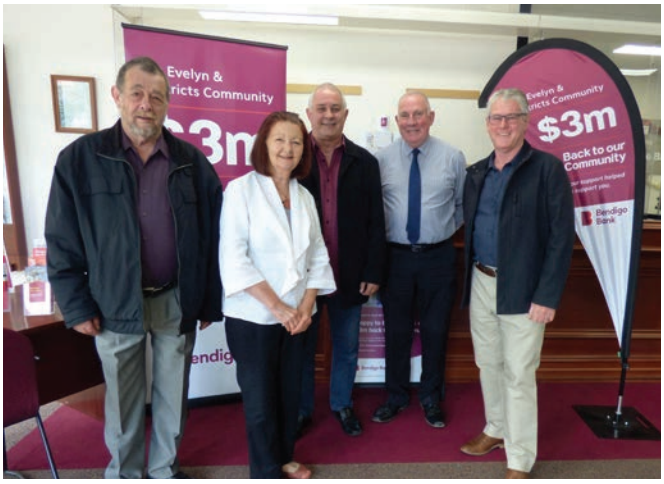
2021

Annual Report

Mt Evelyn & Districts Financial Services Limited

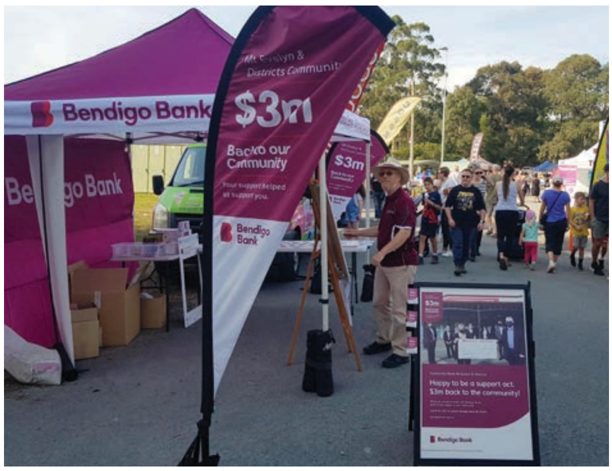
ABN 93 096 782 240



A gathering of our past company chairs Allan Grundy, Jill Rule, Terry Marshal, our (first) Manager David Watt and John Stroud the current Chair.

Farewell to retiring Director Margi Sank (front centre) at a virtual Board meeting.

Some of our happy Directors Laura Lilley, Gareth Little-Hales , Duuna Landman, Margi Sank and Gai Williams.



Our stall at the successful Montrose Festival.

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Chairman's report

For year ending 30 June 2021

Welcome to my third report as Chairman of Mt Evelyn & Districts Financial Services Limited (MEDFSL). This is our 19th year of operation.

Our values

Mt Evelyn & Districts Financial Services Limited operates by the following values:

- Commitment to exceed customer expectations
- Products relevant to our respective customers' lifestyles and needs
- Being proud to be a regional and Community Bank in building long term relationships with our customers
- Maintaining public trust by always acting in an ethical manner
- Providing convenient access to our services
- Delivering value and ensuring equity and fairness in pricing
- Leading and empowering our staff to make a difference: and
- Contributing to the communities in which we operate.

Our vision

Mt Evelyn & Districts Financial Services Limited (MEDFSL) through its Community Bank operations has, continued to provide profits that underpin enterprise and encourage generational, shareholder and community support for banking services, which in turn will lead to enhanced community and work environments strengthened by ethical governance.

Our mission

We have focused on providing a level and breadth of banking services that build confidence and trust, thereby engaging the community to ensure long-term sustainability and growth for the business, partnerships, community and shareholders. We have continued to achieve through excellence, equality, integrity, loyalty, respect and trust.

Our current position

The Board is always committed to high performance and ensuring we keep our community engagement strong with mutually beneficial outcomes.

The banking and finance sectors continue to be extremely competitive with margins on products continuing to be at record lows. This year we have also seen the ongoing impact of the COVID-19 Pandemic with the resulting restrictions affecting customer confidence and impacting their financial decisions.

Community Bank Mt Evelyn & Districts has exemplified fair and honest trading practices under the guidance of Bendigo and Adelaide Bank Limited and we have seen the ongoing tightened lending conditions and supporting processes making it a challenging environment to operate in.

In spite of these challenges, we have been able to achieve an annual net profit after tax of $295,198 compared to $423,412 last year (see enclosed Financial Statements). This has enabled us to assist the many community organisations in Mt Evelyn, Montrose and the surrounding districts to remain viable during COVID-19 despite them having little or no income. We are proud of this contribution as it significantly enhances the community we live in.

Our results have been achieved through the continued strong management of our Senior Group Manager, David Watt and his committed and dedicated team of staff. David has provided strong leadership and created a supportive team environment for the staff to deliver Bendigo Bank products and services. David, we all thank you for your continued support.

This year saw the retirement of our Branch Manager Leanne Vaytauer and the recruitment of the experienced Jayne Zunneberg to take over her position. We want to thank Leanne for her contribution and wish her all the best in her retirement and we welcome Jayne to the team.

Our branch team continues to provide the highest standard of service to our customers in a tough banking environment and we thank them for their continued support and teamwork. We will continue with staff development programs to ensure we have a strong succession plan in place.

I especially would like to acknowledge and thank all our branch team for their continued professional approach and caring attitude to our customers whilst following the difficult COVID-19 operating requirements we had this year.

Directors

We continue to have a strong Board to deliver the corporate governance, monitor risks, meet all fiduciary requirements and protect shareholders' assets. Your Board continues to work as a team to ensure the smooth operation of MEDFSL. Each member of the Board has their own area of expertise that gives the Board an important balance and stability.

This year one of our foundation Directors Margi Sank retired from our Board. Margi was the original Company Treasurer when we commenced on May 2001 and also carried out the Company Secretary role for a number of years. She has been a key contributor to many local community groups and was instrumental in setting the direction of our community bank. Our team passes on our special thanks to Margi for her years of service and contribution.

I would also like to acknowledge the work of my other Directors, Gai Williams Deputy Chair, Laura Lilley Company Secretary/Treasurer, Gareth Little-Hales, Iain Fraser, Duuna Landman, Prue Northey and Lisa Glassborow for their continued support. We also welcome new Director Steve Martin who joined our Board in April this year.

Bendigo and Adelaide Bank Limited

I would like to acknowledge our Bendigo and Adelaide Bank Limited support team.

Thanks to our Regional Manager Shelley McLean for her support to David and our team during the challenging COVID-19 year. I would also like to thank Tania Hansen and Mark Nolan for the specialist advice and support they provided this year. Welcome to Simon Sponza who is taking over from Shelley following organisational changes in Bendigo and Adelaide Bank Limited.

Thanks also to the Yarra Ranges Regional Office team for their support.

Sponsorships

We have continued to support many community groups through grants, sponsorship and donations to help them manage through the impacts of COVID-19.

Notwithstanding the low interest rates and the impact of COVID-19 this financial year your Community Bank Mt Evelyn & Districts contributed $218,865 in donations, grants and sponsorships. This covers many community groups in the surrounding region including; CFA, Football, Netball, Basketball, Cricket, Little Athletics, Pony Club, Bowls, Soccer and Golf clubs, Disability and volunteer groups, Scouts, Girl Guides, Kindergartens, Primary and Secondary schools, Men's Sheds, Bushfire relief and other community organisations.

Chairman's report (continued)

Summary

As your Chairman, I thank you, our shareholders, for your ongoing support. This allows our Board and staff to continue representing the company within the community in which we operate.

We have had a solid year in a difficult climate and this is a result of the great work by all members of our staff and Board.

We will continue to promote Community Bank Mt Evelyn & Districts to support the great work done by the branch team and we will continue to review and strive to lower costs and expenses. As we know without your continued support the amount we 'give back' to the community and help keep it strong will continually dwindle.

This year we are sending the Company Annual Report and Annual General Meeting correspondence via email to shareholders with a valid email address in the Share Registry system and posting a hard copy to those without an email address.

Remember it's in all of our interests to be a customer of Community Bank Mt Evelyn & Districts to ensure we can continue to support our local communities.

In closing it is important to note that;

- Your company is in a strong financial position
- We are focused on continuing our community engagement
- We are confident of obtaining our objectives throughout 2020/21.

I am looking forward to meeting with you at our 2021 Annual General Meeting. Please note the meeting will again be online as a result of the COVID-19 restrictions. Details of the meeting will be emailed or posted to you.

When: Tuesday 16 November at 7.00pm

Where: Online meeting - refer to email or correspondence to shareholders with meeting information and link to the meeting.

John Stroud
Chairman

Senior Manager's report

For year ending 30 June 2021

Community Bank Mt Evelyn & Districts has now been open for over 19 years.

Over that time, your Community Bank company, Mt Evelyn & Districts Financial Services Limited has consistently met proposed business expansion levels. Currently the total group business sits at around $380 million. The community of Mount Evelyn should be proud of the effort that went into creating its own Community Bank, and the way it has supported the branch since the front doors were opened back in May 2002.

I would like to thank John Stroud and the Board of Directors, our shareholders, and the Regional Office Team of Bendigo and Adelaide Bank Limited for their support as our branch moves forward into the future.

John, along with Gai Williams, Iain Fraser, Gareth-Little Hales, Laura Lilley, Duuna Landman, Prue Northey and Lisa Glassborow form a Board of Directors without peer. In this year we welcomed Steve Martin to the Board. Steve brings a wealth of community experience, and we look forward to a long term tenure on the Board.

I would also like to acknowledge the outstanding efforts of Margi Sank, who has resigned as a Director (also a former Board Secretary / Treasurer). Margi's contribution goes right back to formation of the steering committee and her advice and guidance over many years has been gratefully received by all involved.

I would also like to acknowledge the efforts of our dedicated branch team – Ann, our Lending Manager, Melissa our Assistant Branch Manager, along with Jan, Sharon, Rebecca, Emily, Paula, Bernadette, Bec and Taylah keep your branch ticking along daily and have set an example of service clearly above and beyond the call of duty.

In this year, Leanne, our Branch Manager retired, and we welcome Jayne as our new Branch Manager. Jayne has settled in well and is making a significant contribution to our team.

We take this opportunity to thank Leanne for her efforts.

Early in 2021 saw another retirement in Bev, our Customer Relationship Manager. Bev, as one of our original team members made an outstanding contribution to the growth of our branch. Bev's efforts over a long period of time are without peer and we wish Bev all the best in a well deserved retirement.

One of the strengths of the Community Bank model is the support of our Board of Directors and the shareholders. Please continue to play your part in the growth of Community Bank Mt Evelyn & Districts by spreading the word about the very personal banking service provided by your local Community Bank.

David Watt
Senior Manager

Directors' report

For the financial year ended 30 June 2021

The directors present their report together with the financial statements of the company for the financial year ended 30 June 2021.

Directors

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

John David Stroud

Non-executive director

Occupation: Part-time consultant

Qualifications, experience and expertise: John has a Graduate Certificate of Management and Certificate in Electronics as well as extensive operational and business experience. John is semi-retired after working in the telecommunications industry for 45 years with 30 of those as an operations manager. He is a long-term member of the Mount Evelyn community and has been actively involved with numerous community groups over the years. He played football at Mount Evelyn Football Netball Club and recently served as president for six years.

Special responsibilities: Chairman

Interest in shares: 5,000 ordinary shares

Laura Elizabeth Lilley

Non-executive director

Occupation: Chartered Accountant with over 20 years experience

Qualifications, experience and expertise: Laura currently works as a Business Analyst with a Large Not for profit organisation. Laura has been a resident of Mt Evelyn since 2005. Born and raised in Lilydale (on the border of Mt Evelyn) where her parents still reside and has a strong sense of connection with the local area. Over the years has been involved in many community groups, from Tennis, Basketball and Scouts when growing up and continues this involvement now through her family's activities.

Special responsibilities: Treasurer and Company Secretary

Interest in shares: nil share interest held

Gareth Little-Hales

Non-executive director

Occupation: Environmental Health Officer

Qualifications, experience and expertise: Bachelor of Science (Honours), Environmental Health, Dip. Business. Over 30 years experience in local government. Emigrated from the UK in 2002 where he was a Fellow of the Institute of Home Safety. Has served on a number of community boards in UK and Australia. Past President Montrose Township Group and prior Chair of Montrose Community Bank Branch Steering Committee, and an active member of various community organisations.

Special responsibilities: Social Media Manager

Interest in shares: 1,500 ordinary shares

Directors (continued)

Gai Williams

Non-executive director

Occupation: Part-time consultant

Qualifications, experience and expertise: Bachelor of Pharmacy, A.F.A.I.P.M. Pharmacist Owner and Operator for 26 years. Previously Chair of the Board of Guardian Pharmacies Australia.

Special responsibilities: Vice-Chairman

Interest in shares: 27,000 ordinary shares

Iain Warren Fraser

Non-executive director

Occupation: Victoria Police

Qualifications, experience and expertise: Dip. Public Safety (Policing). Currently studying for BA (Public Sector Leadership & Management). Senior Sergeant in Victoria Police based in Melbourne CBD. Past member of the Montrose Community Bank Branch Steering Committee, and an active member of various community organisations.

Special responsibilities: Nil

Interest in shares: 3,500 ordinary shares

Duuna Rochelle Landman

Non-executive director

Occupation: Business Owner

Qualifications, experience and expertise: Diploma of Accounting, Duuna has been a business owner for 22 years and moved into the Montrose area 19 years ago. Duuna was an active member of the Canterbury Gardens Community Bank Steering Committee and is a past treasurer of Ejays Softball Club and Chandler Park Jets Basketball. She has also been involved in the local Montrose kindergarten and primary school during the time her 3 children attended.

Special responsibilities: Nil

Interest in shares: nil share interest held

Prue Cathley Northey

Non-executive director

Occupation: Manager - Membership and Programs

Qualifications, experience and expertise: Current Occupation: Program Coordinator at Roads Australia. Previous Occupation as of August 2019: Event Coordinator, Epicure at the MCG. Tertiary Qualifications: Diploma of Business (Event) Management. Past Chairperson of Yarra Rangers Relay for life for 7 years, Yarra Ranges Young Citizen of the Year in 2015, current Event and Social Media Team Leader and general committee member of the Mount Evelyn Football Netball Club.

Special responsibilities: Board Secretary as of June 2020

Interest in shares: nil share interest held

Directors (continued)

Lisa Maree Glassborow

Non-executive director

Occupation: Strategic Marketing Consultant

Qualifications, experience and expertise: Lisa has over 20 year's experience both in the corporate and not for profit (or 'for purpose') sectors working in strategy, marketing communications, fundraising, events and relationship management and now runs her own small business. Lisa has lived in the local area all of her life (other than 2 years in sunny Darwin) and is grateful for her involvement with a number of local community groups over the years. She attended Birmingham Primary School, as do her children today where she is President of the School Council and heads up their Community Building Team. Is the past President of Fernhill Pre-school, was the Assistant Principal of Yarra Valley Calisthenics College for 11 years and has worked with the committees of Coldstream and Sivan Football Clubs and her children play basketball for Mt Evelyn Meteors. Lisa believes strongly that good relationships make businesses and organisations great places to be part of and when we have lots of great places that people feel connected to, we have stronger, healthier communities. Lisa is also Company Secretary at Darlingford Wates Marina Pty Ltd.

Special responsibilities: Nil

Interest in shares: nil share interest held

Steven Colin Martin

Non-executive director (appointed 27 April 2021)

Occupation: Fire Rescue Victoria (FRV)

Qualifications, experience and expertise: Steve holds Diploma in Emergency Management (Fire fighting) he is a Senior Station Officer working for FRV, a career he has enjoyed for over 10 years. Prior to joining the fire brigade, Steve was a carpenter holding a Certificate IV in Building and Construction. Steve worked in the industry for 8 years, starting as an apprentice for a local company and currently owns and manages a small building company, focused on property development. Steve is a long time member of the Mount Evelyn Community, and has been active, particularly within the Mount Evelyn Football Netball Club, serving on the executive committee and is a life member. Steve is involved with the Mount Evelyn Junior Club, previously coaching Auskick and junior teams. Steve is a member of the Mt Evelyn Sports Community Hub committee, who are responsible for the redevelopment of the Tramway road Master plan. Steve has four young children who attend school and kindergarten in Mount Evelyn.

Special responsibilities: Nil

Interest in shares: nil share interest held

Margaret Calder Sank

Non-executive director (resigned 25 May 2021)

Occupation: Director - Creative Design Studio

Qualifications, experience and expertise: CPA, Bachelor of Business. Past Director of a successful Accounting and Business Advisory Practice and over 30 years experience with small to medium sized entities. Significant and continuing leadership roles in various community organisations.

Special responsibilities: Treasurer until 1 December 2018, Company Secretary until 11 February 2019.

Interest in shares: 25,003 ordinary shares

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

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

Company Secretary

The company secretary is Laura Lilley. Laura was appointed to the position of secretary on 12 February 2019.

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 these activities during the financial year.

Operating results

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

Year ended 30 June 2021 $	Year ended 30 June 2020 $
295,198	423,412

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
John David Stroud	5,000	-	5,000
Laura Elizabeth Lilley	-	-	-
Gareth Little-Hales	1,500	-	1,500
Gai Williams	27,000	-	27,000
Iain Warren Fraser	3,500	-	3,500
Duuna Rochelle Landman	-	-	-
Prue Cathley Northey	-	-	-
Lisa Maree Glassborow	-	-	-
Steven Colin Martin	-	-	-
Margaret Calder Sank	25,003	-	25,003

Dividends

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

	Cents per share	Total amount $
Final fully franked dividend	7.5	220,506

Significant changes in the state of affairs

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

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 29 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

E - eligible to attend A - number attended

	Board Meetings		Committee Meetings					
			Audit		Human Resources		Marketing	
	E	A	E	A	E	A	E	A
John David Stroud	10	10	3	3	3	3	-	-
Laura Elizabeth Lilley	10	10	3	3	3	3	-	-
Gareth Little-Hales	10	10	-	-	-	-	1	1
Gai Williams	10	10	3	3	3	3	-	-
Iain Warren Fraser	10	5	-	-	-	-	-	-
Duuna Rochelle Landman	10	8	-	-	-	-	-	-
Prue Cathley Northey	10	9	-	-	-	-	1	1
Lisa Maree Glassborow	10	8	-	-	-	-	1	1
Steven Colin Martin	3	3	-	-	-	-	1	1
Margaret Calder Sank	9	8	-	-	-	-	-	-

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 28.

The board of directors has considered the non-audit services provided during the year by the auditor and in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact on the impartiality, integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the 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 on page 12.

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

John David Stroud
Chair

Dated this 23rd day of September 2021

Auditor's independence declaration

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 Mt Evelyn & Districts Financial Services Limited

As lead auditor for the audit of Mt Evelyn & Districts Financial Services Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 23rd September 2021

Adrian Downing
Lead Auditor

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

Financial statements

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

	Notes	2021 $	2020 $
Revenue from contracts with customers	8	1,904,813	2,279,444
Other revenue	9	97,892	111,307
Finance income	10	18,438	16,128
Employee benefit expenses	11c)	(1,106,467)	(1,123,561)
Charitable donations, sponsorship, advertising and promotion		(218,865)	(381,898)
Occupancy and associated costs		(51,501)	(54,154)
Systems costs		(37,793)	(50,934)
Depreciation and amortisation expense	11a)	(60,371)	(66,546)
Finance costs	11b)	(4,679)	(6,292)
General administration expenses		(154,119)	(159,945)
Profit before income tax expense		**387,348**	**563,549**
Income tax expense	12a)	(92,150)	(140,137)
Profit after income tax expense		**295,198**	**423,412**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**295,198**	**423,412**
Earnings per share		**¢**	**¢**
- Basic and diluted earnings per share:	31a)	10.04	14.40

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2021

	Notes	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	13	1,861,541	1,779,907
Trade and other receivables	14a)	147,396	196,548
Current tax assets	18a)	13,869	-
Total current assets		**2,022,806**	**1,976,455**
Non-current assets			
Property, plant and equipment	15a)	895,350	917,277
Right-of-use assets	16a)	-	87,017
Intangible assets	17a)	8,953	22,384
Deferred tax asset	18b)	29,744	40,549
Total non-current assets		**934,047**	**1,067,227**
Total assets		**2,956,853**	**3,043,682**
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	52,596	48,584
Current tax liabilities	18a)	-	34,565
Loans and borrowings	20a)	-	1,953
Lease liabilities	21a)	-	15,757
Employee benefits	23a)	142,043	138,288
Provisions	22a)	5,000	-
Total current liabilities		**199,639**	**239,147**
Non-current liabilities			
Lease liabilities	21b)	-	103,495
Employee benefits	23b)	3,702	19,959
Provisions	22b)	-	2,261
Total non-current liabilities		**3,702**	**125,715**
Total liabilities		**203,341**	**364,862**
Net assets		**2,753,512**	**2,678,820**
EQUITY			
Issued capital	24a)	1,527,561	1,527,561
Retained earnings	25	1,225,951	1,151,259
Total equity		**2,753,512**	**2,678,820**

The accompanying notes form part of these financial statements.

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

	Notes	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2019		1,527,561	918,952	2,446,513
Total comprehensive income for the year		-	423,412	423,412
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30a)	-	(191,105)	(191,105)
Balance at 30 June 2020		**1,527,561**	**1,151,259**	**2,678,820**
Balance at 1 July 2020		1,527,561	1,151,259	2,678,820
Total comprehensive income for the year		-	295,198	295,198
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30a)	-	(220,506)	(220,506)
Balance at 30 June 2021		**1,527,561**	**1,225,951**	**2,753,512**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2021

	Notes	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		2,223,238	2,631,358
Payments to suppliers and employees		(1,750,170)	(1,973,342)
Interest received		12,322	16,128
Interest paid		(59)	(101)
Lease payments (interest component)	11b)	(4,528)	(6,086)
Lease payments not included in the measurement of lease liabilities	11d)	(18,143)	(22,492)
Income taxes paid		(129,780)	(144,658)
Net cash provided by operating activities	**26**	**332,880**	**500,807**
Cash flows from investing activities			
Payments for property, plant and equipment		(15,718)	(3,202)
Proceeds from sale of property, plant and equipment		-	2,664
Net cash used in investing activities		**(15,718)**	**(538)**
Cash flows from financing activities			
Repayment of loans and borrowings		(2,002)	-
Lease payments (principal component)		(13,020)	(14,230)
Dividends paid	30a)	(220,506)	(191,107)
Net cash used in financing activities		**(235,528)**	**(205,337)**
Net cash increase in cash held		**81,634**	**294,932**
Cash and cash equivalents at the beginning of the financial year		1,779,907	1,484,975
Cash and cash equivalents at the end of the financial year	**13**	**1,861,541**	**1,779,907**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2021

Note 1 Reporting entity

This is the financial report for Mt Evelyn & Districts Financial Services Limited (the company). The company is a for profit entity limited by shares, and incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	**Principal Place of Business**
37 Wray Crescent Mt Evelyn, Victoria 3796	37 Wray Crescent Mt Evelyn, Victoria 3796

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 29.

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

These financial statements for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 23 September 2021.

Note 3 Changes in accounting policies, standards and interpretations

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

Note 4 Summary of significant accounting policies

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

a) Revenue from contracts with customers

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:

Revenue stream	Includes	Performance obligation	Timing of recognition
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.

Note 4 Summary of significant accounting policies (continued)

a) Revenue from contracts with customers (continued)

All revenue is stated net of the amount of Goods and Services Tax (GST). There was no revenue from contracts with customers recognised over time during the financial year.

Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the company – 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.

Margin

Margin is arrived at through the following calculation:

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

The 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.

b) Other revenue

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.

Revenue stream	Revenue recognition policy
Rental income	Rental income from investment properties, including property owned and right-of-use assets leased, is accounted for on a straight-line basis over the lease term. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount.
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.

Note 4 Summary of significant accounting policies (continued)

b) Other revenue (continued)

Revenue stream	Revenue recognition policy
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

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

Discretionary financial contributions

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

Cash flow boost

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

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

The amounts are not assessable for tax purposes and there is no obligation to repay the amounts.

c) Economic dependency - Bendigo Bank

The 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.

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 4 Summary of significant accounting policies (continued)

d) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages where the employee has provided the service but payment has not yet occurred at the reporting date. They are measured at amounts expected to be paid, plus related on-costs. Non-accumulating sick leave is expensed when the leave is taken and measured at the rates paid or payable.

An annual leave liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated. The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The company's obligations for employees' annual leave and long service leave entitlements are recognised in employee benefits in the statement of financial position.

Defined superannuation contribution plans

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

Other long-term employee benefits

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

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

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

e) Taxes

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

Current income tax

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

Deferred tax

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the entity intends to settle its tax assets and liabilities on a net basis.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except when the amount of GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue or expense item.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

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

Note 4 Summary of significant accounting policies (continued)

f) Cash and cash equivalents

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise cash on hand and deposits held with banks.

g) Property, plant and equipment

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

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

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line and/or diminishing value method over their estimated useful lives, and is recognised in profit or loss.

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

Asset class	Method	Useful life
Building	Straight-line	40 years
Leasehold improvements	Straight-line	40 years
Plant and equipment	Straight-line and diminishing value	2 to 20 years
Motor vehicles	Straight-line and diminishing value	3 to 4 years

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

h) Intangible assets

Intangible assets of the 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:

Asset class	Method	Useful life
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)

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

i) Financial instruments

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

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.

Note 4 Summary of significant accounting policies (continued)

j) Impairment

Non-derivative financial assets

Expected credit losses (ECL) are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received. At each reporting date, the entity recognises the movement in the ECL (if any) as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

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 2021.

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 the impairment loss (if any).

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

k) Issued capital

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

l) Provisions

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

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

m) Leases

At inception of a contract, the company assesses whether a contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration and obtain substantially all the economic benefits from the use of that asset.

As a lessee

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the company's incremental borrowing rate.

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

Lease payments included in the measurement of the lease liability comprise fixed or variable lease payments that depend on an index or rate and lease payments in a renewal option if the 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 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.

Note 4 Summary of significant accounting policies (continued)

m) Leases (continued)

As a lessee (continued)

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

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Short-term leases and leases of low-value assets

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

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

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

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

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note	Assumptions
- Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 23 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;
- Note 22 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

Note 6 Financial risk management

The 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 of directors.

a) 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.

b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities. 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 flows amounts are gross and undiscounted.

30 June 2021		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Trade and other payables	52,596	52,596	-	-
	52,596	**52,596**	**-**	**-**

30 June 2020		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Bank loans	1,953	1,953	-	-
Lease liabilities	119,252	21,128	93,305	23,485
Trade and other payables	48,584	48,584	-	-
	169,789	**71,665**	**93,305**	**23,485**

c) 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 are held with Bendigo Bank and subject to movements in market interest.

The company held cash and cash equivalents of $1,861,541 at 30 June 2021 (2020: $1,779,907). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

Note 7 Capital management

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

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

The distribution limit is the greater of:

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

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the 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 year ended 30 June 2021 can be seen in the statement of profit or loss and other comprehensive Income.

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

Note 8 Revenue from contracts with customers

	2021 $	2020 $
- Margin income	1,437,567	1,852,647
- Fee income	117,114	136,828
- Commission income	350,132	289,969
	1,904,813	**2,279,444**

Note 9 Other revenue

	2021 $	2020 $
- Rental income	28,884	17,318
- Market development fund income	-	19,583
- Cash flow boost	37,500	62,500
- Gain on disposal of right-of-use assets	27,824	-
- Other income	3,684	11,906
	97,892	**111,307**

Gain on disposal of right-of-use assets is the difference between the lease liability and right-of-use asset amounts on disposal. Essentially the gain offsets the higher expenses incurred on the adoption through a retained earnings adjustment and subsequent financial years due to timing differences in the new lease accounting. See Note 21 lease liabilities for information on the lease.

Note 10 Finance income

	2021 $	2020 $
- Term deposits	**18,438**	**16,128**

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

Note 11 Expenses

	2021 $	2020 $
a) Depreciation and amortisation expense		
Depreciation of non-current assets:		
- Buildings	11,885	11,886
- Leasehold improvements	4,793	4,742
- Plant and equipment	8,260	7,851
- Motor vehicles	9,746	10,540
	34,684	**35,019**
Depreciation of right-of-use assets		
- Leased land and buildings	12,256	14,707
Amortisation of intangible assets:		
- Franchise fee	2,239	2,238
- Franchise renewal process fee	11,192	14,582
	13,431	**16,820**
Total depreciation and amortisation expense	**60,371**	**66,546**
b) Finance costs		
- Lease interest expense	4,528	6,086
- Unwinding of make-good provision	92	106
- Other	59	100
	4,679	**6,292**

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

c) Employee benefit expenses		
Wages and salaries	726,563	773,573
Non-cash benefits	1,358	2,296
Contributions to defined contribution plans	112,682	130,494
Expenses related to long service leave	(5,319)	3,087
Other expenses	271,183	214,111
	1,106,467	**1,123,561**

d) Recognition exemption

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.

Expenses relating to low-value leases	**18,143**	**22,492**

Note 12 Income tax expense

	2021 $	2020 $
a) Amounts recognised in profit or loss		
Current tax expense/(credit)		
- Current tax	81,346	134,279
- Movement in deferred tax	9,614	(5,807)
- Adjustment to deferred tax on AASB 16 retrospective application	-	9,326
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	1,190	2,339
	92,150	**140,137**

b) Prima facie income tax reconciliation		
Operating profit before taxation	387,348	563,549
Prima facie tax on profit from ordinary activities at 26% (2020: 27.5%)	100,710	154,976
Tax effect of:		
- Temporary differences	(9,614)	(3,510)
- Other assessable income	(9,750)	(17,187)
- Movement in deferred tax	9,614	(5,807)
- Leases initial recognition	-	9,326
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	1,190	2,339
	92,150	**140,137**

Note 13 Cash and cash equivalents

	2021 $	2020 $
- Cash at bank and on hand	427,624	358,312
- Term deposits	1,433,917	1,421,595
	1,861,541	**1,779,907**

Note 14 Trade and other receivables

	2021 $	2020 $
a) Current assets		
Trade receivables	128,876	184,036
Prepayments	9,604	9,712
Other receivables and accruals	8,916	2,800
	147,396	**196,548**

Note 15 Property, plant and equipment

	2021 $	2020 $
a) Carrying amounts		
Land		
At cost	378,030	378,030

Note 15 Property, plant and equipment (continued)

	2021 $	2020 $
a) Carrying amounts (continued)		
Buildings		
At cost	475,422	475,422
Less: accumulated depreciation	(159,428)	(147,543)
	315,994	**327,879**
Leasehold improvements		
At cost	193,357	189,663
Less: accumulated depreciation	(59,735)	(54,942)
	133,622	**134,721**
Plant and equipment		
At cost	209,119	226,646
Less: accumulated depreciation	(184,127)	(202,457)
	24,992	**24,189**
Motor vehicles		
At cost	137,033	137,033
Less: accumulated depreciation	(94,321)	(84,575)
	42,712	**52,458**
Total written down amount	**895,350**	**917,277**

b) Reconciliation of carrying amounts		
Land		
Carrying amount at beginning	**378,030**	**378,030**
Buildings		
Carrying amount at beginning	327,879	339,765
Depreciation	(11,885)	(11,886)
	315,994	**327,879**
Leasehold improvements		
Carrying amount at beginning	134,721	139,463
Additions	3,694	-
Depreciation	(4,793)	(4,742)
	133,622	**134,721**
Plant and equipment		
Carrying amount at beginning	24,189	35,975
Additions	12,021	3,172
Disposals	(2,958)	(7,107)
Depreciation	(8,260)	(7,851)
	24,992	**24,189**
Motor vehicles		
Carrying amount at beginning	52,458	62,998
Depreciation	(9,746)	(10,540)
	42,712	**52,458**
Total written down amount	**895,350**	**917,277**

Note 15 Property, plant and equipment (continued)

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

Note 16 Right-of-use assets

	2021 $	2020 $
a) Carrying amounts		
Leased land and buildings		
At cost	-	220,607
Less: accumulated depreciation	-	(133,590)
Total written down amount	**-**	**87,017**
b) Reconciliation of carrying amounts		
Leased land and buildings		
Carrying amount at beginning	87,017	-
Initial recognition on transition	-	220,607
Accumulated depreciation on adoption	-	(118,883)
Remeasurement adjustments	3,647	-
Disposals	(78,408)	-
Depreciation	(12,256)	(14,707)
Total written down amount	-	87,017

During the period the company elected against exercising the final 5 year extension option which had been factored in to the company's right-of-use asset. This resulted in a disposal of right-of-use upon vacating the premises.

Note 17 Intangible assets

	2021 $	2020 $
a) Carrying amounts		
Franchise fee		
At cost	68,960	68,960
Less: accumulated amortisation	(67,468)	(65,229)
	1,492	**3,731**
Franchise renewal process fee		
At cost	55,961	55,961
Less: accumulated amortisation	(48,500)	(37,308)
	7,461	**18,653**
Other intangible assets		
At cost	126,136	126,136
Less: accumulated amortisation	(126,136)	(126,136)
	-	**-**
Total written down amount	**8,953**	**22,384**

Note 17 Intangible assets (continued)

	2021 $	2020 $
b) Reconciliation of carrying amounts		
Franchise fee		
Carrying amount at beginning	3,731	8,230
Disposals	-	(2,261)
Amortisation	(2,239)	(2,238)
	1,492	**3,731**
Franchise renewal process fee		
Carrying amount at beginning	18,653	41,142
Disposals	-	(7,907)
Amortisation	(11,192)	(14,582)
	7,461	**18,653**
Total written down amount	**8,953**	**22,384**

c) Changes in estimates

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

Note 18 Tax assets and liabilities

	2021 $	2020 $
a) Current tax		
Income tax payable/(refundable)	**(13,869)**	**34,565**
b) Deferred tax		
Deferred tax assets		
- expense accruals	1,064	1,029
- employee provisions	36,436	41,144
- make-good provision	1,250	588
- lease liability	-	31,006
Total deferred tax assets	**38,750**	**73,767**
Deferred tax liabilities		
- income accruals	2,229	729
- property, plant and equipment	6,777	9,865
- right-of-use assets	-	22,624
Total deferred tax liabilities	**9,006**	**33,218**
Net deferred tax assets (liabilities)	**29,744**	**40,549**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**(10,805)**	**(558)**
Movement in deferred tax charged to Statement of Changes in Equity	**-**	**9,326**

Note 19 Trade creditors and other payables

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

	2021 $	2020 $
a) Current liabilities		
Trade creditors	4,030	12,662
Other creditors and accruals	48,566	35,922
	52,596	**48,584**

Note 20 Loans and borrowings

	2021 $	2020 $
a) Current liabilities		
Secured bank loans	**-**	**1,953**

b) Terms and repayment schedule

			30 June 2021		30 June 2020	
	Nominal interest rate	Year of maturity	Face value	Carrying value	Face value	Carrying value
Secured bank loans	4.98%	Floating	-	-	1,953	1,953

Note 21 Lease liabilities

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

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

The company's lease portfolio includes:

- Office Suite
  The lease agreement was a non-cancellable lease with an initial term of 5 years which commenced in June 2011. An extension option term of 5 years was exercised in June 2016. The company elected against exercising the final 5 year extension option and vacated the premises in April 2021.

	2021 $	2020 $
a) Current lease liabilities		
Property lease liabilities	-	21,128
Unexpired interest	-	(5,371)
	-	**15,757**
b) Non-current lease liabilities		
Property lease liabilities	-	116,790
Unexpired interest	-	(13,295)
	-	**103,495**

Note 21 Lease liabilities (continued)

	2021 $	2020 $
c) Reconciliation of lease liabilities		
Balance at the beginning	119,252	-
Initial recognition on AASB 16 transition	-	133,482
Disposals	(106,232)	-
Lease interest expense	4,528	6,086
Lease payments - total cash outflow	(17,548)	(20,316)
	-	**119,252**
d) Maturity analysis		
- Not later than 12 months	-	21,128
- Between 12 months and 5 years	-	93,305
- Greater than 5 years	-	23,485
Total undiscounted lease payments	**-**	**137,918**
Unexpired interest	-	(18,666)
Present value of lease liabilities	**-**	**119,252**

Note 22 Provisions

	2021 $	2020 $
a) Current liabilities		
Make-good on leased premises	**5,000**	**-**
b) Non-current liabilities		
Make-good on leased premises	**-**	**2,261**

In accordance with the lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. Upon vacating the premises, the company paid $1,000 to restore the premises to their original condition. The board has elected to raise a further $5,000 provision for any further costs in restoring the premises.

Note 23 Employee benefits

	2021 $	2020 $
a) Current liabilities		
Provision for annual leave	33,993	41,176
Provision for long service leave	108,050	97,112
	142,043	**138,288**
b) Non-current liabilities		
Provision for long service leave	**3,702**	**19,959**

c) Key judgement and assumptions

The company applies a benchmark probability rate from across the Community Bank network to factor in estimating the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with legislation.

Note 24 Issued capital

a) Issued capital

	2021		2020	
	Number	$	Number	$
Ordinary shares - fully paid	1,527,561	1,527,561	1,527,561	1,527,561
Bonus shares - fully paid (2:1)	1,412,520	-	1,412,520	-
	2,940,081	**1,527,561**	**2,940,081**	**1,527,561**

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the 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.

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 494. As at the date of this report, the company had 511 shareholders (2020: 514 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.

Note 24 Issued capital (continued)

b) Rights attached to issued capital (continued)

Prohibited shareholding interest (continued)

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

Note 25 Retained earnings

	Note	2021 $	2020 $
Balance at beginning of reporting period		1,151,259	943,539
Adjustment for transition to AASB 16		-	(24,587)
Net profit after tax from ordinary activities		295,198	423,412
Dividends provided for or paid	30a)	(220,506)	(191,105)
Balance at end of reporting period		**1,225,951**	**1,151,259**

Note 26 Reconciliation of cash flows from operating activities

	2021 $	2020 $
Net profit after tax from ordinary activities	295,198	423,412
Adjustments for:		
- Depreciation	46,940	49,726
- Amortisation	13,431	16,820
- (Profit)/loss on disposal of non-current assets	2,959	4,469
- (Profit)/loss on disposal of right-of-use assets	(27,824)	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	49,152	29,378
- (Increase)/decrease in other assets	(3,065)	16,025
- Increase/(decrease) in trade and other payables	4,063	(23,501)
- Increase/(decrease) in employee benefits	(12,501)	(5,248)
- Increase/(decrease) in provisions	(908)	105
- Increase/(decrease) in tax liabilities	(34,565)	(10,379)
Net cash flows provided by operating activities	**332,880**	**500,807**

Note 27 Financial instruments

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

	Note	2021 $	2020 $
Financial assets			
Cash and cash equivalents	13	427,624	358,312
Term deposits	13	1,433,917	1,421,595
Trade and other receivables	14	137,792	186,836
		1,999,333	**1,966,743**

Note 27 Financial instruments (continued)

	Note	2021 $	2020 $
Financial liabilities			
Trade and other payables	19	52,596	48,584
Secured bank loans	20	-	1,953
Lease liabilities	21	-	119,252
		52,596	**50,537**

Note 28 Auditor's remuneration

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

	2021 $	2020 $
Audit and review services		
- Audit and review of financial statements	5,000	4,900
Non audit services		
- Taxation advice and tax compliance services	1,300	1,300
- General advisory services	2,305	2,590
- Share registry services	5,111	6,410
Total auditor's remuneration	**13,716**	**15,200**

Note 29 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

John David Stroud
Gai Williams
Prue Cathley Northey
Margaret Calder Sank
Laura Elizabeth Lilley
Iain Warren Fraser
Lisa Maree Glassborow
Gareth Little-Hales
Duuna Rochelle Landman
Steven Colin Martin

b) Key management personnel compensation

Key management personnel compensation comprised the following.

	2021 $	2020 $
Employee benefits	72,828	68,647
Post-employment benefits	9,448	6,329
	82,276	**74,976**

Compensation of the company's key management personnel includes salaries and superannuation.

c) Related party transactions

No director or related entity has entered into a material contract with the company.

Note 30 Dividends provided for or paid

a) Dividends provided for and paid during the period

The following dividends were provided for and paid to shareholders during the reporting period as presented in the statement of Changes in Equity and the Statement of Cash Flows.

	30 June 2021		30 June 2020	
	Cents	$	Cents	$
Fully franked dividend	**7.50**	**220,506**	**6.50**	**191,107**

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

b) Franking account balance

	2021 $	2020 $
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	470,274	398,105
Franking transactions during the financial year:		
- Franking credits (debits) arising from income tax instalments paid (refunded)	128,453	126,941
- Franking credits (debits) from the payment (refund) of income tax following lodgement of annual income tax return	1,327	17,717
- Franking debits from the payment of franked distributions	(77,475)	(72,489)
Franking account balance at the end of the financial year	**522,579**	**470,274**
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	(13,869)	34,565
Franking credits available for future reporting periods	**508,710**	**504,839**

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

Note 31 Earnings per share

a) Basic and diluted earnings per share

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

	2021 $	2020 $
Profit attributable to ordinary shareholders	295,198	423,412
	Number	**Number**
Weighted-average number of ordinary shares	2,940,081	2,940,081
	Cents	**Cents**
Basic and diluted earnings per share	10.04	14.40

Note 32 Commitments

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

Note 33 Contingencies

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

Note 34 Subsequent events

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

Directors' declaration

In accordance with a resolution of the directors of Mt Evelyn & Districts Financial Services Limited, we state that:

In the opinion of the directors:

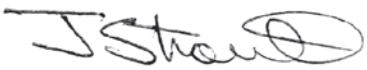
(a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

  (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



John David Stroud
Chair

Dated this 23rd day of September 2021

Independent audit report

61 Bull Street
Bendigo VIC 3550

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03 5443 0344

Independent auditor's report to the Directors of Mt Evelyn & Districts Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mt Evelyn & Districts Financial Services Limited's (the company), which comprises:

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

In our opinion, the accompanying financial report of Mt Evelyn & 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 2021 and of its financial performance for the year ended on that date; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

AFS
Partners in success
Chartered Accountants

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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: 23rd September 2021

Adrian Downing
Lead Auditor

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/communitybankmtevelyn

Franchisee:
Mt Evelyn & Districts Financial Services Limited
ABN: 93 096 782 240
Shop 2, 35-39 Wray Crescent, Mt Evelyn VIC 3796

In the spirit of reconciliation Mt Evelyn & Districts Financial Services Limited acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples.

(BNPAR21055) (09/21)