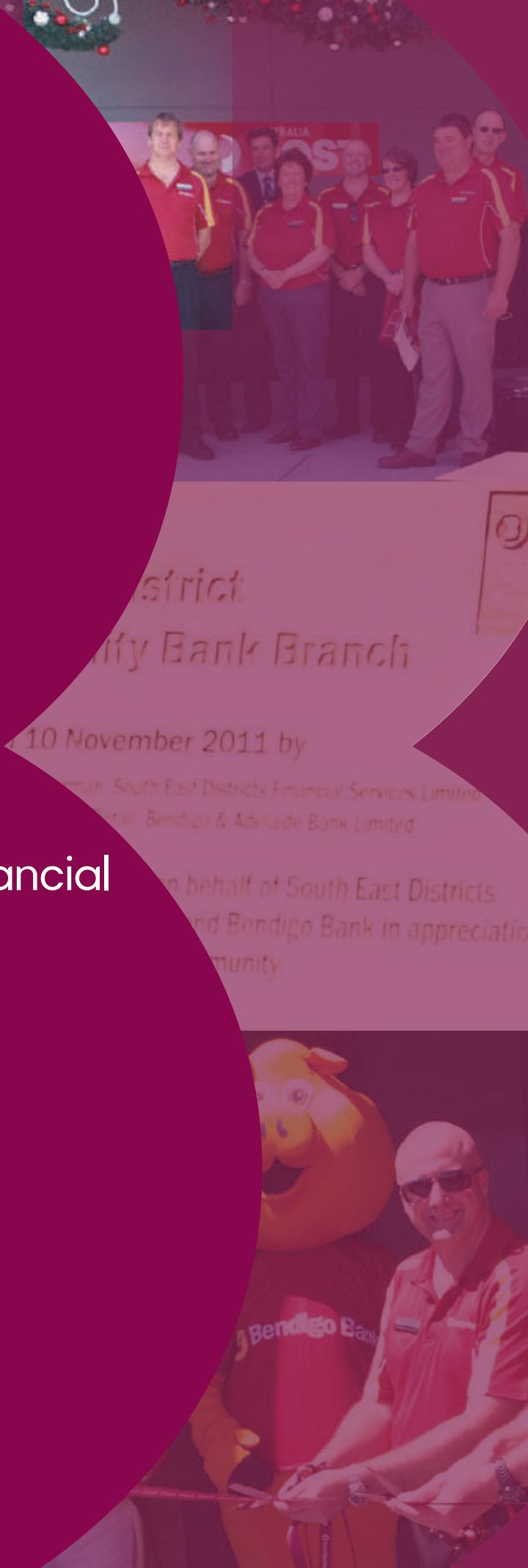


Annual Report 2021

South East Districts Financial
Services Limited

Community Bank
Sorell & District

ABN 50 147 950 178



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BEN message
26 August 2021

On behalf of Bendigo and Adelaide Bank, thank you! As a shareholder of your local Community Bank company, you are playing an important role in supporting your community.

It has been a tumultuous year for every community across Australia, and across the world. For our business, recognition that banking is an essential service has meant that we've kept the doors open, albeit with conditions that none of us could ever imagine having to work with.

Face masks, perspex screens, signed documents to cross state borders, checking in customers with QR codes and ensuring hand sanitiser stations are filled aren't what you would expect as a bank employee.

Then there's the fact that while communities have been, and continue to go in and out of lockdown, digital and online banking has become the norm.

So, what does that mean for Bendigo Bank and the Community Bank that you are invested in both as a shareholder, and a customer?

What we're seeing is that your Community Bank is still as important, if not more so, than when you first invested as a shareholder. If the pandemic has taught us anything, it has taught us the importance of place, of our local community, our local economy, our community-based organisations, the importance of social connection and the importance of your local Community Enterprise – your Community Bank in providing, leadership, support, and assistance in these difficult times.

As we continue to adapt to this rapidly changing world one thing that continues to be important to us all is supporting each other and our strong sense of community.

Your continued support as a shareholder is essential to the success of your local community. Thank you for continuing to back your Community Bank company and your community.



Collin Brady
Head of Community Development

Chairman's report 2021

Just how you could ever possibly describe the last 12 months, I am not sure, however we now know COVID has brought with it the realisation that life will never be quite the same. Constant re-evaluation of how the virus is affecting our way of life isn't something we could predict, even if we did have the proverbial crystal ball.

Despite COVID's many pressures on events, travel, education and employment, we have also seen many positives – being more aware of your local community and neighbours, more people shopping locally and supporting local businesses, valuing our safe place in the world, escalating property prices as well as increasing numbers of properties changing hands. These are all aspects of our community in which our Community Bank operates and thrives in.

While trends in the banking industry are reducing branch staffing and hours of operation, our board has worked to ensure our local staff and branch facilities continue to assist our customers while we also benefit from Bendigo Bank's technology and banking innovations.

We experienced a few staffing changes during the year with the retirement of long term customer service member Sandra Lange and our Branch Manager Allan Leedham moving to a new career path. We welcomed new manager Sharon Cozens who has brought extensive retail and management experience along with her contagious enthusiasm and focus on personalised service.

Our staff team's commitment to our customers and ongoing training continues the high level of expertise required. We have seen a constant flow of new customers to our Branch and we are also working closely with Community Bank Nubeena to better understand and appreciate the requirements of present and potential customers across the south east.

With ongoing residential growth throughout Sorell Municipality we are increasing our focus on banking a larger percentage of the new residents moving into our region and I would like to thank the many existing shareholders and customers who continue to refer business to our Community Bank.

Of course it was thanks to your investment in our community company that the Community Bank Sorell & District branch opened on 10th November 2011 – a community company owned by locals, giving back to local organisations, for the benefit of our local community. Those ten years have been an amazing journey so far and with your ongoing support it will continue to be so.

Though the historic low margin environment means we are still experiencing pressure on our Branch expenses and profit levels, we have been confident in approving a November 2021 dividend of 2.5 cents per share plus a shareholder birthday bonus of 1 cent per share in recognition of our tenth year at Sorell.

Congratulations to the South East Netball Association, SE Suns Women's Football Club, Carlton Park Surf Life Saving Club and all our community partners on your resilience during an extraordinary year. While COVID restrictions certainly affected the ways our Board could interact with the many community groups we support, Sorell's growth continues to create opportunities and partnerships year on year and we are very proud of our community links, sponsorships and the support of so many groups and organisations.

Thanks to the Community Bank 'profit-with-purpose' model, our profits are returned directly to our community. In the year to 30 June 2021 we shared \$22030 in dividends and invested more than \$36000 in community contributions throughout our region. In our largest single contribution to date, a \$20,000 contribution assisted in funding the new change rooms at Pembroke Park, which have been purpose built to support increasing female participation in sports.

From opening in November 2011 through to 30 June 2021, we have made a total of \$162,902 in community investments to local organisations as well as paying a total of \$141,875 in dividends to local shareholders – a combined total of more than \$304,000 and another milestone worth celebrating.

And we're proud to be part of something bigger. Since the first Community Bank partnered with Bendigo Bank in 1998, a total of \$272 million in profits have been reinvested in Australian communities. For 2020/21 local community investments at Sorell, Nubeena, the Huon Valley, St Helens and right around Tasmania have contributed to a national tally of more than \$21m in funding distributed to thousands of local community projects and initiatives across Australia.

Our banking services and community investments are only possible with the ongoing support of our customers and shareholders. We look forward to continuing to build on our shared success in the years ahead.

A handwritten signature in black ink, appearing to read 'Kerry Vincent', with a stylized flourish at the end.

Kerry Vincent
Chairman

Branch Manager report 2021

The 2020/21 financial year has been a year of challenge and change for some and one of reflection for others. For Tasmania, and in many instances in the South East, we have seen many people join our community from the mainland – a lifestyle choice for some, a safe haven for others. Welcoming these new people to our community ignites a strong sense of pride in the way Tasmanians help each other and also speak up and speak loudly about things that matter to them.

Being COVID-safe continues to be front of mind for most in our community. Many of our customers have had to embrace technology in support of 'check in' requirements and 'vaccination-chat' is a common conversation starter. Many customers have also adopted a digital interface with their everyday banking which is encouraging, with alternative and timely access to their banking information becoming increasingly important.

Despite the ongoing challenges of the global pandemic in our daily lives we continue to see customers engaging with us for financial guidance. This is a real testament to the confidence in the Community Bank Sorell & District brand as well as a vote of confidence in our team members. For some now is the time to enter the housing market. For others it is the time to purchase that dream car or caravan and see the best the state has to offer. Whatever the need has been, building trust and making our customers feel safe and welcome in our branch is our number one priority. These interactions are the foundation of the Community Bank model and sharing your experiences with family and friends as advocates for what we do will help us sustain our local branch with a longer term objective to grow our footprint for the future.

For our business customers, especially those in our local area in the tourism and hospitality sector, we understand the challenges faced. Despite no lockdown directives being in place, many in tourism and hospitality speak of feeling 'locked in' with less foot traffic and less cash flow. Being able to offer assistance to these customers in our local area has been very rewarding. Helping our business customers with alternatives to help control costs such as fees, rates and merchant plans has provided confidence and relief at times when needed most. We all cannot wait to see those travellers from the mainland and beyond towing caravans and boats through our area again, often stopping at our shopping precinct to purchase much needed supplies and withdrawing cash at our ATM.

For me, this year has been one of change also. The biggest change being the opportunity to join Bendigo Bank and lead the teams at both Sorell and Nubeena. And what a great opportunity this has been! I would like to very much thank my teams, our customers and the board for the amazing welcome and on-going support. I am very much looking forward to getting to know you all a little more and working with you to support our community!

So where to from here?

Based on your feedback, having the right team in the right place at the right time is important. This presents a great opportunity for us to offer the services you both want and need in timeframes aligned to market conditions. I am very pleased to share that I am in the process of recruiting a second lender and hope to have the successful candidate on-board before Christmas. Given the on-going volume of enquiries in the lending space I see this as a great opportunity to support the growth of the business but also deepen our relationships with existing customers as well as welcome new customers. I invite you to share this news within the community and encourage people you may know or are talking with to support our local bank by 'thinking local first'!

A handwritten signature in black ink, appearing to read 'Sharon Cozens', with a stylized flourish at the end.

Sharon Cozens

Branch Manager

Community investments 2011-2021

We are proud to have supported the following organisations over the past ten years by contributing to community strengthening and wellbeing through our donations, sponsorship and in-kind support.

Beacon Foundation traineeships	Rotary Club of Sorell
Bream Creek Show	Runnymede Cricket Club
Bream Creek Show Animal Nursery	Runnymede Volunteer Fire Brigade
Buckland Volunteer Fire Brigade	Sorell Council at Pembroke Park
Campania District School student awards	Sorell Family Fair fundraiser
Carlton Park Surf Life Saving Club	Sorell Giants Junior Football Club
Carlton Park Surf Life Saving Club nipper boards	Sorell Girl Guides
Carlton Park Surf Life Saving Club Surf Festival	Sorell High School financial literacy
Dodges Ferry Football Club	Sorell High School student awards
Dodges Ferry Junior Soccer Club	Sorell Historical Society
Dodges Ferry Primary School Association	Sorell Junior School student awards
Dodges Ferry Primary School Fair	Sorell Junior Soccer Club
Dodges Ferry Primary School student awards	Sorell Rural Youth
Dodges Ferry Volunteer Fire Brigade	Sorell School Association
Dunalley Bushfire Appeal	Sorell School Bravehearts Program
Dunalley Primary School student awards	Sorell School Breakfast Club
Head South for Cure	Sorell School Community Fair
Healthy Horizons Family Fun Run	Sorell School Farm
Levendale Community school campus renewal	Sorell School Farm at Bream Creek Animal Nursery
Levendale Primary School	Sorell School financial literacy classes
Lions Club of Sorell calendar	Sorell School student awards
Midway Point Volunteer Fire Brigade	Sorell Spirit Cheerleaders
Midway Point Yacht Club	Sorell Storm Cheerleaders
Ningana Nursing Home Fair	South East Arts – Sorell Regional Art Prize category sponsor
Okines Community Garden	South East Community Band
Okines Community House	South East Community Care
Okines Community House Breakfast Club	South East Districts Little Athletics Club
Okines Community House Youth Market & Expo	South East Netball Association
Orielton Hall Committee	South East Suns Truck Show
Orielton Volunteer Fire Brigade	South East Suns Women's Football Club
Pots of Inspiration for the MS Society	South East United Football Club
Primrose Sands Community Hall	St Johns School student awards
Primrose Sands Country Music Muster	St Johns School Fair
Primrose Sands Parent Group	Storm Bay Promotions MTB events
Primrose Sands Volunteer Fire Brigade	Southern Beaches Swim Centre
Primrose Sands Youth Group	Tasmania Fire Service Juniors and Cadets Field Day
Richmond Primary School student awards	Tea Tree Volunteer Fire Brigade
Richmond United Junior Soccer Club	Volunteer Fire Fighters BBQ
Richmond Village Fair	Winter Warmer collection for Uniting Care Tasmania
Richmond Volunteer Fire Brigade	Woodsdale Football Club

Dividend Payment History

Financial Year	Per Share	Date Paid	Total paid
2016/2017	\$0.043	November 2017	\$37,892
2017/2018	\$0.043	November 2018	\$37,892
2018/2019	\$0.050	November 2019	\$44,061
2019/2020	\$0.025	November 2020	\$22,030
TOTAL to June 2021			\$141,875

Donations, sponsorship, advertising & promotion

Financial Year	Community investments & advertising/promotion
2011/2012	\$3788
2012/2013	\$6093
2013/2014	\$12,367
2014/2015	\$21,199
2015/2016	\$14,105
2016/2017	\$14,987
2017/2018	\$30,456
2018/2019	\$17,858
2019/2020	\$16,622
2020/2021	\$38,537
TOTAL to June 2021	\$176,012

South East Districts
Financial Services Limited

ABN: 50 147 950 178

Financial Report

For the year ended

30 June 2021

South East Districts Financial Services Limited

Directors' Report

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

Directors

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

Kerry John Vincent

Non-executive director

Occupation: Business Owner

Kerry is the Chair of South East Region Development Association, STCA Governance and Audit Committee, South East Trade Training Centre and Copping Waste Authority. Kerry is also a Board Member of the South East Community Care and Sorell Business Association as well as being a Patron of Sorell RSL and Vice Patron of Carlton Park Surf Lifesaving Club and Bream Creek Show Society. Kerry is a Rotarian and the current Co Chair Southern Tas PERAC recovery Committee and Owner/Manager Rural Solutions Tasmania.

Special responsibilities: Chairman, HR Committee, Marketing and Sponsorship Committee and Board Recruitment.

Interest in shares: 22,000 ordinary shares

Anthony David Davis

Non-executive director

Occupation: Public Practicing Accountant

Qualifications, experience and expertise: Anthony worked for 18 years as Taxation Manager with Perpetual Trustees Tasmania Ltd before setting up in private practice as an accountant in Sorell some 21 years ago and building a significant local client base. He has recently sold his practice to Bentleys Sorell but is continuing to work with them during the transition to retirement. He has been on the Board of South East Community Care Inc. for the past 18 years and has served as President. He is a Founding Member of the Business Council of Sorell and is a long standing member and past president of the Sorell Lions Club. He is also on the Board of the Regional Community Learning and Development Centre – Levendale and is their present Treasurer. He is also a member of Lodge Pembroke and holds a current Private Pilot licence.

Special responsibilities: Treasurer

Interest in shares: 10,000 ordinary shares

Melinda Jane Reed

Non-executive director

Occupation: Sorell Councillor

Qualifications, experience and expertise: Melinda was elected to Sorell Council in October 2018 and to the Community Bank National Council in June 2019, serving on national and state marketing committees. Melinda had enjoyed a 26-year career with the Australian Taxation Office in corporate communication, staff development and tax administration, was a freelance writer and editor 2010-2019, a director of CPS Credit Union 1997-2000 and holds a Bachelor of Business (UTAS) and a Graduate Diploma of Public Relations (Deakin). An active member of several local community groups, Melinda serves on the boards of Neighbourhood Houses Tasmania and Okines Community House.

Special responsibilities: Company Secretary

Interest in shares: nil share interest held

Ricky Samuel Birch

Non-executive director (leave of absence from 1 April 2021)

Occupation: Training Co-Ordinator

Qualifications, experience and expertise: Ricky is currently employed as a Training Co-ordinator for South East Trade Training Centre at Sorell. Also works in the Forestry & Fire Management industries. Brigade Chief Runnymede Fire Brigade, Board Member of Regional and Rural Learning Centre Inc., East Coast Employee Safety Representative for Tasmania Fire Service, Accredited Trainer / Assessor with Forest Works and Timber Training Creswick and member of Sorell School Association. Training Instructor with Tasmania Fire Service.

Special responsibilities: Nil

Interest in shares: 2,000 ordinary shares

South East Districts Financial Services Limited

Directors' Report

Directors (*continued*)

Janice Maree McConnon

Non-executive director

Occupation: Farmer

Qualifications, experience and expertise: Janice is a farmer with extensive involvement in her local community. A Board Member and Public Officer of South East Community Care, Board Member of the Edmund Rice Camp Tasmania and Deputy Chair for Levendale Hall Committee. Has previously organised farmers forums and past community participation. Past Chairman, Secretary and Public Officer for Levendale Primary School 1993–2014. Founding member of Levendale Woodsdale History Room set up to record oral, written and visual history of the area for future generations and for learning opportunities for students. Janice fundraises for local sporting clubs and holds a Diploma of Rural Business Management and completed the Australian Institute of Company Directors – Community Bank Director Development Program.

Special responsibilities: Minute secretary

Interest in shares: 2,500 ordinary shares

Darryn John Charles Scott

Non-executive director

Occupation: Major Projects Director Vos Construction and Joinery

Qualifications, experience and expertise: Worked 35 years with a large construction company in Tasmania, has been a manager for 15 years and responsible for an average \$100 million of work per year. Executive member of Vos Construction and Joinery board for past 14 years. Director of S Commercial Project Consulting, Director of S Developments, Chairman of construction committee of the Master Builders of Tasmania, member of the Master Builders of Tasmania. Member of the advisory of the SE Trade Training Centre and previous member and treasurer of Sorell Rural Youth. Licenced building practitioner in Tasmania and Queensland with unrestricted builders licence and unrestricted construction management licence. Certificate IV in Business, Certificate IV in Frontline Management and Certificate III in Carpentry and Joinery.

Special responsibilities: Nil

Interest in shares: nil share interest held

Scott Alexander Gatehouse

Non-executive director

Occupation: Production Planner

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

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

Interest in shares: 1,000 ordinary shares

Joanne Palmer

Non-executive director

Occupation: Retail Sales

Qualifications, experience and expertise: Jo has been a hairdresser since 1986 and has owned her own salon since 1992. She has been involved in the National organisation, International Hairstylists Society, of which she worked her way up and became National President. Jo was involved with National Hairdressing Federation as Tasmanian representative, putting together the National Hairdressing Training Package. Joanne is involved with Sorell School, with the School Association and uniform committee. She is a longstanding committee member of the Nugent Hall and Sports Association. Jo volunteers with Look Good Feel Better at the Royal Hobart Hospital for women with cancer, to assist with hair and wigs. Jo is an Ambassador and travels to Manila, Cambodia and Indonesia with Hair Aid Australia, teaching hairdressing skills to the homeless and to assist women to get out of the sex trade. Her family are involved with two local businesses, who employ young people, giving them opportunities to further their education and training. Jo has recently joined the National Australian Scooter Association as secretary. Jo is also married with two teenage children.

Special responsibilities: Nil

Interest in shares: nil share interest held

South East Districts Financial Services Limited

Directors' Report

Directors (continued)

Michael Evan Larkins

Non-executive director

Occupation: Self Employed

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

Special responsibilities:

Interest in shares: nil share interest held

Anita May Nutting

Non-executive director (resigned 27 October 2020)

Occupation: Executive Assistant

Qualifications, experience and expertise: Anita holds a Certificate in Community Services together with Diplomas in Business Management and Human Resources. She is currently employed by a large Senior Secondary Education Provider. Anita has a corporate personal assistant and human resources background including a period in Corporate and Commercial Law at one of the State's largest law firms. Anita has strong personal networks in the Southern Beaches area, is a member of South East Community Care, Sorell Historical Society, Child Health Association of Tasmania and Playgroup Tasmania. She is a current volunteer of the Haven parenting room and a past volunteer for Camp Quality and the Red Cross Save a Mate Program.

Special responsibilities: Company Secretary and Marketing & Sponsorship Committee

Interest in shares: nil share interest held

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

There have been two company secretaries holding the position during the financial year:

- Melinda Jane Reed was appointed company secretary on 1 October 2020.
- Anita May Nutting was appointed as company secretary on 1 July 2019 and ceased on 1 October 2020.

Principal activity

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

There have been no significant changes in the nature of 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
\$	\$
49,208	74,514

South East Districts Financial Services Limited

Directors' Report

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Kerry John Vincent	22,000	-	22,000
Anthony David Davis	10,000	-	10,000
Melinda Jane Reed	-	-	-
Ricky Samuel Birch	2,000	-	2,000
Janice Maree McConnon	2,500	-	2,500
Darryn John Charles Scott	-	-	-
Scott Alexander Gatehouse	1,000	-	1,000
Joanne Palmer	-	-	-
Michael Evan Larkins	-	-	-
Anita May Nutting	-	-	-

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 unfranked dividend	2.5	\$ 22,030

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 companies 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.

South East Districts Financial Services Limited

Directors' Report

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

<i>E</i> - eligible to attend <i>A</i> - number attended	Board Meetings Attended	
	<u><i>E</i></u>	<u><i>A</i></u>
Kerry John Vincent	11	11
Anthony David Davis	11	11
Melinda Jane Reed	11	11
Ricky Samuel Birch	8	3
Janice Maree McConnon	11	11
Darryn John Charles Scott	11	8
Scott Alexander Gatehouse	11	11
Joanne Palmer	11	9
Michael Evan Larkins	11	9
Anita May Nutting	3	-

Proceedings on behalf of the company

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

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

South East Districts Financial Services Limited

Directors' Report

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 26 to the accounts.

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

- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality, integrity and objectivity of the auditor; 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 7.

Signed in accordance with a resolution of the directors at Sorell, Tasmania.



Kerry John Vincent, Chair

Dated this 31st day of August 2021

Independent auditor's independence declaration under section 307C of the Corporations Act 2001 to the Directors of South East Districts Financial Services Limited

As lead auditor for the audit of South East Districts Financial Services Limited for the year ended 30 June 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: 31 August 2021



Joshua Griffin
Lead Auditor

South East Districts Financial Services Limited
Statement of Profit or Loss and Other
Comprehensive Income
for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Revenue from contracts with customers	8	676,206	709,758
Other revenue	9	22,500	25,000
Finance income	10	2,131	4,707
Employee benefit expenses	11c)	(401,152)	(416,894)
Charitable donations, sponsorship, advertising and promotion		(38,537)	(16,622)
Occupancy and associated costs		(23,850)	(27,091)
Systems costs		(33,208)	(32,866)
Depreciation and amortisation expense	11a)	(55,012)	(55,084)
Finance costs	11b)	(17,741)	(20,156)
General administration expenses		(62,177)	(62,427)
Profit before income tax expense		69,160	108,325
Income tax expense	12a)	(19,952)	(33,811)
Profit after income tax expense		49,208	74,514
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		49,208	74,514
Earnings per share		¢	¢
- Basic and diluted earnings per share:	29a)	5.58	8.46

The accompanying notes form part of these financial statements

South East Districts Financial Services Limited
Statement of Financial Position
as at 30 June 2021

	Notes	2021 \$	2020 \$
ASSETS			
Current assets			
Cash and cash equivalents	13	473,873	434,223
Trade and other receivables	14a)	19,207	25,701
Total current assets		493,080	459,924
Non-current assets			
Property, plant and equipment	15a)	76,770	85,388
Right-of-use assets	16a)	175,806	208,769
Intangible assets	17a)	4,478	17,908
Deferred tax asset	18a)	47,025	66,979
Total non-current assets		304,079	379,044
Total assets		797,159	838,968
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	8,333	31,012
Lease liabilities	20a)	49,285	46,704
Total current liabilities		57,618	77,716
Non-current liabilities			
Lease liabilities	20b)	247,028	296,313
Provisions	21a)	7,506	7,110
Total non-current liabilities		254,534	303,423
Total liabilities		312,152	381,139
Net assets		485,007	457,829
EQUITY			
Issued capital	22a)	847,158	847,158
Accumulated losses	23	(362,151)	(389,329)
Total equity		485,007	457,829

The accompanying notes form part of these financial statements

South East Districts Financial Services Limited
Statement of Changes in Equity
for the year ended 30 June 2021

	Note	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019		847,158	(419,782)	427,376
Total comprehensive income for the year		-	74,514	74,514
		-		
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	28	-	(44,061)	(44,061)
Balance at 30 June 2020		847,158	(389,329)	457,829
Balance at 1 July 2020		847,158	(389,329)	457,829
Total comprehensive income for the year		-	49,208	49,208
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	28	-	(22,030)	(22,030)
Balance at 30 June 2021		847,158	(362,151)	485,007

The accompanying notes form part of these financial statements

South East Districts Financial Services Limited
Statement of Cash Flows
for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		775,488	796,881
Payments to suppliers and employees		(623,001)	(611,202)
Interest received		2,131	4,707
Lease payments (interest component)	11b)	(17,346)	(19,786)
Lease payments not included in the measurement of lease liabilities	11d)	(14,945)	(14,516)
Net cash provided by operating activities	24	122,327	156,084
Cash flows from investing activities			
Payments for intangible assets		(13,943)	(13,945)
Net cash used in investing activities		(13,943)	(13,945)
Cash flows from financing activities			
Lease payments (principal component)		(46,704)	(43,814)
Dividends paid	28	(22,030)	(44,061)
Net cash used in financing activities		(68,734)	(87,875)
Net cash increase in cash held		39,650	54,264
Cash and cash equivalents at the beginning of the financial year		434,223	379,959
Cash and cash equivalents at the end of the financial year	13	473,873	434,223

The accompanying notes form part of these financial statements

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1 Reporting entity

This is the financial report for South East 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
4 Ollie Drive Sorell TAS 7172	4 Ollie Drive Sorell TAS 7172

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 27.

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, except for certain properties, financial instruments, and equity financial assets that are measured at revalued amounts or fair values at the end of each reporting period.

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

These financial statements for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 31 August 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:

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies *(continued)*

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

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

All revenue is stated net of the amount of 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.

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies *(continued)*

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

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.

<u>Revenue</u>	<u>Revenue recognition policy</u>
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.
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.

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (continued)

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.

d) Employee benefits

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

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.

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (*continued*)

e) Taxes (*continued*)

Deferred tax

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

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

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

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

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

Goods and Services Tax

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

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

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

f) Cash and cash equivalents

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise cash on hand.

g) Property, plant and equipment

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

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

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line 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:

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Leasehold improvements	Straight-line	6 to 40 years
Plant and equipment	Straight-line	1 to 40 years

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

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (*continued*)

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:

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
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 debtors and creditors, cash and cash equivalents.

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.

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.

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (*continued*)

j) Impairment (*continued*)

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.

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.

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies *(continued)*

m) Leases *(continued)*

As a lessee (continued)

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

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:

<u>Note</u>	<u>Judgement</u>
- Note 20 - 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:

<u>Note</u>	<u>Assumptions</u>
- 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 21 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement.

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>		
		<u>Not later than 12 months</u>	<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Lease liabilities	296,313	64,050	256,200	21,350
Trade payables	1,539	1,539	-	-
	<u>297,852</u>	<u>65,589</u>	<u>256,200</u>	<u>21,350</u>

30 June 2020

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>		
		<u>Not later than 12 months</u>	<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Lease liabilities	343,017	64,050	256,201	256,201
Trade payables	1,561	1,561	-	-
	<u>344,578</u>	<u>65,611</u>	<u>256,201</u>	<u>256,201</u>

c) Market risk

Market risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the 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.

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 6 Financial risk management *(continued)*

c) Market risk *(continued)*

Price risk

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

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of \$473,873 at 30 June 2021 (2020: \$434,223). 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	500,972	526,326
- Fee income	52,956	51,467
- Commission income	122,278	131,965
	<u>676,206</u>	<u>709,758</u>

Note 9 Other revenue

	2021	2020
	\$	\$
- Market development fund income	<u>22,500</u>	<u>25,000</u>

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 10 Finance income

	2021 \$	2020 \$
- Term deposits	2,131	4,707

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

Note 11 Expenses

a) Depreciation and amortisation expense	2021 \$	2020 \$
<i>Depreciation of non-current assets:</i>		
- Leasehold improvements	6,456	6,529
- Plant and equipment	2,162	2,161
	<u>8,618</u>	<u>8,690</u>

Depreciation of right-of-use assets

- Leased land and buildings	32,964	32,964
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Amortisation of intangible assets:

- Franchise fee	2,238	2,238
- Franchise renewal process fee	11,192	11,192
	<u>13,430</u>	<u>13,430</u>

Total depreciation and amortisation expense

<u>55,012</u>	<u>55,084</u>
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b) Finance costs

- Lease interest expense	17,346	19,786
- Unwinding of make-good provision	395	370
	<u>17,741</u>	<u>20,156</u>

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

c) Employee benefit expenses

Wages and salaries	317,398	340,594
Non-cash benefits	-	111
Contributions to defined contribution plans	33,458	34,498
Expenses related to long service leave	6,322	(5,934)
Other expenses	43,974	47,625
	<u>401,152</u>	<u>416,894</u>

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	<u>14,945</u>	<u>14,516</u>
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South East Districts Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 12 Income tax expense

a) Amounts recognised in profit or loss	2021 \$	2020 \$
<i>Current tax expense</i>		
- Recoupment of prior year tax losses	16,410	28,975
- Movement in deferred tax	1,661	(40,783)
- Adjustment to deferred tax on AASB 16 retrospective application	-	41,755
- Reduction in company tax rate	1,881	3,864
	<u>19,952</u>	<u>33,811</u>

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2021, the company tax rate will be reduced from 26% to 25%. This change resulted in a loss of \$1,881 related to the remeasurement of deferred tax assets and liabilities of the company.

b) *Prima facie* income tax reconciliation

Operating profit before taxation	69,160	108,325
Prima facie tax on profit from ordinary activities at 26% (2020: 27.5%)	17,982	29,789
Tax effect of:		
- Non-deductible expenses	89	158
- Temporary differences	(1,661)	(972)
- Movement in deferred tax	1,661	(40,783)
- Adjustment to deferred tax to reflect reduction of tax rate in future periods.	1,881	3,864
- Leases initial recognition	-	41,755
	<u>19,952</u>	<u>33,811</u>

Note 13 Cash and cash equivalents

	2021 \$	2020 \$
- Cash at bank and on hand	78,109	78,544
- Term deposits	395,764	355,679
	<u>473,873</u>	<u>434,223</u>

Note 14 Trade and other receivables

a) Current assets	2021 \$	2020 \$
Trade receivables	14,853	21,749
Prepayments	4,354	3,952
	<u>19,207</u>	<u>25,701</u>

South East Districts Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 15 Property, plant and equipment

a) Carrying amounts	2021	2020
	\$	\$
<i>Leasehold improvements</i>		
At cost	164,334	164,334
Less: accumulated depreciation	(96,496)	(90,040)
	<u>67,838</u>	<u>74,294</u>
<i>Plant and equipment</i>		
At cost	47,915	47,915
Less: accumulated depreciation	(38,983)	(36,821)
	<u>8,932</u>	<u>11,094</u>
Total written down amount	<u>76,770</u>	<u>85,388</u>

b) Reconciliation of carrying amounts

<i>Leasehold improvements</i>		
Carrying amount at beginning	74,294	80,823
Depreciation	(6,456)	(6,529)
	<u>67,838</u>	<u>74,294</u>
<i>Plant and equipment</i>		
Carrying amount at beginning	11,094	13,255
Depreciation	(2,162)	(2,161)
	<u>8,932</u>	<u>11,094</u>
Total written down amount	<u>76,770</u>	<u>85,388</u>

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

a) Carrying amounts	2021	2020
	\$	\$
<i>Leased land and buildings</i>		
At cost	494,455	494,455
Less: accumulated depreciation	(318,649)	(285,686)
Total written down amount	<u>175,806</u>	<u>208,769</u>

South East Districts Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 16 Right-of-use assets (continued)

b) Reconciliation of carrying amounts	2021	2020
	\$	\$
<i>Leased land and buildings</i>		
Carrying amount at beginning	208,769	-
Initial recognition on transition		494,455
Accumulated depreciation on adoption	(285,685)	(252,722)
Depreciation	(32,964)	(32,964)
Total written down amount	<u>(109,880)</u>	<u>208,769</u>
	<u>285,686</u>	

Note 17 Intangible assets

a) Carrying amounts	2021	2020
	\$	\$
<i>Franchise fee</i>		
At cost	21,192	21,192
Less: accumulated amortisation	(20,445)	(18,207)
	<u>747</u>	<u>2,985</u>
<i>Franchise establishment fee</i>		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	<u>-</u>	<u>-</u>
<i>Franchise renewal process fee</i>		
At cost	55,961	55,961
Less: accumulated amortisation	(52,230)	(41,038)
	<u>3,731</u>	<u>14,923</u>
Total written down amount	<u>4,478</u>	<u>17,908</u>
b) Reconciliation of carrying amounts		
<i>Franchise fee</i>		
Carrying amount at beginning	2,985	5,223
Amortisation	(2,238)	(2,238)
	<u>747</u>	<u>2,985</u>
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	14,923	26,115
Amortisation	(11,192)	(11,192)
	<u>3,731</u>	<u>14,923</u>
Total written down amount	<u>4,478</u>	<u>17,908</u>
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.

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 18 Tax assets and liabilities

a) Deferred tax	2021 \$	2020 \$
<i>Deferred tax assets</i>		
- expense accruals	745	755
- make-good provision	1,877	1,849
- lease liability	74,078	89,184
- carried-forward tax losses	20,263	37,484
Total deferred tax assets	<u>96,963</u>	<u>129,272</u>
<i>Deferred tax liabilities</i>		
- property, plant and equipment	5,986	8,013
- right-of-use assets	43,952	54,280
Total deferred tax liabilities	<u>49,938</u>	<u>62,293</u>
Net deferred tax assets	<u>47,025</u>	<u>66,979</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>1,661</u>	<u>(33,810)</u>
Movement in deferred tax charged to Statement of Changes in Equity	<u>-</u>	<u>41,755</u>

Note 19 Trade creditors and other payables

a) Current liabilities	2021 \$	2020 \$
Trade creditors	1,539	1,561
Other creditors and accruals	6,794	29,451
	<u>8,333</u>	<u>31,012</u>

Note 20 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 3.54%.

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

The company's lease portfolio includes:

- Sorell Branch The lease agreement commenced 1 November 2011. An extension option term of five years was exercised 1 November 2016. The lease has one further five year extension option available. The company is reasonably certain to exercise the final five-year lease term. The lease term expiry date used in the lease liability calculations is 31 October 2026.

South East Districts Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 20 Lease liabilities (continued)

a) Current lease liabilities	2021 \$	2020 \$
Property lease liabilities	64,050	64,050
Unexpired interest	(14,765)	(17,346)
	<u>49,285</u>	<u>46,704</u>
b) Non-current lease liabilities		
Property lease liabilities	277,550	341,601
Unexpired interest	(30,522)	(45,288)
	<u>247,028</u>	<u>296,313</u>
c) Reconciliation of lease liabilities		
Balance at the beginning	343,017	-
Initial recognition on AASB 16 transition	-	386,831
Lease interest expense	17,346	19,786
Lease payments - total cash outflow	(64,050)	(63,600)
	<u>296,313</u>	<u>343,017</u>
d) Maturity analysis		
- Not later than 12 months	64,050	64,050
- Between 12 months and 5 years	256,200	256,201
- Greater than 5 years	21,350	85,400
Total undiscounted lease payments	<u>341,600</u>	<u>405,651</u>
Unexpired interest	(45,287)	(62,634)
Present value of lease liabilities	<u>296,313</u>	<u>343,017</u>

Note 21 Provisions

a) Non-current liabilities	2021 \$	2020 \$
Make-good on leased premises	<u>7,506</u>	<u>7,110</u>

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision based of \$10,000 on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process. The lease is due to expire on 31 October 2026 at which time it is expected the face-value costs to restore the premises will fall due.

Note 22 Issued capital

a) Issued capital	2021		2020	
	Number	\$	Number	\$
Ordinary shares - fully paid	881,212	881,212	881,212	881,212
Less: equity raising costs		(34,054)		(34,054)
	<u>881,212</u>	<u>847,158</u>	<u>881,212</u>	<u>847,158</u>

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 22 Issued capital (*continued*)

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 299. As at the date of this report, the company had 328 shareholders (2020: 328 shareholders).

In respect to the 10% limit, the company constitution was amended following the successful completion of the debt for equity swap. The amendment states a person other than Bendigo Bank must not have a prohibited shareholding interest.

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 22 Issued capital (continued)

b) Rights attached to issued capital (continued)

Prohibited shareholding interest (continued)

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

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

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

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

Note 23 Accumulated losses

	Note	2021 \$	2020 \$
Balance at beginning of reporting period		(389,329)	(309,700)
Adjustment for transition to AASB 16		-	(110,082)
Net profit after tax from ordinary activities		49,208	74,514
Dividends provided for or paid	28a)	(22,030)	(44,061)
Balance at end of reporting period		<u>(362,151)</u>	<u>(389,329)</u>

Note 24 Reconciliation of cash flows from operating activities

	2021 \$	2020 \$
Net profit after tax from ordinary activities	49,208	74,514
Adjustments for:		
- Depreciation	41,582	41,654
- Amortisation	13,430	13,430
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	6,495	(11,668)
- (Increase)/decrease in other assets	19,952	33,812
- Increase/(decrease) in trade and other payables	(8,735)	3,972
- Increase/(decrease) in provisions	395	370
Net cash flows provided by operating activities	<u>122,327</u>	<u>156,084</u>

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 25 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	78,109	78,544
Term deposits	13	395,764	355,679
Trade and other receivables	14	14,853	21,749
		<u>473,873</u>	<u>434,223</u>
Financial liabilities			
Trade and other payables	19	<u>1,539</u>	<u>1,561</u>

Note 26 Auditor's remuneration

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

	2021 \$	2020 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	5,000	4,800
<i>Non audit services</i>		
- Taxation advice and tax compliance services	600	600
- General advisory services	2,080	1,970
- Share registry services	4,764	3,690
Total auditor's remuneration	<u>12,444</u>	<u>11,060</u>

Note 27 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

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

South East Districts Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 27 Related parties (continued)

b) Key management personnel compensation

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

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

c) Related party transactions

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

Note 28 Dividends provided for or paid

a) Dividends provided for and paid during the period

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

	30 June 2021		30 June 2020	
	Cents	\$	Cents	\$
Unfranked dividend	2.50	22,030	5.00	44,061

Note 29 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	49,208	74,514
	Number	Number
Weighted-average number of ordinary shares	881,212	881,212
	Cents	Cents
Basic and diluted earnings per share	5.58	8.46

Note 30 Commitments

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

Note 31 Contingencies

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

Note 32 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.

South East Districts Financial Services Limited

Directors' Declaration

In accordance with a resolution of the directors of South East 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.



Kerry John Vincent, Chair

Dated this 31st day of August 2021

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of South East Districts Financial Services Limited'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 South East Districts Financial Services Limited, is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 30 June 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.

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.

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: 31 August 2021



Joshua Griffin
Lead Auditor

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 **Bendigo Bank**