

# Annual Report 2022

South East Districts Financial  
Services Limited

Community Bank  
Sorell & District

ABN 50 147 950 178

Community Bank Report 2022  
BEN Message

July 2022

Community continues to be core to who we are at Bendigo and Adelaide Bank.

With your support, we are enabling community infrastructure to be built, strengthening the arts and culturally diverse communities, improving educational outcomes, and growing healthy places for Australians to live and work. On behalf of the Bank, thank you for continuing to play a vital role in supporting your community.

As we emerge from the pandemic and navigate a shifting economic landscape, the investments our Community Banks make in the future of the communities in which they operate has never been more important.

We are proud that more Australians are choosing to do their banking with Bendigo and Adelaide Bank – and importantly trust us with their financial needs. We are Australia's most trusted bank (Roy Morgan, May 2022), an outcome that you have all contributed to and should feel proud of.

Our purpose has never been more important; we remain committed to continuing to feed into the prosperity of our customers and communities, and not off them.

Your ongoing support as a shareholder is essential to the success of your local community. Together, we will continue to grow sustainably and make a positive impact for generations to come.

Warmest regards,

A handwritten signature in dark ink, appearing to read 'Justine Minne', followed by a large, stylized circular flourish.

**Justine Minne**  
**Bendigo and Adelaide Bank**

As a shareholder in your local Community Bank, you are part of this incredible social network that is playing an increasingly important role in the Australian economy.

The Community Bank network was a first mover in Australia with its unique social enterprise model. The first Community Bank opened its doors in 1998, and since then, the network has grown to 307 Community Bank branches.

The network represents a diverse cross-section of Australia with 240 social enterprises, 70,000+ shareholders, 1600+ volunteer directors, 1600+ staff and 905,000 customers located in metro, regional, rural and remote locations across the country. It's not uncommon to visit a country town and see the Community Bank logo affixed to public amenities; at the front of schools, and on the perimeter of sporting clubs – such is the breadth and depth of our investments over the years.

The Community Bank network invests via grants, donations and sponsorships that connect with and care for generations of Australians. Funding programs range from sport, scholarships and school programs, through to community groups, cultural organisations and local councils. The Community Bank influence further extends to facilitating and attracting other partners to help subsidise much needed community projects.

The relationship with the Bank, which has been fashioned out of shared effort, risk and reward, is clearly a philosophy that works. Also supporting the network, is the Community Bank National Council (CBNC), which advocates and influences on behalf of the 240 community enterprises with its partners.

The three strategic pillars of the 22-23 CBNC strategy are to:

- Develop a community network strategy to ensure the ongoing sustainability of our community enterprises
- Advocate for and champion the uniqueness and value of our social enterprises
- Unite the network to leverage our community presence and amplify our community impact

All directors and shareholders should feel proud of the network which has collectively delivered enormous impact in our local communities.

We are community builders and investors with a national presence, whilst still retaining grass roots community connections. It's through this unique point of difference, and the commitment of our directors and shareholders, that we are well positioned to embrace the change that is upon us.

Next year our Community Bank network celebrates 25 years, but in many respects, it's only the beginning for our collective of social enterprises.

Warm regards



Sarah Franklyn  
**CBNC Chair**

## Chairman's report 2022

Over the last 12 months we have become much more resilient to the pressures forced upon us by the COVID-19 pandemic, inflation and banking industry reforms.

We have also seen that the Community Bank model is still more relevant than ever to our communities. Utilising the strength within our catchment to develop a stronger and more supportive community is more important than ever.

We have become somewhat comfortable although still a bit uneasy regarding the day-to-day effects of Covid and slowly our communities are returning to a sense of normality. As a board so heavily involved with community activities it has meant we have had to re-adjust where and how we are able to participate to continue to promote the benefits of Community Bank Sorell & District. Although we have been unable to attend as many activities as in the past, we have continued to support and be part of as many community groups and events as possible.

Thanks to our strong 2021/22 results our Board has been confident in approving a November 2022 dividend of 4 cents per share. Directors continue to use their expertise and personal networks to support our continued growth and to maximise shareholder and community benefits. A big thank you to Deputy Chair, Scott Gatehouse, for his focus on the State Marketing Committee, whose activities are developing opportunities that increase our exposure in collaboration with other Community Bank companies around the state.

Our new Branch Manager, Sharon Cozens, coupled with a new streamlined state administration, has worked with Board to review staffing, training and our focus on first class customer service. Our staff offer a level of customer service, in a warm and friendly environment, which is second to none and I certainly appreciate the positive feedback from so many members of the public regarding their professionalism. Sharon's close attention to branch efficiencies and customer satisfaction has been paramount.

Having moved past our first 10 years of operations, I am confident that our now mature branch will continue to grow and develop as our Municipality does the same, well above state averages. Our pride in what we are all achieving for our region through the Bendigo Community Bank model is now stronger than ever and I would like to thank all shareholders, customers, staff and our Board for their assistance in the continued success of Community Bank Sorell & District. We look forward to continuing to build on our shared success in the years ahead.

**Kerry Vincent**

Chairman

South East Districts Financial Services Limited

## Branch Manager report 2022

As I reflect on the past 12 months, I continue to be challenged by the volume of change in the world around us. We have continued to experience disruption from COVID-19 both in our work and personal lives, a change of federal government and unprecedented petrol prices just to name a few.

For many of you in our community, such change has brought you back into Community Bank Sorell & District as you have taken time to reassess your financial situation and reset your financial goals. The team and I have relished the opportunity to reconnect with you and to understand your financial needs. Listening to your conversations and then working through solutions together it would seem more and more that having a local branch open and available for you is important in supporting your financial wellbeing not only for today but into the future.

As I have come to know many of you and learned more about the business and farming communities in and around Sorell, sustaining a 'local' identity is often referenced as being a source of pride as well as show of strength within the community. For some of you, having a local branch reflects this strength, however, change within the banking industry is largely customer driven and, for example, with card and digital transaction options reducing the volume of cash we see and use in our daily lives, what the branch means for you and to you is now different to what it has been in the past.

I do repeatedly hear though that for those 'moments that matter', such as buying your first home, opening your child's first bank account, or transitioning to retirement you continue to tell us that being able to 'sit and talk to someone' is your preference. And this, quite simply, makes me happy but also grateful for the opportunity to serve and support you at these times.

For me, this sits at the heart of why the Community Bank model continues to successfully provide one of the largest branch networks in the industry, prospering within the community not from it. As I meet monthly with our Board of Directors, who all proudly volunteer their time and skills to sustain Community Bank Sorell & District as well as provide governance, I am energised by their enthusiasm and commitment to our community.

The ongoing challenge for us all is to continue to build trust and advocacy within the community through exceptional customer service and experiences, becoming the bank of choice across the area. For you, our shareholders, I thank you for your continued support but also ask that you too advocate for your local branch and team, to help grow our business and sustain our presence in your community. 'Bank Local'.

**Sharon Cozens**

Branch Manager

Bendigo Bank Community Bank – Sorell & District

## Community contributions 2011-2022

We are proud to have grown our contributions to shareholders and local organisations over the past eleven years, supporting community strengthening and wellbeing through our dividends, donations, sponsorships and in-kind support.

### Dividend Payment History

Financial Year	Per Share	Date Paid	Total paid
2016/2017	\$0.043	November 2017	\$37,892
2017/2018	\$0.043	November 2018	\$37,892
2018/2019	\$0.050	November 2019	\$44,061
2019/2020	\$0.025	November 2020	\$22,030
2020/2021	\$0.035	November 2021	\$30,842
TOTAL to June 2022			<b>\$172,717</b>

### Donations, sponsorship, advertising & promotion

Financial Year	Community investments & advertising/promotion
2011/2012	\$3788
2012/2013	\$6093
2013/2014	\$12,367
2014/2015	\$21,199
2015/2016	\$14,105
2016/2017	\$14,987
2017/2018	\$30,456
2018/2019	\$17,858
2019/2020	\$16,622
2020/2021	\$38,537
2021/2022	\$21,071
TOTAL to June 2022	<b>\$197,083</b>

# South East Districts Financial Services Limited

ABN 50 147 950 178

Financial Report - 30 June 2022

## **South East Districts Financial Services Limited**

### **Directors' report**

### **30 June 2022**

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2022.

#### **Directors**

The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Name:	Kerry John Vincent
Title:	Chairman
Experience and expertise:	Kerry is the Mayor of Sorell, CO Chair Southern Tas PESRAC, Rotarian, Deputy Chair South East Community Care, Owner of Rural Solutions Tas, Board Chair of Swansea Bark Mill Tavern, Board member of Business Association of Sorell, Chair of South East Regional Development Association, Board member of BEST employment and Business Hub, Chair of Copping Waste Authority and Member of Sorell School Association.
Special responsibilities:	Chairman, HR Committee, Marketing and Sponsorship Committee and Board Recruitment.
Name:	Anthony David Davis
Title:	Non-executive director
Experience and expertise:	Anthony worked for 18 years as Taxation Manager with Perpetual Trustees Tasmania Ltd before setting up in private practice as an accountant in Sorell some 22 years ago and building a significant local client base. He has recently sold his practice to Bentleys Sorell but is continuing to work with them during the transition to retirement. He has been on the Board of South East Community Care Inc. for the past 18 years and has served as President. He retired from SECC at the AGM in October 2021. He is a Founding Member of the Business Council of Sorell and is a long standing member and past president of the Sorell Lions Club. He is also on the Board of the Regional Community Learning and Development Centre - Levendale and is their present Treasurer. He is also a member of Lodge Pembroke.
Special responsibilities:	Treasurer
Name:	Melinda Jane Reed
Title:	Non-executive director
Experience and expertise:	Melinda was elected to Sorell Council in October 2018 and to the Community Bank National Council in June 2019 - May 2022, serving on national and state marketing committees. Melinda enjoyed a 26-year career with the Australian Taxation Office in corporate communication, staff development and tax administration, was a freelance writer and editor 2010-2019, a director of CPS Credit Union 1997-2000 and holds a Bachelor of Business (UTAS) and a Graduate Diploma of Public Relations (Deakin) and is a member of the Governance Institute of Australia. Melinda serves on the boards of Neighbourhood Houses Tasmania and Okines Community House and is an active volunteer with Dodges Ferry Primary School Association and other local community groups.
Special responsibilities:	Company Secretary
Name:	Ricky Samuel Birch
Title:	Non-executive director
Experience and expertise:	Ricky is currently employed as a Training Co-ordinator for South East Trade Training Centre at Sorell. Also work in the Forestry & Fire Management industries. Brigade Chief Runnymede Fire Brigade, Board Member of Regional and Rural Learning Centre Inc., East Coast Employee Safety Representative for Tasmania Fire Service, Accredited Trainer / Assessor with Forest Works and Timber Training Creswick and member of Sorell School Association. Training Instructor with Tasmania Fire Service.
Special responsibilities:	Nil



# South East Districts Financial Services Limited

## Directors' report

### 30 June 2022

Name: Janice Maree McConnon  
 Title: Non-executive director  
 Experience and expertise: Janice is a farmer with extensive involvement in her local community. A board member of South East Community Care, Deputy Chair of Levendale Hall Committee. Has previously organised farmers forums and past community participation. Past Chair, Secretary and Public Officer for Levendale Primary School 1993-2014, past board member of Edmund Rice Camp Tasmania. Founding member of Levendale Woodsdale History Room, set up to record oral, written and visual history of the area for future generations, and for learning opportunities for students. Fundraising for local sporting clubs and holds a diploma of Rural Business Management and completed the Australian Institute of Company Directors - Community Bank Director Development.

Special responsibilities: Minute secretary

Name: Darryn John Charles Scott  
 Title: Non-executive director  
 Experience and expertise: Darryn is Managing Director of S Commercial Project Consulting Pty Ltd: a building and development consulting firm. Managing Director of S Property Developments: a property development company. Member of the Master Builders Association of Tasmania (Former Chair of the Commercial Sector). Darryn holds a Diploma in Management and is currently specialising in Property Development feasibility, Project Management, Construction Management and Design Management.

Special responsibilities: Nil

Name: Scott Alexander Gatehouse  
 Title: Non-executive director  
 Experience and expertise: Currently employed in numerous Operations management roles in the UK and Tasmania. Has a Diploma of Business studies at the University of Lincoln. Scott is the leading Fire Fighter at Wattle Hill Fire Brigade and a Committee Member of both the South East Netball Association and Sorell School Association. He is also a member of the Tasmanian State Marketing Committee and past member of Agfest organising committee and Agriculture show Committees.

Special responsibilities: Deputy Chair, Member of Tasmanian State Marketing Committee

Name: Joanne Palmer  
 Title: Non-executive director  
 Experience and expertise: Jo and her family are involved with two local businesses, who employ young people, giving them opportunities to further their education and training. Jo is a hairdresser owning her own salon from 1992 to 2021. International Hairstylists Society, as Tasmanian Director to National President. National Hairdressing Federation as Tasmanian representative, working on National Hairdressing Training Package. Sorell School, with the School Association and various committees. Nugent Hall and Sports Association as secretary. Look Good Feel Better at the Royal Hobart Hospital for women with cancer, to assist with hair and wigs.

Special responsibilities: Nil

Name: Michael Evan Larkins  
 Title: Non-executive director  
 Experience and expertise: Michael started his own business in 2014 and has grown it from a small operation to now covering the southern Tasmanian region. Michael is a Committee Member of the South East Basketball Association, Glenorchy Basketball Association and the Business Council of Sorell, he involves himself and his company in the community through sponsorship and hosting charity events to raise money such events include the point to pinnacle.

Special responsibilities: Nil

## South East Districts Financial Services Limited

### Directors' report

30 June 2022

Name:	Jarrold David Robert Burton
Title:	Non-executive director ( <i>appointed 30 November 2021</i> )
Experience and expertise:	Jarrold is the Director and Principal Engineer of Kojin Engineering, a engineering company which specialises in fire safety, bushfire planning and hazard management planning and fire services design. He has worked as an engineer in the buildings industry for 15 years. He is an active member of Pembroke Lodge and sits on the board of South East Netball Association as well as umpiring in local, regional and state-wide competitions. Jarrold holds a Graduate Diploma in Fire Safety Engineering in addition to a Bachelor of Engineering.
Special responsibilities:	Nil.

### Company secretary

The Company secretary is Melinda Jane Reed. Melinda was appointed to the position of Company secretary on 1 October 2020.

### Principal activity

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

There have been no significant changes in the nature of this activity during the financial year.

### Review of operations

The profit for the company after providing for income tax amounted to \$48,627 (30 June 2021: \$49,208).

Operations have continued to perform in line with expectations.

### Dividends

During the financial year, the following dividends were provided for and paid. The dividends have been provided for in the financial statements.

	<b>2022</b>
	<b>\$</b>
Unfranked dividend of 3.5 cents per share (2021: 2.5 cents)	<u><u>30,842</u></u>

### Significant changes in the state of affairs

There were no significant changes in the state of affairs of the company during the financial year.

### Matters subsequent to the end of the financial year

Since the end of the year, the Reserve Bank of Australia (RBA) has increased the cash rate by 1.75 basis points moving from 0.85% at 30 June 2022 to 2.60% as at the date of signing these accounts. The increase in the cash rate has a direct impact on the revenue received by the company on its products (deposits and loans) offered to its customers. The company has noted an increase in the revenue streams for the first couple of months July – August 2022.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

### Likely developments

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

### Environmental regulation

The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

# South East Districts Financial Services Limited

## Directors' report

### 30 June 2022

#### Meetings of directors

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

	Board Eligible	Attended
Kerry John Vincent	11	11
Anthony David Davis	11	10
Melinda Jane Reed	11	11
Ricky Samuel Birch *	5	-
Janice Maree McConnon	11	11
Darryn John Charles Scott	11	9
Scott Alexander Gatehouse	11	9
Joanne Palmer	11	9
Michael Evan Larkins	11	9
Jarrold David Robert Burton	11	5

\* Leave of absence from 1 July 2021 - 1 January 2022

#### Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

#### Directors' interests

The interest in company shareholdings for each director are:

	Balance at the start of the year	Changes	Balance at the end of the year
Kerry John Vincent	22,000	(16,000)	6,000
Anthony David Davis	10,000	(2,000)	8,000
Melinda Jane Reed	-	-	-
Ricky Samuel Birch	2,000	-	2,000
Janice Maree McConnon	2,500	-	2,500
Darryn John Charles Scott	-	-	-
Scott Alexander Gatehouse	1,000	-	1,000
Joanne Palmer	-	-	-
Michael Evan Larkins	-	-	-
Jarrold David Robert Burton	-	2,000	2,000

#### Indemnity 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.

#### 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*.

## South East Districts Financial Services Limited

### Directors' report

30 June 2022

#### Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

#### Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non-audit services provided during the year are set out in note 25 to the accounts.

The Board has considered the non-audit services provided during the year by the auditor and 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 Board to ensure they do not impact on the impartiality, integrity and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company 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 immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors



Kerry John Vincent  
Chair

14 October 2022



Andrew Frewin Stewart  
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 South East Districts Financial Services Limited

As lead auditor for the audit of South East Districts Financial Services Limited for the year ended 30 June 2022, 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: 14 October 2022

**Joshua Griffin**  
Lead Auditor

**South East Districts Financial Services Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2022**

	<b>Note</b>	<b>2022 \$</b>	<b>2021 \$</b>
Revenue from contracts with customers	6	702,686	676,206
Other revenue	7	14,900	22,500
Finance revenue		1,523	2,131
Employee benefits expense	8	(439,235)	(401,152)
Advertising and marketing costs		(3,171)	(2,153)
Occupancy and associated costs		(30,376)	(23,850)
System costs		(31,356)	(33,208)
Depreciation and amortisation expense	8	(56,180)	(55,012)
Finance costs	8	(15,180)	(17,741)
General administration expenses		(60,869)	(62,177)
<b>Profit before community contributions and income tax expense</b>		<b>82,742</b>	<b>105,544</b>
Charitable donations and sponsorships expense		(17,900)	(36,384)
<b>Profit before income tax expense</b>		<b>64,842</b>	<b>69,160</b>
Income tax expense	9	(16,215)	(19,952)
<b>Profit after income tax expense for the year</b>	19	<b>48,627</b>	<b>49,208</b>
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		<b>48,627</b>	<b>49,208</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	27	5.52	5.58
Diluted earnings per share	27	5.52	5.58

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**South East Districts Financial Services Limited**  
**Statement of financial position**  
**As at 30 June 2022**

	Note	2022 \$	2021 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	484,132	473,873
Trade and other receivables	11	41,105	19,207
Total current assets		<u>525,237</u>	<u>493,080</u>
<b>Non-current assets</b>			
Property, plant and equipment	12	66,109	76,770
Right-of-use assets	13	218,486	175,806
Intangibles	14	61,374	4,478
Deferred tax assets	9	30,810	47,025
Total non-current assets		<u>376,779</u>	<u>304,079</u>
<b>Total assets</b>		<u>902,016</u>	<u>797,159</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	22,340	8,333
Lease liabilities	16	52,721	49,285
Total current liabilities		<u>75,061</u>	<u>57,618</u>
<b>Non-current liabilities</b>			
Trade and other payables	15	46,293	-
Lease liabilities	16	269,912	247,028
Provisions	17	7,958	7,506
Total non-current liabilities		<u>324,163</u>	<u>254,534</u>
<b>Total liabilities</b>		<u>399,224</u>	<u>312,152</u>
<b>Net assets</b>		<u>502,792</u>	<u>485,007</u>
<b>Equity</b>			
Issued capital	18	847,158	847,158
Accumulated losses	19	(344,366)	(362,151)
<b>Total equity</b>		<u>502,792</u>	<u>485,007</u>

*The above statement of financial position should be read in conjunction with the accompanying notes*

**South East Districts Financial Services Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2022**

	Note	Issued capital \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 July 2020</b>		847,158	(389,329)	457,829
Profit after income tax expense		-	49,208	49,208
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	49,208	49,208
<i>Transactions with owners in their capacity as owners:</i>				
Dividends provided for	21	-	(22,030)	(22,030)
<b>Balance at 30 June 2021</b>		<u>847,158</u>	<u>(362,151)</u>	<u>485,007</u>
 <b>Balance at 1 July 2021</b>		 847,158	 (362,151)	 485,007
Profit after income tax expense		-	48,627	48,627
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	48,627	48,627
<i>Transactions with owners in their capacity as owners:</i>				
Dividends provided for	21	-	(30,842)	(30,842)
<b>Balance at 30 June 2022</b>		<u>847,158</u>	<u>(344,366)</u>	<u>502,792</u>

*The above statement of changes in equity should be read in conjunction with the accompanying notes*



**South East Districts Financial Services Limited**  
**Statement of cash flows**  
**For the year ended 30 June 2022**

	<b>Note</b>	<b>2022</b> <b>\$</b>	<b>2021</b> <b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		770,316	775,488
Payments to suppliers and employees (inclusive of GST)		<u>(648,677)</u>	<u>(637,946)</u>
		121,639	137,542
Interest received		<u>1,523</u>	<u>2,131</u>
Net cash provided by operating activities	26	<u>123,162</u>	<u>139,673</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(3,802)	-
Payments for intangibles		<u>(14,208)</u>	<u>(13,943)</u>
Net cash used in investing activities		<u>(18,010)</u>	<u>(13,943)</u>
<b>Cash flows from financing activities</b>			
Dividends paid	21	(30,842)	(22,030)
Repayment of lease liabilities	16	<u>(64,051)</u>	<u>(64,050)</u>
Net cash used in financing activities		<u>(94,893)</u>	<u>(86,080)</u>
Net increase in cash and cash equivalents		10,259	39,650
Cash and cash equivalents at the beginning of the financial year		<u>473,873</u>	<u>434,223</u>
Cash and cash equivalents at the end of the financial year	10	<u><u>484,132</u></u>	<u><u>473,873</u></u>

*The above statement of cash flows should be read in conjunction with the accompanying notes*

# **South East Districts Financial Services Limited**

## **Notes to the financial statements**

### **30 June 2022**

#### **Note 1. Reporting entity**

The financial statements cover South East Districts Financial Services Limited (the company) as an individual entity. The financial statements are presented in Australian dollars, which is the company's functional and presentation currency.

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 4 Ollie Drive, Sorell, TAS 7172.

A description of the nature of the company's operations and its principal activity is included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 14 October 2022. The directors have the power to amend and reissue the financial statements.

#### **Note 2. Basis of preparation and statement of compliance**

The 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 financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). The financial statements have been prepared on an accrual and historical cost basis.

#### **Note 3. Significant accounting policies**

The company has consistently applied the following accounting policies to all periods presented in these financial statements.

##### **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 2021, 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.

##### **Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when, it is expected to be realised or intended to be sold or consumed in the company's normal operating cycle, it is held primarily for the purpose of trading, it is expected to be realised within 12 months after the reporting period or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when, it is either expected to be settled in the company's normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within 12 months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

##### **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.

# **South East Districts Financial Services Limited**

## **Notes to the financial statements**

### **30 June 2022**

#### **Note 3. Significant accounting policies (continued)**

The company's trade receivables are limited 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 company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company 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 2022.

##### *Non-financial assets*

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication 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 any impairment loss.

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.

##### **Goods and Services Tax (GST)**

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.

#### **Note 4. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

##### *Coronavirus (COVID-19) pandemic*

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the company operates. There does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

##### *Estimation of useful lives of assets*

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives or non-strategic assets that have been abandoned or sold will be written off or written down.

**South East Districts Financial Services Limited**  
**Notes to the financial statements**  
**30 June 2022**

**Note 4. Critical accounting judgements, estimates and assumptions (continued)**

*Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

The company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

*Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

*Lease term*

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the company's operations, comparison of terms and conditions to prevailing market rates, incurrence of significant penalties, existence of significant leasehold improvements and the costs and disruption to replace the asset. The company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

*Incremental borrowing rate*

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

*Lease make good provision*

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

**Note 5. Economic dependency**

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank. The company 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 company operates as a franchise of Bendigo Bank, using the name "Bendigo Bank" and the logo and system of operations of Bendigo Bank. The company manages the Community Bank on behalf of Bendigo Bank, however all transactions with customers conducted through the Community Bank are effectively conducted between the customers and Bendigo Bank.

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo 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 company promotes and sells the products and services, but is not a party to the transaction.

**South East Districts Financial Services Limited**  
**Notes to the financial statements**  
**30 June 2022**

**Note 5. Economic dependency (continued)**

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 company 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 company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations
- providing payroll services.

**Note 6. Revenue from contracts with customers**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Margin income	521,897	500,972
Fee income	51,634	52,956
Commission income	129,155	122,278
	<u>702,686</u>	<u>676,206</u>
Revenue from contracts with customers	<u>702,686</u>	<u>676,206</u>

The company has entered into a franchise agreement with Bendigo Bank. The company 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 company. 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 company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the company's right to receive the payment is established.

The company 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 company's revenue stream is as follows:

<u>Revenue stream</u>	<u>Includes</u>	<u>Performance obligation</u>	<u>Timing of recognition</u>
Franchise agreement profit share	Margin, commission, and fee income	When the company 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 GST. There was no revenue from contracts with customers recognised over time during the financial year.

**Revenue calculation**

The franchise agreement provides that three forms of revenue may be earned by the company which are margin, commission and fee income. Bendigo Bank decides the form of revenue the company earns on different types of products and services. The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

**South East Districts Financial Services Limited**  
**Notes to the financial statements**  
**30 June 2022**

**Note 6. Revenue from contracts with customers (continued)**

*Margin*

Margin is arrived at through the following calculation:

	Interest paid by customers on loans less interest paid to customers on deposits
<b>plus:</b>	any deposit returns i.e. interest return applied by Bendigo Bank for a deposit
<b>minus:</b>	any costs of funds i.e. interest applied by Bendigo Bank to fund a loan.

The company is entitled to a share of the margin earned by Bendigo Bank. If this reflects a loss, the company 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 company has fulfilled its performance obligation.

The company 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 company, 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 company 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 company 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 company 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.

**Note 7. Other revenue**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Market development fund	15,000	22,500
Other income	(100)	-
	<u>14,900</u>	<u>22,500</u>
Other revenue	<u>14,900</u>	<u>22,500</u>

The company'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 company and can be reliably measured.

**South East Districts Financial Services Limited**  
**Notes to the financial statements**  
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**Note 7. Other revenue (continued)**

Revenue stream

Discretionary financial contributions (also "Market development fund" or "MDF" income)

Other income

Revenue recognition policy

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.

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 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 company.

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 company retains control over the funds, the funds are not refundable to Bendigo Bank.

**Note 8. Expenses**

**Depreciation and amortisation expense**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<i>Depreciation of non-current assets</i>		
Leasehold improvements	12,630	6,456
Plant and equipment	1,833	2,162
	<u>14,463</u>	<u>8,618</u>
<i>Depreciation of right-of-use assets</i>		
Leased land and buildings	<u>32,964</u>	<u>32,964</u>
<i>Amortisation of intangible assets</i>		
Franchise fee	1,459	2,238
Franchise renewal process fee	7,294	11,192
	<u>8,753</u>	<u>13,430</u>
	<u><u>56,180</u></u>	<u><u>55,012</u></u>

**Finance costs**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Lease interest expense	14,765	17,346
Unwinding of make-good provision	415	395
	<u>15,180</u>	<u>17,741</u>

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

**South East Districts Financial Services Limited**  
**Notes to the financial statements**  
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**Note 8. Expenses (continued)**

**Employee benefits expense**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Wages and salaries	343,946	317,398
Superannuation contributions	41,882	33,458
Expenses related to long service leave	943	6,322
Other expenses	52,464	43,974
	<u>439,235</u>	<u>401,152</u>

*Accounting policy for employee benefits*

Bendigo Bank seconded employees to work for the company. Bendigo Bank charges the cost of these employees through the monthly profit share arrangement. The company recognises these expenses when recording the monthly invoice. No annual leave or long service leave liabilities are recognised for the company as these are Bendigo Bank employees.

**Leases recognition exemption**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Expenses relating to low-value leases	<u>14,125</u>	<u>14,945</u>

The company 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.

**Note 9. Income tax**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<i>Income tax expense</i>		
Movement in deferred tax	1,691	1,661
Reduction in company tax rate	-	1,881
Recoupment of prior year tax losses	14,524	16,410
	<u>16,215</u>	<u>19,952</u>
<i>Prima facie income tax reconciliation</i>		
Profit before income tax expense	<u>64,842</u>	<u>69,160</u>
Tax at the statutory tax rate of 25% (2021: 26%)	16,211	17,982
Tax effect of:		
Non-deductible expenses	4	89
Reduction in company tax rate	-	1,881
Income tax expense	<u>16,215</u>	<u>19,952</u>



**South East Districts Financial Services Limited**  
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**Note 9. Income tax (continued)**

	2022 \$	2021 \$
<i>Deferred tax assets/(liabilities)</i>		
Carried-forward tax losses	5,740	20,263
Provision for lease make good	1,990	1,877
Accrued expenses	800	745
Lease liabilities	80,658	74,078
Right-of-use assets	(54,622)	(43,952)
Property, plant and equipment	(3,756)	(5,986)
	<u>30,810</u>	<u>47,025</u>
Deferred tax asset	<u>30,810</u>	<u>47,025</u>

*Accounting policy for income tax*

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

*Accounting policy for current 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.

*Accounting policy for 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.

**Note 10. Cash and cash equivalents**

	2022 \$	2021 \$
Cash at bank and on hand	86,868	78,109
Term deposits	397,264	395,764
	<u>484,132</u>	<u>473,873</u>

*Accounting policy for 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 and deposits held with banks.

**South East Districts Financial Services Limited**  
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**Note 11. Trade and other receivables**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	36,751	14,853
Prepayments	4,354	4,354
	<u>41,105</u>	<u>19,207</u>

*Accounting policy for trade and other receivables*

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

**Note 12. Property, plant and equipment**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Leasehold improvements - at cost	164,334	164,334
Less: Accumulated depreciation	(109,126)	(96,496)
	<u>55,208</u>	<u>67,838</u>
Plant and equipment - at cost	51,717	47,915
Less: Accumulated depreciation	(40,816)	(38,983)
	<u>10,901</u>	<u>8,932</u>
	<u>66,109</u>	<u>76,770</u>

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Leasehold improvements \$	Plant and equipment \$	Total \$
Balance at 1 July 2020	74,294	11,094	85,388
Depreciation	(6,456)	(2,162)	(8,618)
Balance at 30 June 2021	67,838	8,932	76,770
Additions	-	3,802	3,802
Depreciation	(12,630)	(1,833)	(14,463)
Balance at 30 June 2022	<u>55,208</u>	<u>10,901</u>	<u>66,109</u>

*Accounting policy for 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.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

**South East Districts Financial Services Limited**  
**Notes to the financial statements**  
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**Note 12. Property, plant and equipment (continued)**

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	6 to 20 years
Plant and equipment	1 to 40 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

*Changes in estimates*

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

The company's review of estimates resulted in changes in the useful life of some of Sorell branch leasehold improvements. The useful life had previously been assessed as 40 years until November 2051. This is now expected to be 15 years until November 2026. The effect of these changes on actual and expected depreciation expense was as follows:

	2022 \$	2023 \$	2024 \$	2025 \$	2026+ \$
(Decrease) increase in depreciation expense	8,348	8,348	8,348	8,348	(33,392)

**Note 13. Right-of-use assets**

	2022 \$	2021 \$
Land and buildings - right-of-use	570,098	494,455
Less: Accumulated depreciation	(351,612)	(318,649)
	<u>218,486</u>	<u>175,806</u>

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Land and buildings \$	Total \$
Balance at 1 July 2020	208,770	208,770
Depreciation expense	(32,964)	(32,964)
Balance at 30 June 2021	175,806	175,806
Remeasurement adjustments	75,644	75,644
Depreciation expense	(32,964)	(32,964)
Balance at 30 June 2022	<u>218,486</u>	<u>218,486</u>

*Accounting policy for right-of-use assets*

A right-of-use asset is recognised at the commencement date of a lease. 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.

**South East Districts Financial Services Limited**  
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**Note 13. Right-of-use assets (continued)**

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Refer to note 16 for more information on lease arrangements.

**Note 14. Intangibles**

	2022 \$	2021 \$
Franchise fee	32,134	21,192
Less: Accumulated amortisation	(21,904)	(20,445)
	<u>10,230</u>	<u>747</u>
Franchise renewal fee	110,669	55,961
Less: Accumulated amortisation	(59,525)	(52,230)
	<u>51,144</u>	<u>3,731</u>
	<u><u>61,374</u></u>	<u><u>4,478</u></u>

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Franchise fee \$	Franchise renewal fee \$	Total \$
Balance at 1 July 2020	2,985	14,923	17,908
Amortisation expense	(2,238)	(11,192)	(13,430)
Balance at 30 June 2021	747	3,731	4,478
Additions	10,942	54,707	65,649
Amortisation expense	(1,459)	(7,294)	(8,753)
Balance at 30 June 2022	<u><u>10,230</u></u>	<u><u>51,144</u></u>	<u><u>61,374</u></u>

**Additions**

During the financial year the franchise fees were renewed. Both are to be amortised over five years to November 2026.

**Accounting policy for intangible assets**

Intangible assets of the company relate to the franchise fees paid to Bendigo Bank which conveys the right to operate the Community Bank franchise.

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 company are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>	<u>Expiry/renewal date</u>
Franchise fee	Straight-line	Over the franchise term (5 years)	November 2026
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)	November 2026

**South East Districts Financial Services Limited**  
**Notes to the financial statements**  
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**Note 14. Intangibles (continued)**

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

*Change 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.

**Note 15. Trade and other payables**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<i>Current liabilities</i>		
Trade payables	1,464	1,539
Other payables and accruals	20,876	6,794
	<u>22,340</u>	<u>8,333</u>
<i>Non-current liabilities</i>		
Other payables and accruals	<u>46,293</u>	<u>-</u>

*Accounting policy for trade and other payables*

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

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

**Note 16. Lease liabilities**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<i>Current liabilities</i>		
Land and buildings lease liabilities	65,544	64,050
Unexpired interest	(12,823)	(14,765)
	<u>52,721</u>	<u>49,285</u>
<i>Non-current liabilities</i>		
Land and buildings lease liabilities	296,626	277,550
Unexpired interest	(26,714)	(30,522)
	<u>269,912</u>	<u>247,028</u>

*Reconciliation of lease liabilities*

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Opening balance	296,313	343,017
Remeasurement adjustments	75,606	-
Lease interest expense	14,765	17,346
Lease payments - total cash outflow	(64,051)	(64,050)
	<u>322,633</u>	<u>296,313</u>

**South East Districts Financial Services Limited**  
**Notes to the financial statements**  
**30 June 2022**

**Note 16. Lease liabilities (continued)**

*Maturity analysis*

	2022 \$	2021 \$
Not later than 12 months	65,544	64,050
Between 12 months and 5 years	272,955	256,200
Greater than 5 years	23,671	21,350
	<u>362,170</u>	<u>341,600</u>

*Accounting policy for 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.

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 company is reasonably certain to exercise that option. For leases of property the company has elected to separate lease and non-lease components when calculating the lease liability.

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

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 company changes its assessment of whether it will exercise an extension option or if there is a revised in-substance fixed lease payment.

The company assesses at the lease commencement date whether it is reasonably certain to exercise extension options. The company 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 company is a lessee for the premises to conduct its business, extension options are included in the lease term except when the company 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 nil.

The company's lease portfolio includes:

Sorell branch	The lease agreement commenced in November 2011. A two year renewal option was exercised in November 2021. The company has 2 x 2 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 November 2027. The discount rate used in calculations is 4.29%.
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**Note 17. Provisions**

	2022 \$	2021 \$
Lease make good	<u>7,958</u>	<u>7,506</u>

**South East Districts Financial Services Limited**  
**Notes to the financial statements**  
**30 June 2022**

**Note 17. Provisions (continued)**

*Lease make good*

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 to be \$10,000 for the Sorell Branch lease, 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 on 31 October 2027 at which time it is expected the face-value costs to restore the premises will fall due.

*Accounting policy for provisions*

Provisions are recognised when the company has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

**Note 18. Issued capital**

	<b>2022 Shares</b>	<b>2021 Shares</b>	<b>2022 \$</b>	<b>2021 \$</b>
Ordinary shares - fully paid	881,212	881,212	881,212	881,212
Less: Equity raising costs	-	-	(34,054)	(34,054)
	<u>881,212</u>	<u>881,212</u>	<u>847,158</u>	<u>847,158</u>

*Accounting policy for issued capital*

Ordinary shares are recognised at the fair value of the consideration received by the company being \$1 per share. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

***Rights attached to issued capital***

*Ordinary shares*

Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the Community Bank branch have the same ability to influence the operation of the company.

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.

**South East Districts Financial Services Limited**  
**Notes to the financial statements**  
**30 June 2022**

**Note 18. Issued capital (continued)**

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the *Corporations Act 2001*.

*Prohibited shareholding interest*

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the Board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 299. As at the date of this report, the company had 326 shareholders (2021: 328 shareholders).

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

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

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

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

**Note 19. Accumulated losses**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Accumulated losses at the beginning of the financial year	(362,151)	(389,329)
Profit after income tax expense for the year	48,627	49,208
Dividends paid (note 21)	(30,842)	(22,030)
Accumulated losses at the end of the financial year	<u>(344,366)</u>	<u>(362,151)</u>

**Note 20. Capital management**

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board 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.



**South East Districts Financial Services Limited**  
**Notes to the financial statements**  
**30 June 2022**

**Note 20. Capital management (continued)**

The distribution limit is the greater of:

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the financial year can be seen in the statement of profit or loss and other comprehensive Income.

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

**Note 21. Dividends**

The following dividends were provided for and paid to shareholders during the financial year as presented in the Statement of changes in equity and Statement of cash flows.

	2022 \$	2021 \$
Unfranked dividend of 3.5 cents per share (2021: 2.5 cents)	30,842	22,030

*Accounting policy for dividends*

Dividends are recognised in the financial year they are declared.

**Note 22. Financial instruments**

	2022 \$	2021 \$
<b>Financial assets</b>		
Trade and other receivables	36,751	14,853
Cash and cash equivalents	484,132	473,873
	<u>520,883</u>	<u>488,726</u>
<b>Financial liabilities</b>		
Trade and other payables	68,633	8,333
Lease liabilities	322,633	296,313
	<u>391,266</u>	<u>304,646</u>

*Accounting policy for 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 company's financial instruments include trade debtors and creditors, cash and cash equivalents and lease liabilities.

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 company 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.

**South East Districts Financial Services Limited**  
**Notes to the financial statements**  
**30 June 2022**

**Note 22. Financial instruments (continued)**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company 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.

**Financial risk management**

The company has exposure to credit, liquidity and market risk arising from financial instruments. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company does not use derivative instruments. Risk management is carried out directly by the Board.

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

**Price risk**

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

**Cash flow and fair value interest rate risk**

Interest-bearing assets and liabilities are held with Bendigo Bank and subject to movements in market interest.

The company held cash and cash equivalents of \$484,132 at 30 June 2022 (2021: \$473,873). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

**Credit risk**

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

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings of the bank.

**Liquidity risk**

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company'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 company's reputation.

**Exposure to liquidity risk**

The following are the remaining contractual maturities of financial liabilities. The contractual cash flow amounts are gross and undiscounted and therefore may differ from their carrying amount in the statement of financial position.

	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>2022</b>				
<b>Non-derivatives</b>				
Trade and other payables	22,340	46,293	-	68,633
Lease liabilities	65,544	272,955	23,671	362,170
Total non-derivatives	87,884	319,248	23,671	430,803

**South East Districts Financial Services Limited**  
**Notes to the financial statements**  
**30 June 2022**

**Note 22. Financial instruments (continued)**

	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>2021</b>				
<b>Non-derivatives</b>				
Trade and other payables	8,333	-	-	8,333
Lease liabilities	64,050	256,200	21,350	341,600
Total non-derivatives	<u>72,383</u>	<u>256,200</u>	<u>21,350</u>	<u>349,933</u>

**Note 23. Key management personnel disclosures**

The following persons were directors of South East Districts Financial Services Limited during the financial year:

Kerry John Vincent	Anthony David Davis
Melinda Jane Reed	Ricky Samuel Birch
Janice Maree McConnon	Darryn John Charles Scott
Scott Alexander Gatehouse	Joanne Palmer
Michael Evan Larkins	Jarrod David Robert Burton

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

**Note 24. Related party transactions**

There were no transactions with related parties during the current and previous financial year.

**Note 25. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by Andrew Frewin Stewart, the auditor of the company:

	<b>2022</b> \$	<b>2021</b> \$
<i>Audit services</i>		
Audit or review of the financial statements	<u>5,200</u>	<u>5,000</u>
<i>Other services</i>		
Taxation advice and tax compliance services	600	600
General advisory services	2,090	2,080
Share registry services	<u>4,364</u>	<u>4,764</u>
	<u>7,054</u>	<u>7,444</u>
	<u><u>12,254</u></u>	<u><u>12,444</u></u>

**South East Districts Financial Services Limited**  
**Notes to the financial statements**  
**30 June 2022**

**Note 26. Reconciliation of profit after income tax to net cash provided by operating activities**

	<b>2022</b> <b>\$</b>	<b>2021</b> <b>\$</b>
Profit after income tax expense for the year	48,627	49,208
Adjustments for:		
Depreciation and amortisation	56,180	55,012
Lease liabilities interest	14,765	17,346
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(21,898)	6,495
Decrease in deferred tax assets	16,215	19,952
Increase/(decrease) in trade and other payables	8,821	(8,735)
Increase in other provisions	452	395
Net cash provided by operating activities	<u>123,162</u>	<u>139,673</u>

**Note 27. Earnings per share**

	<b>2022</b> <b>\$</b>	<b>2021</b> <b>\$</b>
Profit after income tax	<u>48,627</u>	<u>49,208</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>881,212</u>	<u>881,212</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>881,212</u>	<u>881,212</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	5.52	5.58
Diluted earnings per share	5.52	5.58

*Accounting policy for earnings per share*

Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of South East Districts Financial Services Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

**Note 28. Commitments**

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

**Note 29. Contingencies**

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

**South East Districts Financial Services Limited**  
**Notes to the financial statements**  
**30 June 2022**

**Note 30. Events after the reporting period**

Since the end of the year, the Reserve Bank of Australia (RBA) has increased the cash rate by 1.75 basis points moving from 0.85% at 30 June 2022 to 2.60% as at the date of signing these accounts. The increase in the cash rate has a direct impact on the revenue received by the company on its products (deposits and loans) offered to its customers. The company has noted an increase in the revenue streams for the first couple of months July – August 2022.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

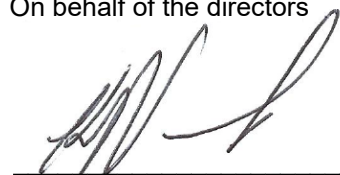
**South East Districts Financial Services Limited**  
**Directors' declaration**  
**30 June 2022**

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in the notes to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



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Kerry John Vincent  
Chair

14 October 2022



Andrew Frewin Stewart  
61 Bull Street Bendigo VIC 3550

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03 5443 0344

# Independent auditor's report to the Directors of South East Districts Financial Services Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of South East Districts Financial Services Limited (the company), which comprises:

- Statement of financial position as at 30 June 2022
- 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 South East Districts Financial Services 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 2022 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.



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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: 14 October 2022

**Joshua Griffin**  
Lead Auditor

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