

Nova Mutual Limited

ABN: 40 087 650 440

Financial Statements

For the Year Ended 30 June 2021

Nova Mutual Limited

ABN: 40 087 650 440

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For the Year Ended 30 June 2021

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Nova Mutual Limited

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Directors' Report 30 June 2021

The Directors present their report on Nova Mutual Limited for the financial year ended 30 June 2021.

Directors

The names of the Directors in office at any time during, or since the end of, the financial year are:

| | |
|-----------------|--------------------|
| Stephen Pyke | Chairperson |
| Martin Cushing | Deputy Chairperson |
| Ron Brooks | |
| Karen Keegan | |
| Rosalie Taggart | |
| Nicholas Bell | |

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The following person held the position of Company Secretary at the end of the financial year:

- David Franklin (Chief Executive Officer) has been the company secretary since 20 February 2001.

Principal Activities

The principal activity of the Company during the financial year was the provision of retail financial products and services to members as an agent of Bendigo and Adelaide Bank Limited.

No significant changes in the nature of the Company's principal activities occurred during the financial year.

Operating Results

The profit of the Company after providing for income tax amounted to \$ 348,184 (2020: \$ 160,297).

Significant Changes in State of Affairs

No significant changes in the Company's state of affairs occurred during the financial year.

Events Subsequent to the End of the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

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Directors' Report

30 June 2021

Likely Developments and Expected Results of Operations

No matter, or circumstance or likely development in the operations has arisen since the end of the financial year that has significantly affected, or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in the financial year subsequent to this financial year.

Environmental matters

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

Auditor's independence declaration

A copy of the Lead Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* has been received and is included in this financial report.

Indemnification and Insurance of Officers and Auditors

During the financial year, a premium was paid in respect of a contract insuring Directors and Officers of the Company against liability. The officers of the Company covered by the insurance contract include the Directors, executive officers, company secretary and employees.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance contracts as such disclosure is prohibited under the terms of the contract.

No insurance cover has been provided for the benefit of the auditors of the Company.

Meetings of Directors

During the financial year, 12 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

| | Directors' Meetings | |
|-----------------|---------------------------|-----------------|
| | Number eligible to attend | Number attended |
| Stephen Pyke | 12 | 12 |
| Martin Cushing | 12 | 12 |
| Ron Brooks | 12 | 12 |
| Karen Keegan | 12 | 12 |
| Rosalie Taggart | 12 | 12 |
| Nicholas Bell | 12 | 12 |

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Directors' Report

30 June 2021

Information on Current Directors

Stephen Pyke

Qualifications FCA, CTA, RCA
Experience Board member since 2013
Special Responsibilities Chairperson

Martin Cushing

Qualifications BA, CA, Grad Dip Computing
Experience Board member since 2004
Special Responsibilities Deputy Chairperson

Ron Brooks

Qualifications BCom
Experience Board member since 1992

Karen Keegan

Qualifications Cert IV OHS, Dip HRM, Dip Quality Auditing (IMS, QM, EM, OH&S),
M.HR.Law with Distinction, MAICD
Experience Board member since 2005

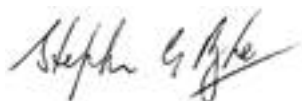
Rosalie Taggart

Qualifications Over 40 years experience in marketing/advertising in the media
Experience Board member since 2008

Nicholas Bell

Qualifications BLaws/BBus-Accountancy, Grad Dip Applied Corporate Governance,
Grad Dip In Financial Planning, Grad Dip In Applied Finance and
Investment
Experience Board member since 2017

Signed in accordance with a resolution of the Board of Directors:



Director:

Stephen Pyke

Dated: 07 October 2021

PARTNERS

Robert Magnussen B Bus FCA
Paul Fahey B Bus CA
Rodney Smith B Fin Admin FCA
Bart Lawler B Com CA
Patrick Brennan B Com CA
Alison McKinnon B Bus CA

Auditor's Independence Declaration

Under Section 307C of the *Corporations Act 2001*

To the Directors of Nova Mutual Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the Directors of Nova Mutual Limited. As the lead auditor for the audit of the financial report of Nova Mutual Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

NorthCorp Accountants



Jodie Thomas
Lead Auditor

Suites 1 -3, Bourne House
10-12 Short Street
Port Macquarie NSW 2444

Dated: 7 October 2021

Nova Mutual Limited

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Statement of Comprehensive Income
For the Year Ended 30 June 2021

| | Note | 2021 \$ | 2020 \$ |
|--|------|------------------------------|------------|
| Revenue | 2 | <u>1,239,960</u> | 956,145 |
| Computer system costs | | (3,214) | (2,219) |
| Depreciation and amortisation expenses | 3(a) | (37,321) | (48,251) |
| Donations | | (25,000) | (10,000) |
| Employee benefits expense | | (489,616) | (483,152) |
| Fee chargebacks | | (52,228) | (52,186) |
| General administration expense | | (89,852) | (83,016) |
| Insurance expense | | (17,255) | (17,995) |
| Investment expenses | | (15,747) | (13,539) |
| Loss on disposal of property, plant and equipment | 3(a) | - | (767) |
| Occupancy and related costs | | (22,038) | (14,535) |
| Other expenses | | (25,651) | (26,466) |
| | | <u>(777,922)</u> | (752,126) |
| Profit / (loss) before income tax | | 462,038 | 204,019 |
| Income tax (expense) / benefit | 4 | (113,854) | (43,722) |
| Net profit / (loss) after tax attributable to members | | <u>348,184</u> | 160,297 |
| Other comprehensive income | | | |
| Fair value gains/(losses) on financial assets at fair value through other comprehensive income | | 114,676 | (102,322) |
| Total other comprehensive income for the year | | <u>114,676</u> | (102,322) |
| Total comprehensive income for the year attributable to members | | <u><u>462,860</u></u> | 57,975 |

The accompanying notes form part of these financial statements.

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Statement of Financial Position As at 30 June 2021

| | Note | 2021 \$ | 2020 \$ |
|--------------------------------------|------|------------------|------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 5 | 376,209 | 271,971 |
| Trade and other receivables | 6 | 153,596 | 139,339 |
| Financial assets | 7 | 1,946,127 | 1,437,194 |
| Other assets | 8 | 6,659 | 17,052 |
| TOTAL CURRENT ASSETS | | 2,482,591 | 1,865,556 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 9 | 635,664 | 670,551 |
| Deferred tax assets | 10 | 91,890 | 208,906 |
| TOTAL NON-CURRENT ASSETS | | 727,554 | 879,457 |
| TOTAL ASSETS | | 3,210,145 | 2,745,013 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Member withdrawable shares | 11 | 3,632 | 3,508 |
| Trade and other payables | 12 | 70,216 | 85,693 |
| Provisions | 13 | 132,180 | 144,551 |
| TOTAL CURRENT LIABILITIES | | 206,028 | 233,752 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | 10 | 47,291 | 17,295 |
| Provisions | 13 | 228 | 228 |
| TOTAL NON-CURRENT LIABILITIES | | 47,519 | 17,523 |
| TOTAL LIABILITIES | | 253,547 | 251,275 |
| NET ASSETS | | 2,956,598 | 2,493,738 |
| EQUITY | | | |
| Reserves | 14 | 149,699 | 55,327 |
| Retained earnings | | 2,806,899 | 2,438,411 |
| TOTAL EQUITY | | 2,956,598 | 2,493,738 |

The accompanying notes form part of these financial statements.

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Statement of Changes in Equity
For the Year Ended 30 June 2021

2021

| | Retained Earnings | Asset Revaluation Reserve | Financial Assets Reserve | Total |
|---|-------------------|---------------------------|--------------------------|------------------|
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2020 | 2,438,411 | 55,327 | - | 2,493,738 |
| Comprehensive income | | | | |
| Profit / (loss) attributable to members of the Company | 348,184 | - | - | 348,184 |
| Net fair value gains/(losses) on financial assets at fair value through other comprehensive income | - | - | 114,676 | 114,676 |
| Transfer of gains/(losses) on disposal of investments at fair value through other comprehensive income to retained earnings | 20,304 | - | (20,304) | - |
| Total comprehensive income for the year | 368,488 | - | 94,372 | 462,860 |
| Balance as at 30 June 2021 | 2,806,899 | 55,327 | 94,372 | 2,956,598 |

2020

| | Retained Earnings | General Reserve for Credit Losses | Financial Asset Reserve | Total |
|---|-------------------|-----------------------------------|-------------------------|------------------|
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2019 | 2,326,866 | 55,327 | 53,570 | 2,435,763 |
| Comprehensive income | | | | |
| Profit / (loss) attributable to members of the Company | 160,297 | - | - | 160,297 |
| Net fair value gains/(losses) on financial assets at fair value through other comprehensive income | (48,522) | - | (53,800) | (102,322) |
| Transfer of gains/(losses) on disposal of investments at fair value through other comprehensive income to retained earnings | (230) | - | 230 | - |
| Total comprehensive income for the year | 111,545 | - | (53,570) | 57,975 |
| Balance as at 30 June 2020 | 2,438,411 | 55,327 | - | 2,493,738 |

The accompanying notes form part of these financial statements.

Nova Mutual Limited

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Statement of Cash Flows For the Year Ended 30 June 2021

| | 2021 | 2020 |
|--|----------------------------|------------------|
| Note | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Interest received | 8,670 | 6,654 |
| Dividends received | 78,484 | 60,493 |
| Receipts from customers | 1,248,434 | 869,738 |
| Payments to suppliers and employees | (867,817) | (687,092) |
| Net cash provided by/(used in) operating activities | <u>467,771</u> | <u>249,793</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment | (2,434) | (80,296) |
| Proceeds from sale of property, plant and equipment | - | 18,182 |
| Purchase of investments | (361,099) | (647,209) |
| Proceeds from sale of investments | - | 397,361 |
| Net cash provided by/(used in) investing activities | <u>(363,533)</u> | <u>(311,962)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net cash provided by/(used in) financing activities | <u>-</u> | <u>-</u> |
| Net increase/(decrease) in cash and cash equivalents held | 104,238 | (62,169) |
| Cash and cash equivalents at beginning of year | <u>271,971</u> | <u>334,140</u> |
| Cash and cash equivalents at end of financial year | 5 <u>376,209</u> | <u>271,971</u> |

The accompanying notes form part of these financial statements.

Nova Mutual Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2021

The financial statements are for Nova Mutual Limited (Nova) as an individual entity. Nova is a Company limited by shares, incorporated and domiciled in Australia.

The financial report was authorised for issue on 7 October 2021 by the Directors of the Company.

Note 1 Summary of Significant Accounting Policies

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The amounts presented in the financial statements have been rounded to the nearest dollar.

(a) Income Tax

The income tax expense / (income) for the year comprises current income tax expense / (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities / (assets) are measured at the amounts expected to be paid to (recovered from) the Australian Taxation Office (ATO) using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense / (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside of profit or loss.

No deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that a future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

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Notes to the Financial Statements For the Year Ended 30 June 2021

Note 1 Summary of Significant Accounting Policies (Continued)

(a) Income Tax (Continued)

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(b) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, deposits held at call with banks and other financial institutions, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are reported within borrowings in current liabilities on the statement of financial position.

(c) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, accumulated depreciation and any impairment losses.

Buildings

Buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction) less accumulated impairment losses and accumulated depreciation. The fair value of buildings is based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation.

Increases in the carrying amount arising on revaluation of buildings are recognised in other comprehensive income and accumulated in an asset revaluation reserve in equity. Revaluation decreases that offset previous increases of the same class of assets are charged against fair value reserves directly in equity. All other decreases are recognised in profit or loss.

Any accumulation depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and Equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses.

In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1 (e) for details of impairment).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

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Notes to the Financial Statements For the Year Ended 30 June 2021

Note 1 Summary of Significant Accounting Policies (Continued)

(c) Property, plant and equipment (Continued)

Depreciation

The depreciable amount of all fixed assets, including buildings, is depreciated on a straight-line basis over the asset's useful life to the Company, commencing from the time the asset is held ready for use. Depreciation is recognised in profit or loss.

The depreciation rates used for each class of depreciable assets are:

| Fixed asset class | Depreciation rate |
|--------------------------|--------------------------|
| Buildings | 2.5% |
| Plant and Equipment | 10% to 100% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses included in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(d) Financial instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset.

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified at "fair value through profit or loss" in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15: *Revenue from Contracts with Customers*.

Classification and Subsequent Measurement

Financial Liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

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

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Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 1 Summary of Significant Accounting Policies (Continued)

(d) Financial instruments (Continued)

Financial Assets

Financial assets are subsequently measured at:

- amortised cost; or
- fair value through other comprehensive income.

Financial assets comprising cash and cash equivalents, trade and other receivables and interest bearing deposits are subsequently measured at amortised cost as they meet the following conditions:

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

Other financial assets comprising shares in listed corporations, diversified income investments and listed property trust investments are subsequently measured at fair value through other comprehensive income, as long as those financial assets are not held for trading. The dividend and distribution revenue received on the underlying investments continues to be recognised in profit and loss.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

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

All the following criteria need to be satisfied for derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Company no longer controls the asset.

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

Nova Mutual Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 1 Summary of Significant Accounting Policies (Continued)

(d) Financial instruments (Continued)

On derecognition of a financial asset classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the financial assets reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Impairment of Financial Assets

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost.

A loss allowance is not recognised for investments measured at fair value through other comprehensive income.

Recognition of expected credit losses in financial statements

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

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Financial assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair values recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at the end of the reporting period.

(e) Impairment of Non-Financial Assets

At the end of each reporting period the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised in profit or loss, unless the asset is carried at a revalued amount in accordance with another standard (eg. in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(f) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivable are initially recognised at fair value and subsequently measured at cost using the effective interest method, less any provision for impairment. Refer to Note 1(d) for further discussion on the determination of impairment losses.

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Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 1 Summary of Significant Accounting Policies (Continued)

(g) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the Company during the reporting period that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability. Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

(h) Employee Benefits

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

In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements.

Contributions are made by the Company to employee superannuation funds and are charged as expenses when incurred.

(i) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(j) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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 ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(k) Revenue Recognition

In accordance with AASB 15, revenue is recognised when control of the goods and services has transferred to the customers. For such transactions, this is the point in time when the goods are delivered to customers or the services are received by customers.

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Notes to the Financial Statements For the Year Ended 30 June 2021

Note 1 Summary of Significant Accounting Policies (Continued)

(k) Revenue Recognition (Continued)

Interest revenue

Interest revenue is recognised using the effective interest method.

Fees and commissions

Fee and commission income is recognised as revenue on an accrual basis.

Shared margin income

The franchise agreement held by Nova with Bendigo and Adelaide Bank Limited provides for a share of interest, fee and commission revenue earned by Nova. Interest margin share is based on a funds transfer methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on Nova's current fee schedule and commission revenue is based on the agreements in place with third parties. All margin revenue is recorded as non-interest income when Nova's right to receive the payment is established.

All revenue is stated net of the amount of goods and services tax (GST).

(l) Economic dependence

Nova Mutual Limited is dependent on Bendigo and Adelaide Bank Limited for the majority of its revenue used to operate the business.

(m) New and Amended Accounting Policies not yet Adopted by the Company

AASB 1060: General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

The AASB has issued AASB 1060: *General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*. AASB 1060 defines the disclosure requirements for Tier 2 general purpose financial statements, as defined by Australian Accounting Standards, and serves as a replacement for the existing Reduced Disclosure Regime. The Company does not anticipate material changes to its financial statements upon adoption of AASB 1060.

AASB 1060 may be early adopted and is mandatory for reporting periods of the Company beginning on or after 1 July 2021.

(n) Comparative Figures

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

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Notes to the Financial Statements For the Year Ended 30 June 2021

(o) **Critical Accounting Estimates and Judgments**

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

The significant estimates and judgements made have been described below.

Impairment

The Company assesses impairment at the end of each reporting period by evaluating conditions specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

No impairment has been recognised in respect of assets at the end of the reporting period.

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Notes to the Financial Statements For the Year Ended 30 June 2021

Note 2 Revenue and Other Income

The Company has recognised the following amounts relating to revenue in the statement of comprehensive income.

Continued operations

| | 2021 | 2020 |
|---------------------------------------|------------------|----------------|
| | \$ | \$ |
| Revenue from contracts with customers | 2(a) 1,094,718 | 795,734 |
| Other sources of income | 2(b) 145,242 | 160,411 |
| | 1,239,960 | 956,145 |

(a) Revenue Disaggregation

The revenue is disaggregated by income type:

| | | |
|----------------------|------------------|----------------|
| Shared margin income | 1,033,328 | 732,896 |
| Fee income | 61,390 | 62,838 |
| | 1,094,718 | 795,734 |

Timing of revenue recognition

Products and services transferred to customers

| | | |
|----------------------|------------------|----------------|
| - at a point in time | | |
| | 1,094,718 | 795,734 |

(b) Other sources of revenue

| | | |
|--------------------------------------|----------------|----------------|
| Interest received | 8,670 | 6,654 |
| Dividends and distributions received | 85,855 | 78,750 |
| Commissions and other revenue | 13,217 | 12,507 |
| Cash flow boost | 37,500 | 62,500 |
| | 145,242 | 160,411 |

Note 3 Result for the Year

(a) Expenses

The result for the year includes the following specific expenses:

Depreciation and amortisation expense

| | | |
|--|---------------|---------------|
| Buildings | 14,375 | 14,375 |
| Plant and equipment | 22,946 | 33,876 |
| | 37,321 | 48,251 |
| Net loss on disposal of property, plant and equipment | - | 767 |

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Notes to the Financial Statements
For the Year Ended 30 June 2021

Note 4 Income Tax Expense

(a) The major components of tax expense (benefit) comprise:

| | 2021 | 2020 |
|--------------|----------------|---------------|
| | \$ | \$ |
| Current tax | - | - |
| Deferred tax | 113,854 | 43,722 |
| | <u>113,854</u> | <u>43,722</u> |

(b) The prima facie tax on profit from ordinary activities is reconciled to the income tax expense (benefit) as follows:

| | | |
|---|----------------|---------------|
| Accounting (loss) / profit before tax from continuing operations | <u>462,038</u> | 204,019 |
| Prima facie tax payable on profit from ordinary activities before income tax at 26% (2020: 27.5%) | 120,130 | 56,105 |
| Add / Less) tax effect of: | | |
| - Other assessable items | 1,570 | 3,913 |
| - Rebateable fully franked dividends | (4,654) | (9,181) |
| - Origination and reversal of temporary differences | 112,070 | 32,668 |
| - Current deferred tax benefits not brought to account | (96,461) | (32,668) |
| - Other tax credits | (1,272) | - |
| - Non-assessable income | (19,313) | (18,169) |
| - Deferred tax relating to changes in tax rates | 1,784 | 11,054 |
| Income tax attributable to profit from ordinary activities | <u>113,854</u> | <u>43,722</u> |

Note 5 Cash and Cash Equivalents

| | | |
|--------------------------|----------------|----------------|
| Cash at bank and in hand | <u>376,209</u> | <u>271,971</u> |
|--------------------------|----------------|----------------|

Note 6 Trade and Other Receivables

| | | |
|-------------------|----------------|----------------|
| Trade receivables | <u>153,596</u> | <u>139,339</u> |
|-------------------|----------------|----------------|

Note 7 Financial Assets

Current

| | | |
|---|-----------------------|------------------|
| Financial assets at fair value through other comprehensive income | 7(a) <u>1,946,127</u> | <u>1,437,194</u> |
|---|-----------------------|------------------|

Nova Mutual Limited

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Notes to the Financial Statements
For the Year Ended 30 June 2021

Note 7 Financial Assets (Continued)

(a) Financial assets at fair value through other comprehensive income

| | 2021 | 2020 |
|--|------------------|------------------|
| | \$ | \$ |
| Managed investments | 1,880,911 | 1,371,978 |
| Shares in unlisted investments at cost | 65,216 | 65,216 |
| Total financial assets at fair value through other comprehensive income | 1,946,127 | 1,437,194 |

Note 8 Other Assets

| | | |
|----------------|--------------|---------------|
| Prepayments | 5,463 | 10,398 |
| Accrued income | 1,196 | 6,654 |
| | 6,659 | 17,052 |

Note 9 Property, Plant and Equipment

Buildings

| | | |
|--------------------------|----------------|----------------|
| Buildings at fair value | 575,000 | 575,000 |
| Accumulated depreciation | (28,750) | (14,375) |
| Total buildings | 546,250 | 560,625 |

Plant and equipment

| | | |
|----------------------------------|---------------|----------------|
| Plant and equipment at cost | 179,890 | 177,455 |
| Accumulated depreciation | (90,476) | (67,529) |
| Total plant and equipment | 89,414 | 109,926 |

| | | |
|--|----------------|----------------|
| Total property, plant and equipment | 635,664 | 670,551 |
|--|----------------|----------------|

(a) **Movements in Carrying Amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

| | Buildings | Plant and Equipment | Total |
|---------------------------------------|----------------|---------------------|----------------|
| | \$ | \$ | \$ |
| Year ended 30 June 2021 | | | |
| Balance at the beginning of year | 560,625 | 109,926 | 670,551 |
| Additions | - | 2,434 | 2,434 |
| Disposals - written down value | - | - | - |
| Depreciation expense | (14,375) | (22,946) | (37,321) |
| Balance at the end of the year | 546,250 | 89,414 | 635,664 |

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Notes to the Financial Statements For the Year Ended 30 June 2021

Note 9 Property, Plant and Equipment (Continued)

(b) Asset revaluations

On 22 March 2019, the building held by the Company was valued by an independent valuer. The fair value of the building was determined to be \$575,000. The fair value of the building increased by \$76,314.

An amount of \$55,327 (net of the related tax effect of \$20,986) was credited directly to the revaluation surplus during the year ended 30 June 2019.

Note 10 Tax Assets and Liabilities

(a) Current Tax Liability

| | 2021 | 2020 |
|--------------------|------|------|
| | \$ | \$ |
| Income tax payable | - | - |

(b) Deferred Tax Assets

| | Opening Balance | Charged to Income | Charged directly to Equity | Changes in Tax Rate | Closing Balance |
|---|-----------------|-------------------|----------------------------|---------------------|-----------------|
| | \$ | \$ | \$ | \$ | \$ |
| Deferred tax assets | | | | | |
| Provisions | 35,237 | 4,326 | - | (2,158) | 37,405 |
| Financial assets | - | - | 16,510 | (901) | 15,609 |
| Tax losses originating from unused franking credits | 10,511 | 9,181 | - | (1,074) | 18,618 |
| Tax losses | 70,006 | (9,788) | - | (3,285) | 56,933 |
| Section 40-880 business costs | 120,324 | (41,556) | - | (4,296) | 74,472 |
| Other | 3,219 | 2,988 | - | (338) | 5,869 |
| Balance at 30 June 2020 | 239,297 | (34,849) | 16,510 | (12,052) | 208,906 |
| Provisions | 37,405 | (2,911) | - | (1,327) | 33,167 |
| Financial assets | 15,609 | (15,609) | - | - | - |
| Tax losses originating from unused franking credits | 18,618 | - | - | (716) | 17,902 |
| Tax losses | 56,933 | (53,541) | - | (130) | 3,262 |
| Section 40-880 business costs | 74,472 | (39,289) | - | (1,353) | 33,830 |
| Other | 5,869 | (1,991) | - | (149) | 3,729 |
| Balance at 30 June 2021 | 208,906 | (113,341) | - | (3,675) | 91,890 |

Nova Mutual Limited

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Notes to the Financial Statements
For the Year Ended 30 June 2021

Note 10 Tax Assets and Liabilities (Continued)

(c) **Deferred Tax Liabilities**

| | Opening Balance | Charged to Income | Charged directly to Equity | Changes in Tax Rate | Closing Balance |
|--------------------------------|--------------------|----------------------|----------------------------------|------------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Deferred tax liability | | | | | |
| Accrued income | - | 1,830 | - | (100) | 1,730 |
| Prepayments | - | 169 | - | (9) | 160 |
| Property, plant and equipment | 20,474 | (4,181) | - | (888) | 15,405 |
| Balance at 30 June 2020 | <u>20,474</u> | <u>(2,182)</u> | - | <u>(997)</u> | <u>17,295</u> |
| Financial assets | - | - | 33,158 | (1,275) | 31,883 |
| Accrued income | 1,730 | (1,420) | - | (12) | 298 |
| Prepayments | 160 | 25 | - | (7) | 178 |
| Property, plant and equipment | 15,405 | 124 | - | (597) | 14,932 |
| Balance at 30 June 2021 | <u>17,295</u> | <u>(1,271)</u> | <u>33,158</u> | <u>(1,891)</u> | <u>47,291</u> |

Note 11 Member Withdrawable Shares

| | 2021 | 2020 |
|----------------------------|--------------|--------------|
| | \$ | \$ |
| Member withdrawable shares | <u>3,632</u> | <u>3,508</u> |

Note 12 Trade and Other Payables

Current

Unsecured Liabilities:

| | | |
|------------------------------|---------------|---------------|
| Trade payables | 4,941 | 24,708 |
| GST payable | 37,394 | 24,605 |
| Other creditors and accruals | 27,881 | 36,380 |
| | <u>70,216</u> | <u>85,693</u> |

Note 13 Provisions

Current

| | | |
|-------------------|----------------|----------------|
| Employee benefits | <u>132,180</u> | <u>144,551</u> |
|-------------------|----------------|----------------|

Non-current

| | | |
|-------------------|------------|------------|
| Employee benefits | <u>228</u> | <u>228</u> |
|-------------------|------------|------------|

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Notes to the Financial Statements For the Year Ended 30 June 2021

Note 13 Provisions (Continued)

(a) Movement in provisions

| | Employee Benefits | Total |
|-----------------------------------|----------------------|----------------|
| | \$ | \$ |
| Opening balance as at 1 July 2020 | 144,779 | 144,779 |
| Additional provisions | 47,281 | 47,281 |
| Provisions used | (59,652) | (59,652) |
| Balance as at 30 June 2021 | 132,408 | 132,408 |

(b) Provision for employee benefits

Provision for employee benefits represents amounts accrued for wages, annual leave and long service leave.

The current portion for this provision includes the total amount accrued for wages, annual leave entitlements and amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service.

These amounts are classified as current liabilities since the Company does not have an unconditional right to defer settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion of this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

Note 14 Reserves

(a) Asset revaluation reserve

The asset revaluation reserve records fair value movements on property, plant and equipment held under the revaluation model.

(b) Financial assets reserve

The financial assets reserve records the cumulative amount of gains or losses recognised in remeasuring financial assets at fair value through other comprehensive income (previously available-for-sale financial assets).

Nova Mutual Limited

ABN: 40 087 650 440

Notes to the Financial Statements For the Year Ended 30 June 2021

Note 15 Financial Risk Management

The Company's financial instruments consist mainly of deposits with banks, managed investments, shares in listed and unlisted companies and accounts receivable and payable.

The carrying amount for each category of financial instruments, measured in accordance with AASB 9: *Financial Instruments*, as detailed in the accounting policies to these financial statements, are as follows:

| | Note | 2021 \$ | 2020 \$ |
|--|------|------------------|------------------|
| Financial Assets | | | |
| Financial assets at amortised cost | | | |
| Cash and cash equivalents | 5 | 376,209 | 271,971 |
| Trade and other receivables | 6 | 153,596 | 139,339 |
| Financial assets at fair value through other comprehensive income | | | |
| Managed investments | 7 | 1,880,911 | 1,371,978 |
| Shares in unlisted companies | 7 | 65,216 | 65,216 |
| Total financial assets | | 2,475,932 | 1,848,504 |
| Financial Liabilities | | | |
| Financial liabilities at amortised cost | | | |
| Trade and other payables | 12 | 70,216 | 85,693 |
| Member withdrawable shares | 11 | 3,632 | 3,508 |
| Total financial liabilities | | 73,848 | 89,201 |

(a) Net Fair Values

The net fair value of financial assets and financial liabilities approximates their carrying values. The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

Note 16 Key Management Personnel

(a) Key management personnel compensation

The totals of remuneration paid to the key management personnel (KMP) of the Company during the year are as follows:

| | | |
|------------------------------|----------------|----------------|
| Short-term employee benefits | 303,047 | 278,084 |
| Post-employment benefits | 24,096 | 21,382 |
| Other long-term benefits | 12,698 | 7,842 |
| | 339,841 | 307,308 |

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**Notes to the Financial Statements
For the Year Ended 30 June 2021**

Note 16 Key Management Personnel (Continued)

(b) Other 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.

No related party transactions were identified for the 2021 financial year (2020: Nil).

Note 17 Company Details

The registered office and principal place of business of the Company is:

Nova Mutual Limited
3/71 King Street
Newcastle NSW 2300

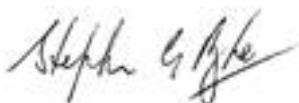
Nova Mutual Limited

ABN: 40 087 650 440

Directors' Declaration

In accordance with a resolution of the Directors of Nova Mutual Limited, the Directors of the Company declare that:

1. The financial statements comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cashflows and notes to and forming part of the financial statements, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements; and
 - b. give a true and fair view of the financial position of the Company as at 30 June 2021 and of its performance for the year ended on that date.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



Director

Stephen Pyke

Dated: 7 October 2021

Independent Auditor's Report to the Members of Nova Mutual Limited

Opinion

We have audited the financial report of Nova Mutual Limited (the Company), which comprises the Statement of Financial Position as at 30 June 2021, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' Declaration.

In our opinion, the accompanying financial report of Nova Mutual Limited 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 performance for the year then ended; and
- (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements 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 opinion.

Responsibilities of Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements 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 gives a true and fair view and 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 to 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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

PARTNERS

Robert Magnussen B Bus FCA
Paul Fahey B Bus CA
Rodney Smith B Fin Admin FCA
Bart Lawler B Com CA
Patrick Brennan B Com CA
Alison McKinnon B Bus CA

Independent Auditor's Report to the Members of Nova Mutual Limited

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.

NorthCorp Accountants



Jodie Thomas
Lead Auditor

**Suites 1-3, Bourne House
10-12 Short Street
Port Macquarie NSW 2444**

7 October 2021

