Laura Moran
Mobile Relationship Manager

Christine Smith
Mobile Relationship Manager

Natalie White
Mobile Relationship Manager

Leanne Paice
Broadford Branch Manager

Casey Smith
Customer Relationship Manager

Rochelle Geary
Customer Relationship Manager

Courtney Malesevich
Customer Relationship Manager

Jasmyn Lang
Customer Relationship Manager

Jackie Ginefra
Relationship Consultant

Julie Cannan
Relationship Consultant

Tyeisha Oorloff
Relationship Consultant

Andrew Gough
Customer Service Officer

Andrea Lever
Customer Service Officer

Carmel Borg
Customer Service Officer

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Chairperson's report.

For year ending June 30 2021.

What an extraordinary year we have just completed.

The whole year was pandemic affected. Our business however, being an essential service was open every day as usual. Our staff have performed brilliantly as we knew they would. We have not had anyone return a positive COVID test since the crisis began.

This is despite issues such as the "Oddfellows café" being an exposure site and there being a fair number of Kilmore infections as a result. Oddfellows were highly praised by State Government health staff, for both their co-operation and their attention to gathering customer information, which allowed the health team to quickly get on top of the outbreak.

Being in regional Victoria we avoided the full length of the metropolitan lockdown and luckily none of our service areas have become "hotspots" at any-time.

The Federal Government provided job-keeper support for part of this period. We made the decision not to apply for job-keeper as we did not anticipate a decline in income. It appears that we could have received $28,500 per fortnight for 6 months, which we would not be required to repay. We view our business as a contributor to our community wellbeing, and felt it was unethical to ask for assistance that was not required. We hope that many of the 157,000 businesses around Australia in similar circumstances, have a rethink on refunding unnecessary corporate welfare payments. It will be future generations repaying current national debts. We did accept the federal government cash flow boost payment of $50,000 in the first half of the year. This was paid as a discount to GST.

During the year we have had an increased turnover in Directors. Brent Baker is a young man who now has 2 young children and a busy business to operate, he simply could no longer commit the time required. Terry Dobson whose contribution was immense in the construction phase of our building in Wallan, along with David Ford our Treasurer another long-time Director, decided their time on the Board needed to end.

We thank all three past Directors for their contribution to our business, being a director of a public company involves considerable responsibility, and in a business as vibrant as ours, considerable time, and effort. They all put in hugely when required.

In May 2021, we welcomed Benny Gregson a young man of huge potential whose enthusiasm for our business has invigorated us all, as well as considerably reducing the Boards age profile. Since the 30th June 2021 we have also added Lee Partridge to our team. This means we now have a Board of 8 Directors, 4 Men and 4 Women. Gender equality is another goal ticked off. Both Benny and Lee will stand for confirmation at our AGM in November this year.

We continued our support for our community. We gave back over $275,000,000 in direct community investments last financial year. We also distributed $185,000 in shareholder dividends to members of our community and concentrated our efforts on using local suppliers wherever possible, in everything we do.

We moved "Love in Action" out of our rented premises at 60 Wellington Street which was taken over by GoTafe to expand local classes. We rented premises nearby in Stanley Street to continue to provide a Wallan home for this vital local volunteer organisation.

Our footings growth performance at $54.67 million returned to 10%pa. Our banking income only increased by 6.9% indicating a continued tightening in margins.

Our pre-tax profit increased by $265,028 (40.4%) to $919,639 for the year. When community grants are added back our trading surplus was $1,225,210 up from $957,138 last year.

Last year we had a revaluation of our real estate which added to our profit. We intend to revalue our property portfolio again during the 4th quarter of the current financial year, which will probably add to that reserve.

In April we had a 2.42 to 1 bonus issue for all shareholders. This was in order to give shareholders a better chance of reward by increasing the value of their shareholding to somewhere around the valuation of the business provided by our accountants AFS & Associates.

At this early stage this appears to have worked as shares have now sold for $1.25 each after the bonus. We have also decided to pay dividends 6 monthly rather than annually from now on.

It is a great honour to serve as Chair of NorCen. I am personally humbled by the support I enjoy from Board colleagues and our staff at all levels. I am very excited by the prospects ahead for our social business. We continue to pay down our property debt at an accelerated rate. Once this debt is cleared, it will open huge possibilities for both our business and our community.

The Board intend to continue to work towards taking the maximum advantage from these possibilities for all our stakeholders.

Kind Regards

David Wheeler
Chairperson

Treasurer's report.

For year ending June 30 2021.

It is with great pleasure that I submit my initial Treasurers Report for NorCen Financial Services. I have recently commenced in the role, taking over from David Ford who reported last year. I would like to express my sincere thanks to David Ford for his many years of dedicated service to NorCen Financial Services and in particular in his role as Treasurer. I would also like to express my thanks to former Director Terry Dobson for his many years of service and tireless dedication to the many projects and developments for our company in the time we worked together over the last 7 years.

Trading Year ending 30 June 2021 was another very successful one for our company. We continued to grow our banking business despite the restrictions imposed by the pandemic, and we continued to enjoy good rental returns on our property portfolio. We also gained by the Federal Government pandemic assistance via their GST refund program. This contributed $50,000 to our profit.

Our Net Profit After Tax was $693,275 for the year. This was after spending $305,571 on community investments and marketing expenses and allowing $226,364 for company tax.

In April 2021, we had a 2.42 to 1 bonus issue to all shareholders with the intention of increasing the value of each share holding. This appears to be working because since the bonus issue share sales have been made at $1.25 per share. This values each pre-bonus share at $4.275 a considerable increase on prior sales results.

We have announced a 3.5 cent per share fully franked dividend on each new share on issue. This should underpin the revised valuation of our business. We have also announced that we intend to pay dividends 6 monthly from October 2021.

We intend to revalue our property portfolio again in the fourth quarter of the current trading year and expect an increase to our revaluation reserve.

Included in our tax-deductible expenses you will note an increase in depreciation claimed. Early in this trading year we had BMT assessors review our properties and reset depreciation schedules on all our fixed assets. The $316,871 claimed is not a cash expense, hence we have access to these funds in our cash flow.

The 2020/2021 Financial Year has been a year like few others, we have been in and out of lockdown, and all customers have suffered restrictions on their lives and businesses. We have remained open every trading day throughout this period. Our staff have performed extremely well in every circumstance.

As the economy around us grows, we expect to more than keep pace with that growth. We have exceeded local economic growth each year we have been open. Last year despite shrinking in local business activity we grew by over 9%. We are anticipating that with the continued support of our loyal customers and shareholders that this positive growth will continue.

I look forward to a successful financial year and reporting formally again next year. Further updates and an interim report will be provided in our shareholder newsletter in December / January this trading year.

Kind regards

Sheree Tivendale
Treasurer

Senior Manager's Report.

For year ending June 30 2021.

It is my pleasure to be providing this report as Senior Manager for NorCen Financial Services Ltd as operators of Community Bank Wallan, Kilmore and Broadford. What a roller coaster year it has been with COVID-19 interrupting all our lives and providing uncertainty of the future. Despite all this I can say that we had a very successful year still across our branches.

Our branches were able to grow their business by $54.67M taking our overall footings to $538,117,564 at 30th June 2021. This is an extraordinary effort given the challenges and uncertainty faced within our business and the market.

During the year we undertook a transformation of our branch business to set us up for the future and create flexibility within our business as the face of banking continues to evolve and change.

Unfortunately, this saw some people leave our business and we wish them well for their future success. We also saw 2 staff leave of their own accord after deciding to change careers and chase a new passion. Which has created opportunities within our business for new team members.

As the face of banking continues to change, we are investing a significant amount of time and effort in developing our team members and preparing them for new roles and promotion within Norcen. This will create greater flexibility and customer responsiveness resulting from higher skilled staff that can undertake a wider range of roles within our branches. I continue to see a strong future and continued growth within our business.

None of our achievements could be possible without the great team that we have. I would like to thank Carol Ryan (Branch Manager – Wallan), Kirsty Galea (Branch Manager – Kilmore) and Leanne Paice (Customer Relationship Manager – Broadford) for leading their successful teams and achieving such great results. Thanks to our mobile lending team of Laura Moran, Chris Smith and Natalie White for their support and team effort contributing to our success. Thanks also to Shaun Leech (Regional Manager – Bendigo Bank) for his support and last but by no mean least thank you to the Board for your ongoing support and trust.

Simon Halman
Senior Branch Manager

Wallan Branch Manager's Report.

For year ending June 30 2021.

It is with great pleasure that I present my inaugural report as Branch Manager of Community Bank Wallan. I have had the privilege of leading the team since October 2020, alongside Simon, Kirsty and Leanne.

What a year it has been, the transformation between our branches saw 3 of the then Wallan staff leave the business; and I would like to thank Tracey, Jen and Louise for their huge contributions to not only the Wallan branch but to the Norcen Group as a whole.

The Wallan Branch, staffed by me, Jasmyn and Courtney as Customer Relationship Managers, Jackie as Relationship Consultant, and Lucy, Carmel and Andrea as Customer Service Officers. Every other staff member across the 3 branches has spent some time with us throughout the year, and without naming everyone, I want to acknowledge how grateful I am to all our staff for their assistance, we wouldn't be the branch we are without you all. Thank you. This year we have been working closely with the Kilmore and Broadford Branches, and we all look forward to continuing to do so.

Our results for the year wouldn't have been achieved if not for the support of the MRM team, of Laura, Nat and now Chris. Thank you all.

Special thanks go out to the Board for their continued support and assistance. Thank you.

We have now settled into the new building and celebrated our first year in the new building with cupcakes and coffees.

We are so grateful that we are an essential service and have been able to continue looking after all our lovely customers.

Last, but not least, thank you to you as our wonderful shareholders and community for your continued support, I look forward to continuing to work with you all to achieve your banking goals.

Carol Ryan
Wallan Branch
Manager

Kilmore Branch Manager's Report.

For year ending June 30 2021.

It gives me great pleasure in submitting my inaugural report as Branch Manager for Community Bank Kilmore.

As you are aware, in October NorCen went through a transformation which saw opportunities form within the group, allowing myself to step up into the Management role after being a part of the NorCen group for the last 14 years. I would love to take the time, and personally thank Tracey Charry for her support and guidance over that time and to Simon Halman, Chair David Wheeler and Directors of our Board for their continued support in my new role. 2020/2021 has been an unforgettable year which has seen many of us impacted in one way or another. As a result of this it has also been a year of adapting which I have seen not just from our staff but the board and our customers to which I am very grateful.

Even with all the impacts, NorCen group have still been able to give back to the community $275K in community grants this financial year! Which is an amazing feat from all involved. This couldn't have been achieved without our customers and shareholders that continue to support and advocate for our Community Branches and I would like to personally give a huge thanks to you all. The Kilmore Branch has grown to $223,285,525 million in total footings to the end of June 2021. Which was an increase of $16.1 million total growth for the 2020/2021 financial year across our books.

I'd like to take the time and acknowledge our staff for their excellent customer service, hard work and dedication to Community Bank Kilmore. Rochelle Geary, Casey Smith, Julie Cannan and Andrew Gough along with the staff that were originally at the branch in the first half of the financial year Simon Halman, Carol Ryan, Jasmyn Lang, Courtney Malesevich and Kirsty Reid.

Lastly, I'd like to take the time and encourage anyone not banking with your local community bank to come and speak to our friendly staff at Community Bank Wallan, Kilmore and Broadford. We offer such great products and competitive rates. We would love the opportunity to discuss your financial goals with you.

Kirsty Galea
Kilmore Branch
Manager

Broadford Customer Relationship Manager's Report.

For year ending June 30 2021.

It gives me great delight to tell you of the wonderful achievements that we have made at Broadford over the last 12 months in truly challenging times.

These results could not have been done without the great support of our community. Each year we have continued to build on the initial $10 million required to open our Broadford Customer Service Centre in 2017. We now have footings of $46,502,000 with our growth last year being $10.2 million with deposits being $6.5 million and lending $3.7 million.

COVID has presented it's challenges with staffing. Although we were approved to have an extra person taking our staff complement to 3, more often than not there has just been 2 of us in the Branch.

We thank the community for their understanding of our closing for half an hour at lunchtimes and closing at 4.30pm. This satisfies the staff entitlement of a 1 hour lunch break without inconveniencing our customers for too long.

We were also limited in getting out and about in the community, attending functions and events and activities. Hopefully we will have a bit more freedom in the months ahead.

The team at Broadford have worked hard to get great results in trying times and I thank each and everyone of them, whether they have been here for a day, a month or a year. The NorCen team all work well together within the 3 branches and I thank the Board for their support throughout the year. Stay safe everyone.

Leanne Paice
Customer Relationship
Manager

Mobile Relationship Manager's Report.

For year ending June 30 2021.

This financial year saw many challenges for both our team and our valued customers; however, we were excited to welcome Chris Smith in March to our team as the second Mobile Relationship Manager whose focus is on the growth corridor between Melbourne and Wallan.

Our team now consists of two Mobile Relationship Managers Laura Moran and Chris Smith supported by our Associate Natalie White. We offer a unique opportunity to our local community to do business with us outside the branch network. For those who have busy lifestyles and 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 can accommodate your needs. Servicing not only our local townships but all of Australia.

As a team we have a total of 28 years' experience with Bendigo Bank, are extremely knowledgeable and pride ourselves on making the customers experience as seamless and as enjoyable as possible whilst giving them the best solution for their banking needs.

Our 2020/2021 financial year like the last was met with some trials and tribulations within the financial sector. Covid-19 continued to impact us all in one way or another.

Our mobile team are proud to have supported a total of 58 customers achieve their financial goals, whether that be purchasing their first or next home, investment home, building a home, refinancing, debt consolidation or equity release.

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

Laura Moran & Chris Smith
Mobile Relationship
Managers


Directors' report.

The Directors.

The directors present their report together with the consolidated financial statements of the group comprising of Norcen Financial Services Ltd (the company) and its subsidiaries for the financial year ended 30 June 2021.

Directors: The directors of the company who held office during the financial year and to the date of this report are:

David Allan Wheeler *(Non-executive director)* **Occupation:** *Chairperson*

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

Special responsibilities: 25 years self employed in small business, including post office, prior licensed treasurer for Valley Financial Services Ltd, currently chairperson, served as member of all sub-committees.

Interest in shares: 39,672 ordinary shares.

Kathleen Mary Holland *(Non-executive director)* **Occupation:** *Manager, Deputy Chairperson*

Qualifications, experience and expertise: BSc. Owner and Financial Manager of Wallan Family Practice GP clinic for the last 20 years. Member of the Rotary Club of Southern Mitchell, currently serving as Secretary.

Special responsibilities: Deputy Chairperson: Community Investment & Marketing, Strategic Planning Committees and Audit & Governance.

Interest in shares: 6,840 ordinary shares.

Sheree Elise Tivendale *(Non-executive director)* **Occupation:** *Civil Celebrant*

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: Treasurer from 11 June 2021, Chair: Strategic Planning, Chair: Building and Properties, Co-Chair: Youth Engagement, Member of Community Investment & Marketing Committee, Audit and Budget and Finance.

Interest in shares: 27,360 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. Chairman and Managing Director of several companies. 56 years involved in the newspaper and printing industry, 35 years in property investment and development and 41 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 & Marketing Committee.

Interest in shares: 440, 277 ordinary shares.

Susan Louise Marstaeller OAM *(Non-executive director)* **Occupation:** *Director*

Qualifications, experience and expertise: Councillor for Mitchell Shire Council for 13 years, three times Mayor, finance, audit and governance experience, Justice of the Peace Victoria, Director Central Ranges LLEN.

Other directorships: Rivers and Ranger's Community Leadership Program and Central Rangers Local Learning & Employment Network.

Special responsibilities: Chair Audit & Governance, Chair Strategy Projects (from June 2021), HR, Member of Community Investment & Marketing Committee, Budget Committee.

Interest in shares: 17,107 ordinary shares.

Ortensio Caroli *(Non-executive director)* **Occupation:** *General Manager - Business & Finance*

Qualifications, experience and expertise: Extensive career with NAB spanning 30 years, commencing in Retail banking and moving into and specialising in Business Banking mainly across the West and North of Melbourne. Whilst at NAB, Ortensio led a number of Business Banking teams and as a senior executive was responsible for over $3B in footings and circa $60M in revenue. After leaving NAB, he was recruited as the General Manager of a family operated transport company servicing the Eastern seaboard of Australia. Currently, Ortensio is employed in a Mitchell Shire based manufacturing company and oversees the company's HR management and recruitment, financial reporting, capital expense management and negotiation, leasehold management, as well as everything in-between. Skills, training and education developed over the 30 years at NAB have proven to be easily transferable into private enterprise.

Special responsibilities: HR Committee Chair

Interest in shares: nil share interest held

Benjamin John Gregory *(Non-executive director - appointed 9 June 2021)* **Occupation:** *Business Owner / Director*

Qualifications, experience and expertise: Social media expert, Tv and radio host. Director at BGGROUPAU Pty Ltd. Involved in community projects locally and Creative Director for Australian Youth Film productions.

Special responsibilities: Chair Youth Engagement Committee / Social media Marketing

Interest in shares: nil share interest held

Lee Ann Partridge *(Non-executive director - appointed 30 August 2021)* **Occupation:** *Retired*

Qualifications, experience and expertise: Bachelor of Business (finance), Advanced Diploma of Business (accounting). Lee has over 25 years banking experience ranging from Credit Manager roles in consumer and small business credit, to managing local retail branches through to managing larger support teams of up to 70 staff. She has also worked locally in Kilmore in real estate and school admin. Lee has three sons and is involved in various local sporting groups.

Special responsibilities: Strategy Projects

Interest in shares: Nil

David John Ford *(Non-executive director - resigned 9 June 2021)* **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: Budget Committee.

Interest in shares: 188,100 ordinary shares

Terrence Leslie Dobson *(Non-executive director - resigned 18 May 2021)* **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: Projects Group, HR Committee.

Interest in shares: 97,470 ordinary shares.

Brent Alastair Edwin Baker *(Non-executive director - resigned 21 April 2021)* **Occupation:** *Mechanical Technician*

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

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

Interest in shares: nil share interest held.

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

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 Ltd (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 2021 $	30 June 2020 $
Profit after income tax	693,275	488,835
Other comprehensive income	-	521,887
Total comprehensive income	**693,275**	**1,010,722**

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	28,072	39,672
Walter Hilaire Mott	128,736	311,541	440,277
Susan Louise Marstaeller OAM	5,001	12,106	17,107
Kathleen Mary Holland	2,000	4,840	6,840
Sheree Elise Tivendale	8,000	19,360	27,360
Ortensio Caroli	-	-	-
Benjamin John Gregory	-	-	-
David John Ford	55,000	133,100	188,100
Terrence Leslie Dobson	8,500	88,970	97,470
Brent Alastair Edwin Baker	-	-	-

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	10.00	184,572

Significant changes in the state of affairs.

In September 2020 the Broadford branch freehold was purchased. The bank continued operations out of the premises during the financial year.

Since January 2020, COVID-19 has developed and spread globally. In response, the Commonwealth and State Government introduced a range of social isolation measures to limit the spread of the virus. Such measures have been revised, as appropriate, based on case numbers and the level of community transmission. Whilst there has been no significant changes on the group's financial performance so far, 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.

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the 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.

Walter H Mott has received benefits refer to Note 30 - Item (c) - Page 49. No other director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 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 group's accounts, or the fixed salary of a full-time employee of the group, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings	
Director	Eligible	Attended
David Allan Wheeler	11	11
Walter Hilaire Mott	11	10
Susan Louise Marstaeller OAM	11	10
Kathleen Mary Holland	11	11
Sheree Elise Tivendale	11	11
Ortensio Caroli	11	11
Benjamin John Gregory	1	-
David John Ford	10	10
Terrence Leslie Dobson	9	9
Brent Alastair Edwin Baker	8	6

Directors' report. (continued)

Sub Committees: There were eleven sub-committees in 2020-2021:

- 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 (seven members)
- Wallan Project (three members)
- Youth Engagement (two member)

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
Chairman

Dated this 17th day of September 2021

Lead Auditor's independence declaration.

Partners in success
Chartered Accountants

61 Bull Street
Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

Independent 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 2021, 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: 17 September 2021

Joshua Griffin
Lead Auditor

NorCen Financial Services Ltd.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2021.

	Notes	2021 $	2020 $
Revenue from contracts with customers	8	3,727,524	3,484,609
Other revenue	9	327,559	207,652
Finance income	10	245	591
Employee benefit expenses	11(d)	(1,841,686)	(1,824,927)
Charitable donations, sponsorship, advertising and promotion		(305,571)	(302,527)
Occupancy and associated costs		(159,232)	(140,453)
Systems costs		(97,809)	(94,846)
Depreciation and amortisation expense	11(a)	(316,871)	(237,792)
Impairment losses	11(b)	-	(10,387)
Financial costs	11(c)	(102,699)	(106,873)
General administration expenses		(311,821)	(320,436)
Profit before income tax expense		**919,639**	**654,611**
Income tax expense	12(a)	(226,364)	(165,776)
Profit after income tax expense		**693,275**	**488,835**
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:		**693,275**	**1,010,722**
Earnings per share		**¢**	**¢**
- Basic and diluted earnings per share:	32(a)	10.98	26.48

The accompanying notes form part of these financial statements.

	Notes	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	13	338,666	489,547
Trade and other receivables	14(a)	338,115	324,194
Total current assets		**676,781**	**813,741**
Non-current assets			
Property, plant and equipment	15(a)	6,337,695	5,778,276
Right-of-use assets	16(a)	244,901	268,292
Intangible assets	17(a)	124,980	170,161
Total non-current assets		**6,707,576**	**6,216,729**
Total assets		**7,384,357**	**7,030,470**
LIABILITIES			
Current liabilities			
Trade and other payables	19(a)	218,749	203,735
Current tax liabilities	18(a)	74,392	17,350
Loans and borrowings	20(a)	405,806	288,341
Lease liabilities	21(b)	31,905	29,620
Employee benefits	23(a)	95,707	103,060
Total current liabilities		**826,559**	**642,106**
Non-current liabilities			
Trade and other payables	19(b)	98,334	135,544
Loans and borrowings	20(b)	2,313,757	2,725,520
Lease liabilities	21(b)	264,055	288,220
Employee benefits	23(b)	54,750	20,065
Provisions	22(a)	27,505	26,221
Deferred tax liability	18(b)	256,744	158,844
Total non-current liabilities		**3,015,145**	**3,354,414**
Total liabilities		**3,841,704**	**3,996,520**
Net assets		**3,542,653**	**3,033,950**
EQUITY			
Issued capital	24(a)	1,003,089	1,003,089
Reserves	25(b)	521,887	521,887
Retained earnings	26	2,012,677	1,508,974
Total equity		**3,542,653**	**3,033,950**

The accompanying notes form part of these financial statements.

NorCen Financial Services Ltd.

Consolidated Statement of Changes in Equity for the year ended 30 June 2021.

	Notes	Issued capital $	Revaluation reserve $	Retained earnings $	Total equity $
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**
Balance at 1 July 2020		1,003,089	521,887	1,508,974	3,033,950
Total comprehensive income for the year		-	-	693,275	693,275
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	31(a)	-	-	(184,572)	(184,572)
Balance at 30 June 2021		**1,003,089**	**521,887**	**2,017,677**	**3,542,653**

The accompanying notes form part of these financial statements.

	Notes	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		4,446,120	4,051,661
Payments to suppliers and employees		(3,016,811)	(2,835,545)
Interest received		245	591
Interest paid		(86,478)	(87,808)
Lease payments (interest component)	11(c)	(14,937)	(17,561)
Lease payments not included in the measurement of lease liabilities	11(e)	(64,488)	(78,232)
Income taxes paid		(71,422)	(169,447)
Net cash provided by operating activities	**27**	**1,192,229**	**863,659**
Cash flows from investing activities			
Payments for property, plant and equipment		(845,336)	(2,482,021)
Proceeds from sale of property, plant and equipment		52,521	-
Payments for intangible assets		(41,074)	(31,724)
Net cash used in investing activities		**(833,889)**	**(2,513,745)**
Cash flows from financing activities			
Proceeds from loans and borrowings		402,223	2,002,569
Repayment of loans and borrowings		(696,521)	(13,810)
Lease payments (principal component)		(30,351)	(56,127)
Dividends paid	31(a)	(184,572)	(153,195)
Net cash provided by/(used in) financing activities		**(509,221)**	**1,779,437**
Net cash increase/(decrease) in cash held		**(150,881)**	**129,351**
Cash and cash equivalents at the beginning of the financial year		489,547	360,196
Cash and cash equivalents at the end of the financial year	**13**	**338,666**	**489,547**

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2021.

NOTE 1. REPORTING ENTITY.

This is the consolidated financial report for Norcen Financial Services Ltd (the company) and its subsidiaries (together referred to as the group). The group is a for profit entity Ltd 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 2021 were authorised for issue in accordance with a resolution of the directors on 17 September 2021.

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

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2020, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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.

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

Note 4. Summary of significant accounting policies. (a) Revenue from contracts with customers. (Continued)

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.

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 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 company receives on a particular product or service.

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.

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2021.

Note 4. Summary of significant accounting policies. (Continued)

(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, 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).

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

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 sized businesses that employ staff and have been affected by the economic downturn associated with COVID-19.

The amounts received are 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.

(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.

Note 4. Summary of significant accounting policies. (c) Economic dependency - Bendigo Bank. (Continued)

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 manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of 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
- providing payroll services.

(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 where the employee has provided the service but payment has not yet occurred at the reporting date. They are measured at amounts expected to be paid, plus related on-costs. Non-accumulating sick leave is expensed 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. The group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The group's obligations for employees' annual leave and long service leave entitlements are recognised in employee benefits in the statement of financial position.

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.

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 estimated future cash outflows.

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

Note 4. Summary of significant accounting policies. (Continued)

(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.

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.

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.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. 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.

(g) Property, plant and equipment.

Items of property, plant and equipment are measured at cost or fair value as applicable, less accumulated depreciation. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

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

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.

Note 4. Summary of significant accounting policies. (g) Property, plant and equipment. (Continued)

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	1 to 20 years
Furniture, fixtures and fittings	Straight-line and diminishing value	1 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 relate to the franchise fees paid to Bendigo Bank which conveys the right to operate the Community Bank franchise. The group has also acquired an agency/customer list from Bendigo Bank.

Intangible assets are measured on initial recognition at cost. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

The franchise fees paid by the group are amortised over their useful life and assessed for impairment whenever impairment indicators are present. Domiciled customer accounts acquired are recognised at cost at the date of acquisition and are assessed as having indefinite useful life. They 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	Indefinite

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 and other debtors and creditors, cash and cash equivalents, lease liabilities and borrowings.

Trade receivables are initially recognised at the transaction price when they originated. All other financial assets and financial liabilities are initially measured at fair value plus, transaction costs (where applicable) when the group becomes a party to the contractual provisions of the instrument. These assets and liabilities are subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the rights are transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and rewards associated with the asset. Financial liabilities are derecognised when its contractual obligations are discharged, cancelled, or expire. Any gain or loss on derecognition is recognised in profit or loss.

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.

Note 4. Summary of significant accounting policies. (Continued)

(j) Impairment.

Non-derivative financial assets

Expected credit losses (ECL) 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. At each reporting date, the entity recognises the movement in the ECL (if any) as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

Most of the group's trade receivables are Ltd to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end. Due to the reliance on Bendigo Bank the group has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The group also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no ECL has been made in relation to trade receivables as at 30 June 2021.

Non-financial assets

At each reporting date, the group reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

(k) Issued capital.

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.

(m) Leases.

At inception of a contract, the group assesses whether a contract contains or is 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 and obtain substantially all the economic benefits from the use of that asset.

As a lessee

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 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 fixed or variable lease payments that depend on an index or rate and lease payments in a renewal option if the group is reasonably certain to exercise that option. For leases of property the group has elected to separate lease and non-lease components when calculating the lease liability.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the group changes its assessment of whether it will exercise an extension option or if there is a revised in-substance fixed lease payment.

Community Investment Committee Report.

For year ending June 30 2021.

Another roller coaster year has impacted our Community Investment Program; however, we have adjusted to support our community and face these challenges together. The past year has taught us the importance of being prepared for ongoing disruption. Whether it be natural disasters facing our customers and communities, or the ever- present challenges of the Covid-19 pandemic.

Last year we gave Love in Action (LIA), Wallan a home at 60 Wellington Street. As part of their education expansion, GoTafe moved into this location and we sought another suitable property for Love in Action, finally settling on a house in Stanley Street. Here they have a base to continue to provide support to the vulnerable in our community.

As so many not-for-profit community groups were unable to operate or fundraise for their activities due to pandemic lockdowns, NorCen Financial Services Ltd offered local not-for-profit groups the opportunity to apply for a one off $500 Covid Recovery Grant. We were delighted to provide this grant to over 80 groups, to allow them to focus on re-engaging with their members and remaining active in our community.

Our Community Bank contributions for the last year totaled $232,604 which together with the Covid Recovery Grant brings the total to over $275,000. The Bendigo Bank prides itself on being the bank with the point of difference – with profits going back into your community.

Since opening in 2007, total investment grants to the local community has reached $3.7 million dollars, reinforcing our resolution that while Banking is our business, Community is our purpose.

Some stand out donations this year have been towards some prominent groups in our catchment. A $30,000 donation to the Children First Foundation to assist with making them fire safe compliant, so to continue to support and house those children faced with adversity and continue to provide a safe and secure rehabilitation centre and home for them whilst they are here.

We also assisted the Mitchell Shire Fire Brigade Group District with $20,000 towards a new field command vehicle. A group field command vehicle provides benefits to all brigades within the group, as they seek to meet both the brigades and the publics ongoing service standard requirements, while continuing to enhance operational delivery by having immediate availability of a dedicated field command vehicle in our district.

A $5000 grant enabled the Rotary Club of Southern Mitchell to stage its 15th Annual Australia Day Festival in Broadford.

It was a day that celebrated the magnificent country that is Australia. People from all walks of life, cultural histories/stories and ages all enjoyed each other's' company and shared in the good that is this Nation at its best. For the formal part of our Celebrations, both Damien Drum MP and Councillor Fiona Stevens were in attendance.

Finally, a new $12,000 all abilities golf cart was supplied to the Broadford Golf Club to allow for a broader range of participants to access and utilize the course, along with the added benefits of outdoor and physical activity to those with disabilities.

Bendigo Bank

Thanks to your support we have given back ove

$3.7 million

to our local community

er


Bendigo Bank
Bendigo Bank


Bendigo Bank
Banking at your local Community Bank® supports your community!


Bendigo Bank
Located at Wallan, Kilmore & Broadford
bendigobank.com.au

Bendigo Bank

Note 4. Summary of significant accounting policies. (m) Leases. (Continued)

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.

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.

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.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for 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. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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. Given the term of the leases are less than the useful life of the asset, the lease does not meet the definition of a finance sublease and as such is an operating lease.

During the lease term the group recognises lease income in other revenue when earned. Depreciation on the property is recognised under property, plant and equipment.

(n) Fair value measurement.

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

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value

measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are based on the quoted market price at the close of business at the end of the reporting period.
- Level 2 inputs are based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.
- Level 3 inputs are unobservable inputs for the asset or liability.

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2021.

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 21 - Leases	Judgement
(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 2021 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 valuations performed by a third party qualified valuer using quoted prices for similar assets in an active market.
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.

NOTE 6. FINANCIAL RISK MANAGEMENT.

The group has exposure to credit, liquidity and market risk arising from financial instruments. 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 company. 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's franchise agreement limits the group's credit exposure to one financial institution, being Bendigo Bank. The group monitors credit worthiness through review of credit ratings of the bank.

Note 6. Financial risk management. (Continued)

(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 2021

30 June 2021		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	2,719,563	405,806	1,200,000	1,113,757
Lease liabilities	295,960	45,387	181,548	128,597
Trade and other payables	317,083	218,749	98,334	-
	3,332,606	**669,942**	**1,479,882**	**1,242,354**

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 and other payables	339,279	203,735	135,544	-
	3,670,980	**536,276**	**1 ,465,708**	**1,741,590**

(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.

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 $338,666 at 30 June 2021 (2020: $489,547). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB on Standard & Poor's credit ratings.

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2021.

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 2021 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.

	2021 $	2020 $
- Margin income	3,243,770	2,993,635
- Fee income	273,141	282,821
- Commission income	210,613	208,153
	3,727,524	**3,484,609**

NOTE 9. OTHER REVENUE.

	2021 $	2020 $
- Rental Income	222,816	95,662
- Market development fund income	40,000	51,667
- Cash flow boost	50,000	50,000
- Sale of property, plant and equipment	6 ,432	-
- Other income	8 ,311	10,323
	327,559	**207,652**

NOTE 10. FINANCE INCOME.

	2021 $	2020 $
- Cash at bank	**245**	**591**

Finance income is recognised when earned using the effective interest rate method.

NOTE 11. EXPENSES.

(a) Depreciation and amortisation expense.

	2021 $	2020 $
Depreciation of non-current assets:		
- Buildings	146,987	134,319
- Leasehold improvements	20,128	8,122
- Plant and equipment	50,013	
- Furniture and fittings	9 ,933	9,587
- Motor vehicles	12,767	6,932
	239,828	**158,960**
Depreciation of right-of-use assets:		
- Leased land and buildings	**31,862**	**38,522**
Amortisation of intangible assets:		
- Franchise fee	-	2,131
- Franchise establishment fee	-	5,888
- Franchise renewal process fee	45,181	32,291
	45,181	**40,310**
Total depreciation and amortisation expense	**316,871**	**237,792**

(b) Impairment expense.

	2021 $	2020 $
Impairment of intangible assets:		
- Domiciled accounts	**-**	**10,387**

(c) Finance costs.

	2021 $	2020 $
Finance costs:		
- Bank loan interest paid or accrued	86,478	87,808
- Lease interest expense	14,937	17,561
- Unwinding of make-good provision	1,284	1,504
	102,699	**106,873**

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

Note 11. Expenses. (Continued)

(d) Employee benefit expenses.

	2021 $	2020 $
Wages and salaries	1,531,026	1,489,178
Non-cash benefits	1,209	22,910
Contributions to defined contribution plans	143,899	136,564
Expenses related to long service leave	20,772	10,628
Other expenses	144,780	165,647
	1,841,686	**1,824,927**

(e) Recognition exemption.

The group pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition under AASB 16 accounting. Expenses relating to low-value exempt leases are included in system costs expenses.

The group pays for the right to use a property. The lease agreement expired when the group purchased the property. As such the lease has been assessed as short term and exempted from recognition under AASB 16 accounting. Expenses relating to short term exempt leases are included in occupancy and associated costs expenses.

	2021 $	2020 $
Expenses relating to low-value leases	46,077	45,404
Expenses relating to short-term leases	18,411	32,828
	64,488	**78,232**

NOTE 12. INCOME TAX EXPENSE.

(a) Amounts recognised in profit or loss.

	2021 $	2020 $
Current tax expense		
- Current tax	164,476	109,175
- Movement in deferred tax	108,170	40,501
- Adjustment to deferred tax on AASB 16 retrospective application	-	25,264
- Reduction in company tax rate	(10,270)	(9,164)
- Changes in estimates related to prior years	(36,012)	-
	226,364	**165,776**

Note 12. Income tax expense. (Continued)

(b) ***Prima facie*** **income tax reconciliation.**

	2021 $	2020 $
Operating profit before taxation	919,639	654,611
Prima facie tax on profit from ordinary activities at 26%	182,664	149,848
Prima facie tax on profit from ordinary activities at 30%	65,125	32,914

Tax effect of:

- Non-deductible expenses	3,809	6,347
- Non-assessable income	(13,000)	(13,750)
- Other deductible expenses	-	(420)
- Temporary differences	(74,122)	(65,764)
- Movement in deferred tax	108,170	40,501
- Leases initial recognition	-	25,264
- Reduction in company tax rate	(10,270)	(9,164)
- Under/(over) provision of income tax in the prior year	(36,012)	-
	226,364	**165,776**

NOTE 13. CASH AND CASH EQUIVALENTS.

	2021 $	2020 $
Cash at bank and on hand	338,666	489,547

NOTE 14. TRADE AND OTHER RECEIVABLES.

(a) Current assets.

	2021 $	2020 $
Trade receivables	316,380	292,992
Prepayments	14,554	24,031
Other receivables and accruals	7,181	7,171
	338,115	**324,194**

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2021.

NOTE 15. PROPERTY, PLANT AND EQUIPMENT.

(a) Carrying amounts.

	2021 $	2020 $
Land:		
At fair value	1,261,269	800,000
Buildings:		
At cost and fair value	4,771,409	5,022,662
Less: accumulated depreciation	(355,664)	(215,937)
	4,415,745	**4,806,725**
Leasehold improvements		
At cost	164,050	140,913
Less: accumulated depreciation	(39,565)	(19,437)
	124,485	**121,476**
Plant and equipment		
At cost	568,250	-
Less: accumulated depreciation	(57,273)	-
	510,977	**-**
Furniture and fittings		
At cost	112,415	107,285
Less: accumulated depreciation	(87,196)	(77,263)
	25,219	**30,022**
Motor vehicles:		
At cost	-	34,658
Less: accumulated depreciation	-	(14,605)
	-	**20,053**
Total written down amount	**6,337,695**	**5,778,276**

(b) Reconciliation of carrying amounts.

	2021 $	2020 $
Land		
Carrying amount at beginning	800,000	778,981
Additions	461,269	-
Revaluation	-	21,019
	1,261,269	**800,000**

Note 15. *Property, plant and equipment. (b) Reconciliation of carrying amounts. (Continued)*

	2021 $	2020 $
Buildings		
Carrying amount at beginning	4,806,725	284,911
Assets transferred in - at cost	-	3,957,307
Assets transferred out - at cost	(502,394)	-
Assets transferred out - accumulated depreciation	7,260	-
Additions	251,141	-
Revaluation	-	698,826
Depreciation	(146,987)	(134,319)
	4,415,745	**4,806,725**
Leasehold improvements		
Carrying amount at beginning	121,476	49,688
Additions	23,137	79,910
Depreciation	(20,128)	(8,122)
	124,485	**121,476**
Plant and equipment		
Assets transferred in - at cost	502,394	-
Assets transferred in - accumulated depreciation	(7,260)	-
Additions	65,856	-
Depreciation	(50,013)	-
	510,977	**-**
Furniture and fittings		
Carrying amount at beginning	30,022	34,939
Additions	5,130	7,111
Disposals	-	(2,441)
Depreciation	(9,933)	(9,587)
	25,219	**30,022**
Motor vehicles		
Carrying amount at beginning	20,053	26,985
Additions	38,803	-
Disposals	(46,089)	-
Depreciation	(12,767)	(6,932)
	-	**20,053**

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2021.

Note 15. Property, plant and equipment. (Continued)

c) Reconciliation of carrying amounts.

	2021 $	2020 $
Capital works in progress		
Carrying amount at beginning	-	1,562,306
Additions	-	2,395,001
Assets transferred out - at cost	-	(3,957,307)
	-	-
Total written down amount	**6,337,695**	**5,778,276**

d) 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.

e) 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 2021.

NOTE 16. RIGHT-OF-USE ASSETS.

(a) Carrying amounts.

	2021 $	2020 $
Leased land and buildings		
At cost	458,126	485,583
Less: accumulated depreciation	(213,225)	(217,291)
Total written down amount	**244,901**	**268,292**

(b) Reconciliation of carrying amounts.

	2021 $	2020 $
Leased land and buildings		
Carrying amount at beginning	268,292	-
Initial recognition on transition	-	545,970
Accumulated depreciation on adoption	-	(178,769)
Remeasurement adjustments	8,471	(60,387)
Depreciation	(31,862)	(38,522)
Total written down amount	**244,901**	**268,292**

NOTE 17. INTANGIBLE ASSETS.

(a) Carrying amounts.

	2021 $	2020 $
Franchise fee		
At cost	69,275	69,275
Less: accumulated amortisation	(37,150)	(35,019)
	32,125	**32,125**
Franchise establishment fee		
At cost	170,000	170,000
Less: accumulated amortisation	(170,000)	(170,000)
	-	-
Franchise renewal process fee		
At cost	188,607	188,607
Less: accumulated amortisation	(95,752)	(50,571)
	92,855	**138,036**
Cash-generating unit - domiciled accounts		
At cost	10,387	10,387
Less: accumulated impairment	(10,387)	(10,387)
	-	-
Total written down amount	**124,980**	**170,161**

(b) Reconciliation of carrying amounts.

	2021 $	2020 $
Franchise fee		
Carrying amount at beginning	32,125	1,586
Additions	-	32,670
Amortisation	-	(2,131)
	32,125	**32,125**
Franchise establishment fee		
Carrying amount at beginning	138,036	6,977
Additions	-	163,350
Amortisation	(45,181)	(32,291)
	92,855	**138,036**
Total written down amount	**124,980**	**170,161**

c) Changes in estimates.

During the financial year, the company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods. There were no changes in estimates for the current reporting period.

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2021.

NOTE 18. TAX ASSETS AND LIABILITIES.

(a) Current tax.	2021 $	2020 $
Income tax payable	**74,392**	**17,350**

(b) Deferred tax.

Deferred tax assets	2021 $	2020 $
- expense accruals	800	1,408
- employee provisions	37,614	32,039
- make-good provision	6,876	6,817
- lease liability	73,990	82,638
Total deferred tax assets	**119,280**	**122,902**

Deferred tax liabilities		
- property, plant and equipment	314,799	211,990
- right-of-use assets	61,225	69,756
Total deferred tax liabilities	376,024	281,746
Net deferred tax assets (liabilities)	**(256,744)**	**(158,844)**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(97,900)	(254,558)
Movement in deferred tax charged to Statement of Changes in Equity	**-**	**25,264**

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,

	2021 $	2020 $
Trade creditors	45,181	45,181
Other creditors and accruals	173,568	158,554
	218,749	**203,735**

(b) Non-current liabilities.

	2021 $	2020 $
Trade creditors	98,334	135,544

NOTE 20. LOANS AND BORROWINGS.

(a) Current liabilities.	2021 $	2020 $
Secured bank loans	405,806	288,341

(b) Non-current liabilities.	2021 $	2020 $
Secured bank loans	2,313,757	2,725,520

Note 20. Loans and borrowings. (Continued)

(c) Terms and repayment schedule.

	Nominal interest rate	Year of maturity	30 June 2021		30 June 2020	
			Face value	Carrying value	Face value	Carrying value
Secured bank loans	2.96%	2032	2,719,563	2,719,563	3,013,861	3,013,861

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 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.

The group's lease portfolio includes:

- **Kilmore branch**	The lease agreement commenced in June 2014. A 5 year renewal option was exercised in May 2019. The company has 1 x 5 year renewal option available which for AASB 16: Leases purposes they are reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is April 2029.
- **Broadford branch**	The lease agreement commenced in December 2017. A 2 year renewal option was exercised in December 2019. The premises was purchased by the group during the financial year which settled on 30 September 2020.

(a) Current lease liabilities.

	2021 $	2020 $
Property lease liabilities	45,387	44,200
Unexpired interest	(13,482)	(14,580)
	31,905	**29,620**

(b) Non-current lease liabilities.

	2021 $	2020 $
Property lease liabilities	310,145	346,234
Unexpired interest	(46,090)	(58,014)
	264,055	**288,220**

(c) Reconciliation of lease liabilities.

	2021 $	2020 $
Balance at the beginning	317,840	-
Initial recognition on AASB 16 transition	-	415,691
Remeasurement adjustments	8,471	(41,724)
Lease interest expense	14,937	17,561
Lease payments - total cash outflow	(45,288)	(73,688)
	295,960	**317,840**

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2021.

Note 21. Lease liabilities. (Continued)

(d) Maturity analysis.

	2021 $	2020 $
- Not later than 12 months	45,387	44,200
- Between 12 months and 5 years	181,548	176,800
- Greater than 5 years	128,597	169,434
Total undiscounted lease payments	**355,532**	**390,434**
Unexpired interest	(59,572)	(72,594)
Present value of lease liabilities	**295,960**	**317,840**

(e) 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 $222,816 (2020: $95,662).

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

2021 - Operating leases under AASB 16	2021 $	2020 $
- Within 12 months	201,600	197,500
- Between one and two years	134,614	201,600
- Between two and three years	115,299	134,614
- Between three and four years	43,870	115,299
- Between four and five years	-	43,870
Total undiscounted lease receivable	**495,383**	**692,883**

NOTE 22. PROVISIONS.

(a) Non-current liabilities.	2021 $	2020 $
Make-good on leased premises	27,505	26,221

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision as at $40,000 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. The lease is due to expire in April 2029 at which time it is expected the face-value costs to restore the premises will fall due.

NOTE 23. EMPLOYEE BENEFITS.

(a) Current liabilities.	2021 $	2020 $
Provision for annual leave	76,523	70,989
Provision for long service leave	19,184	32,071
	95,707	**103,060**

(b) Non-current liabilities.		
Provision for long service leave	54,750	20,065

(c) Key judgement and assumptions.

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.

(a) Issued capital.	2021		2020	
	Number	$	Number	2019 $
Ordinary shares - fully paid	1,028,710	1,028,710	1,028,710	1,028,710
Bonus shares - fully paid	5,283,657	-	817,010	-
Less: equity raising costs	-	(25,621)	-	(25,621)
	6,312,367	**1,003,089**	**1,845,720**	**1,003,089**

(b) Reconciliation of issued capital movement.	2021		2020	
	Number	$	Number	2019 $
Balance amount at beginning	1,845,720	1,003,089	1,845,720	1,003,089
Bonus shares issued (2.24:1)	4,466,647	-	-	-
	6,312,367	**1,003,089**	**1,845,720**	**1,003,089**

During the financial year, the group resolved to issue bonus shares in exchange for no consideration. The bonus shares were issued at a rate of 2.24 bonus shares for 1 share held (2.24:1).

(c) Rights attached to issued capital.

Ordinary shares

Voting rights

Subject to some Ltd 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.

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2021.

Note 24. Issued Capital. (c) Rights attached to issued capital. (Continued)

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.

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 416 shareholders (2020: 421 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.

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

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

	Revaluation reserve		Total other comprehensive income	
	2021 $	2020 $	2021 $	2020 $
Balance at beginning of reporting period	521,887	-	521,887	-
Revaluation of property plant and equipment	-	521,887	-	521,887
Balance at end of reporting period	**521,887**	**521,887**	**521,887**	**521,887**

NOTE 26. RETAINED EARNINGS.

	Notes	2021 $	2020 $
Balance at beginning of reporting period		1,508,974	1,239,940
Adjustment for transition to AASB 16		-	(66,606)
Net profit after tax from ordinary activities		693,275	488,835
Dividends provided for or paid	31(a)	(184,572)	(153,195)
Balance at end of reporting period		**2,017,677**	**1,508,974**

NOTE 27. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES.

	2021 $	2020 $
Net profit after tax from ordinary activities	**693,275**	**488,835**
Adjustments for:		
- Depreciation	271,690	197,482
- Amortisation	45,181	40,310
- Impairment losses on intangible assets	-	10,387
- Profit/Loss on disposal of non-current assets	(6,432)	2,441
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(13,921)	8,890
- (Increase)/decrease in other assets	15,564	(115,869)
- Increase/(decrease) in trade and other payables	18,878	110,361
- Increase/(decrease) in employee benefits	27,332	23,846
- Increase/(decrease) in provisions	1,284	(17,159)
- Increase/(decrease) in tax liabilities	139,378	114,135
Net cash flows provided by operating activities	**1,192,229**	**863,659**

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2021.

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	2021 $	2020 $
Financial assets			
Cash and cash equivalents	13	338,666	489,547
Trade and other receivables	14	323,561	300,163
		662,227	**789,710**
Financial liabilities			
Trade and other payables	19	317,083	339,279
Secured bank loans	20	2,719,563	3,013,861
Lease liabilities	21	295,960	317,840
		3,332,606	**3,670,980**

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	2021 $	2020 $
- Audit and review of financial statements	7,650	5,700
Non audit services		
- Taxation advice and tax compliance services	6,900	5,420
- General advisory services	8,050	6,735
- Share registry services	6,585	4,799
- Valuation services	4,000	-
Total auditor's remuneration	**33,185**	**22,654**

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
- Kathleen Mary Holland
- Sheree Elise Tivendale
- Ortensio Caroli
- Benjamin John Gregory
- David John Ford
- Terrence Leslie Dobson
- Brent Alastair Edwin Baker

Note 30. Related Parties. (Continued)

(b) Key management personnel compensation.

Key management personnel compensation comprised the following.	2021 $	2020 $
Short-term employee benefits	60,917	64,607

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	2021 $	2020 $
- The North Central Review Pty Ltd. Walter Mott is a director of The North Central Review Pty Ltd.	28,471	37,953
- James Yeates Printing Pty Ltd. Walter Mott is a director of James Yeates Printing Pty Ltd.	-	264
- Wallan Family Practice provides pre-employment medicals. Kathleen Holland is the owner.	90	297
Total transactions with related parties	**28,561**	**38,514**

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 2021		30 June 2020	
	Cents	$	Cents	$
Fully franked dividend	10.00	184,572	8.30	153,195

The tax rate at which dividends have been franked is 26% (2020: 27.5%).

(b) Franking account balance.	2021 $	2020 $
Franking account balance at the beginning of the financial year	665,792	554,453
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	38,509	169,447
- Franking debits from the payment of franked distributions	(64,850)	(58,108)
Franking account balance at the end of the financial year	**639,451**	**665,792**
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	74,392	17,350
Franking credits available for future reporting periods	**713,843**	**683,142**

The ability to utilise franking credits is dependent upon the company's ability to declare dividends. The tax rate at which future dividends will be franked is 25%.

Notes to the Consolidated Financial Statements.

For the year ended 30 June 2021.

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.

	2021 $	2020 $
Profit attributable to ordinary shareholders	693,275	488,835
	Number	Number
- Issued ordinary shares at beginning	1,845,720	1,845,720
- Effect of bonus shares issued in April 2021	4,466,647	-
Weighted-average number of ordinary shares	6,312,367	1,845,720
	Cents	Cents
Basic and diluted earnings per share	**10.98**	**26.48**

NOTE 33. 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.

There have been no 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 Ltd, 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 2021 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
(Chairman)

Dated this 17th day, September 2021

Bendigo Bank

AFS
Partners in success
Chartered Accountants

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of NorCen Financial Services Ltd's (the company), which comprises:

- Statement of financial position as at 30 June 2021
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

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

i. giving a true and fair view of the company's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

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.

We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the 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.

Independent Audit Report.

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Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's responsibilities 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.

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As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 17 September 2021

Joshua Griffin
Lead Auditor

Notes.

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