Annual Report 2021

Penola & District Financial Services Limited

Community Bank
Penola & District

ABN 76 165 281 854

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Chair’s Report

On behalf of the Board, I am pleased to present our eighth annual report.

It has been another year of challenging circumstances.

The Covid-19 situation continued to have a major impact on our operating environment in particular the ever-increasing shift to the use of digital banking services.

Further reductions to interest rates and margins adversely impacted our income.

We continued to be mindful of carefully balancing the resources of the branch (operating hours and staffing levels) and the need to control costs and also provide face-to-face service which is such an important feature of our business.

Our total business footings increased by 11.5% with the Rural Bank portfolio continuing to grow.

Margin income reduced by 22%, fee income increased by 6% and we also received a Federal Government Cash Boost payment of $12,000.

Employee expenses reduced by 22%.

It is pleasing to report that we have continued to improve our overall position, achieving a profit of $41,783 (after provision for income tax) and a reduction to the overdraft of over $80,000.

An important and very positive outcome was the appointment of Tara Batt as Branch Manager.

Tara is well known and respected within our community and brings impressive banking experience, rural knowledge and community involvement to the role.

Tara resigned from the Board, and we thank her for her conscientious and enthusiastic contribution as a Director and Company Secretary.

Tara continues to provide support services to the Board.

I take the opportunity to thank my fellow Directors for their support and efforts as they continue to make their time and efforts available on a voluntary basis to the Company and the community.

Jenny Smibert retired in July, having been involved from our earliest days of establishing the bank and we thank Jenny for her commitment and conscientious contribution.

In filling Director positions, we continued to seek diversity of experience, background and community engagement, as well as a younger age group and it is very pleasing to have gained the services of Tom Pearce, Amanda Harrold and Lachlan Heysen as Directors.

It is always pleasing to report the number of community contributions that we have made with the generous support of Bendigo Bank.

This year, in these Covid-19 challenging times, with less community activity, we have paid over $50,000 in grants, sponsorships and donations to 20 local clubs and organisations.

Major recipients were the Penola Coonawarra Arts Festival, Penola Coonawarra Acoustic Music Gathering, McCorquindale Park Pavilion and Nature Playground, Penola High School, Penola Primary School and SA National Trust Penola branch.

We hope that these payments encourage all members of our community and the members of these organisations to reciprocate by bringing their banking business to their Community Bank.

We look forward to the future and recognize the changes coming about as we continue to move through the Covid-19 situation.

Chair's Report *(continued)*

The local economy is relatively stable and strong in particular in the agribusiness sector.

We have strong Board and management in place to direct and manage the business going forward.

Rural Bank, with it's well-regarded products and services is an important part of our business and important to our growth. We encourage you to contact Tara to discuss the Rural Bank and other offerings available.

We thank our shareholders, customers and partners for their continued support.

Mark Edwards
Chair

Branch Manager's Report

I am excited to present to you my first Branch Manager's report, after having been in the role for almost 12 months.

When asked if I am enjoying my role, my go-to answer is "absolutely!". The Community Bank model offers a wonderful collaboration of corporate and community. We are highly governed yet given the freedom to manage the business as best suited to our community and the needs of our customers.

There has been considerable change to the staffing within the branch over the past 2 years, and after a period of training and rebuilding, we feel we are ready to start growing the business and providing the community with the best possible customer service and experience available.

The key focus within the branch has been to strengthen the team and to "put the interest of our customers first and stay true to our original purpose – to feed into our community's prosperity, not off of it" Marnie Baker, BEN Managing Director.

The Bendigo Community Bank Penola & District now consists of:

- Tara Batt - Branch Manager – offering home, personal, micro business and agribusiness lending and insurance
- Andrea Weston - Personal Banker – offering banking reviews and account openings, as well as insurance and digital platforms, and is working towards personal lending
- Molly Cox - Customer Advisor – offering over the counter transactions

As of October 2021, we are recruiting for another Customer Advisor.

We are also supported by a wonderful team of business partners in Candice Nolan and Luke Riley, Rural Bank Agribusiness Relationship Managers and Neil Medhurst, Bendigo Bank Business Bank Manager.

We look forward to being able to assist our customers achieve their financial goals.

It has been a pleasure to be able to attend many local events, of which we have been fortunate to support, and discuss the Bendigo Bank story, in particular the Penola & District branch story. Without the support of the local shareholders, customers and organisations, we couldn't serve the community as we do today.

Recently, we also reached the mark of $250,000 contributed to the Penola & District community. An achievement for all past and present staff, Directors and shareholders to be proud of.

Personally, I am so grateful to work alongside a wonderful team of staff and Directors, who are all committed to their roles and serving our community with great integrity and passion. I look forward to being apart of the future development of the Bendigo Community Bank Penola & District.

Tara Batt B.Bus (AgMgt)
Branch Manager
Community Bank Penola & District

Bendigo & Adelaide Bank Report

On behalf of Bendigo and Adelaide Bank, thank you! As a shareholder of your localCommunity 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 towork 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 youwould expect as a bank employee.

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

So, what does that mean for Bendigo Bank and the Community Bank that you areinvested 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 importanceor 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 beimportant 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 yourcommunity.

Collin Brady
Head of Community Development

AFS Partners in success Chartered Accountants

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Independent auditor's report to the Directors of Penola &District Financial Services Limited

Report on the Audit of the Financial Report Opinion

We have audited the financial report of Penola & District 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 Penola & District Financial Services Limited, is in accordance with the Corporations Act 2001, including:

- 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
- 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.

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

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

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

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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 3 September 2021

Adrian Downing
Lead Auditor

Penola & District Financial Services Limited

ABN: 76 165 281 854

Financial Report

For the year ended 30 June 2021

Directors' Report

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

Directors

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

Mark Edwards
Chair
Occupation: Retired
Qualifications, experience and expertise: Wide ranging Banking and Credit Cooperative experience over 40+ years. Former Independent Chair of Coonawarra Grape and Wine Inc. Former Director and Treasurer of Regional Development Australia Limestone Coast. Current President of Penola Racing Club Inc.
Special responsibilities: Human Resources Committee and former member of Community Engagement Committee
Interest in shares: 10,501 ordinary shares

Shane McPherson
Non-executive director
Occupation: Retailer

Qualifications, experience and expertise: Shane spent 10 years as a Butcher and Meat Wholesaler and the last 30 years as owner operator of Penola IGA Supermarket. He is currently an elected member of the State IGA Committee. A member of the Lions Club of Penola, member of the Penola Business Association, member of the Penola Golf Club and past Chairman of Mary MacKillop Memorial School Board.
Special responsibilities: Community Engagement Committee and Property Committee
Interest in shares: 4,001 ordinary shares

Kirsty Anne Balnaves
Non-executive director
Occupation: Self Employed
Qualifications, experience and expertise: Kirsty was born in Penola, after finishing her education she spent time in Broken Hill and then in Tasmania at Cradle Mountain. Returning to Adelaide, Kirsty attended university where she studied marketing and management. In 1990, Kirsty joined the family company and is currently responsible for the administration and financial aspects of: vineyard management and contracting, winery contracting and making and selling Balnaves wines. Kirsty is a current member of the South Australian Wine Industry Association Executive Committee, board member of the Penola and District Community Bank - Bendigo Bank and volunteer for Meals on Wheels. Kirsty was a member of the Coonawarra Vigneron's Association Executive for 15 years, including a period as Vice President, past member of the Lower South East Water Resources Committee, past committee member of the Penola and District Little Athletics and Penola Netball Club, and Penola and District Medical Support Group.
Special responsibilities: Community Investment
Committee Interest in shares: 42,001 ordinary shares

Rhett David McDonald
Non-executive director
Occupation: Counsellor/Advocate
Qualifications, experience and expertise: Therapeutic Counsellor/Advocate working with families, young people, refugee, asylum seekers and migrant communities in the Limestone Coast. Experience working in the international and humanitarian sector with a number of years spent on assignments in the field of child health, training and development, safety and security. Local community involvement over the years, awarded Penola Riddoch Ward Australia Day Citizen of the year for contribution to the community.
Special responsibilities: Community Investment Committee and Human Resources Committee
Interest in shares: 1,000 ordinary shares

Sophie Jane Angus
Occupation: Consultant/Business Owner
Qualifications, experience and expertise: Sophie is a past Senior Legal Counsel of Commbank and Change Management Subject Matter Expert Consultant at AMP. Sophie now manages with her team, five healthcare related businesses and holds a number of volunteer community board positions.
Special responsibilities: Company Secretary, Deputy Chairperson
Interest in shares: nil share interest held

Michael John Palm
Non-executive director
Occupation: Farming
Qualifications, experience and expertise: Michael is a past Livestock agent with 38 years experience. He was a Director at Pinkerton Palm Hamlyn & Steen Livestock for a period of 26 years and has now been a farmer since 2018. He also holds a position on the Penola Racing Club Committee.
Special responsibilities: Nil
Interest in shares: 81,001 ordinary shares

Thomas David Pearce
Non-executive director (appointed 21 December 2020)
Occupation: Real Estate Agent
Qualifications, experience and expertise: Managed drilling rigs and drilling operations in Australia and Africa for 8 years before completing a Bachelor of Business (Property) and a Diploma in Agency Management. Practiced as a valuer specialising in residential and rural valuations and now working as a rural real estate agent. A current board member of the Mary Mackillop Memorial School Board.
Special responsibilities: Nil
Interest in shares: nil share interest held

Lachlan Hamilton Heysen
Non-executive director (appointed 29 April 2021)
Occupation: Farmer
Qualifications, experience and expertise: Lachlan was born in Kalangadoo and completed Secondary and Tertiary (BEcon and BFin) education in Adelaide. Lachlan spent 4 years working in Private Wealth Management in Adelaide followed by 10 years in London and Sydney in Institutional Banking within the commodities and metals and mining sector.
Special responsibilities: Nil
Interest in shares: nil share interest held

Amanda Skene Harrold
Non-executive director (appointed 27 May 2021)
Occupation: Company Director of Privately owned Transport Business.
Qualifications, experience and expertise: Amanda Harrold holds a Bach. of Commerce (Marketing & Management) and a Post Graduate Certificate in Human Resource Management. In 2015, Amanda, with husband Pat, established a bulk haulage transport company based in Penola, SA which now runs over 40 B-Double trucks nationally. Prior to moving to South Australia, Amanda held Corporate HR and Learning & Development positions with Mazda, NAB, ANZ, and professional services firm, GHD Global Pty Ltd. At GHD, Amanda was the Learning & Development Manager for the Middle East based in Doha, Qatar before moving into a Corporate HR project management role traveling extensively to SE Asia and North America.
Special responsibilities: Human Resources Committee
Interest in shares: nil share interest held

Jennifer Margaret Smibert
Non-executive director (resigned 24 June 2021)
Occupation: Retired/Family Business Involvement
Qualifications, experience and expertise: Volunteer community work has included being a member of local boards/committees/community groups, involved in education, disability, health, rural issues, arts and tourism. Dip. T. ECE - EarlyChildhood Education (Registered Teacher).
Special responsibilities: Human Resources Committee
Interest in shares: 36,251 ordinary shares

Tara Margaret Williams Batt
Non-executive director (resigned 4 November 2020)
Occupation: Bank Manager
Qualifications, experience and expertise: Tara was required to resign from the Board prior to starting in the branch as the Branch Manager in November 2020. Tara holds a Bachelor of Business (Agricultural Management). Previously holding positions in ANZ Agribusiness and as a manager of ANZ Penola. Tara also has taken up management roles in an investment company, agriculturalcompany and running her own small business. Tara is currently the Chief Instructor of Penola Pony Club and previously has held committee positions for the Penola Hunt Club, Penola PA&H Society, Mid South East Dressage Club and Pony Club Association of SA South East Zone.
Special responsibilities: Former Company Secretary, Assistant Treasurer, Finance & Governance 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:

- Sophie Jane Angus was appointed company secretary on 4 November 2020.
- Tara Margaret Batt was appointed company secretary on 14 November 2019 and ceased on 4 November 2020.

Principal activity

The principal activity of the company during the financial year was facilitating Community Bank services under managementrights 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
$	$
41,783	38,502

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Mark Edwards	10,501	-	10,501
Shane McPherson	4,001	-	4,001
Kirsty Anne Balnaves	42,001	-	42,001
Michael John Palm	81,001	-	81,001
Rhett David McDonald	1,000	-	1,000
Sophie Jane Angus	-	-	-
Thomas David Pearce	-	-	-
Lachlan Hamilton Heysen	-	-	-
Amanda Skene Harrold	-	-	-
Tara Margaret Williams Batt	-	-	-
Jennifer Margaret Smibert	36,251	-	36,251

Dividends

No dividends were declared or paid for the previous financial year and the directors recommend that no dividend be paid in the current financial year.

Significant changes in the state of affairs

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

In the opinion of the directors there were no 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 other matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company the results of those operations or the state of affairs of the company, in future years.

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 28 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

E - eligible to attend

A - number attended

	Board Meetings Attended		Committee Meetings Attended					
			Finance & Governance		Community Investment		Human Resources	
	E	A	E	A	E	A	E	A
Mark Edwards	17	16	8	8	-	-	2	2
Shane McPherson	17	15	-	-	3	2	-	-
Kirsty Anne Balnaves	17	11	5	5	3	3	-	-
Michael John Palm	17	11	-	-	-	-	-	-
Rhett David McDonald	17	10	-	-	3	3	-	-
Sophie Jane Angus	17	16	8	8	-	-	-	-
Thomas David Pearce	8	4	-	-	-	-	-	-
Lachlan Hamilton Heysen	3	3	-	-	-	-	-	-
Amanda Skene Harrold	2	2	-	-	-	-	-	-
Tara Margaret Williams Batt	17	15	8	8	2	2	2	2
Jennifer Margaret Smibert	17	13	-	-	-	-	2	2

Proceedings on behalf of the company

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

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

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 27 to the accounts.

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

- all non-audit services have been reviewed by the Finance, Audit, and Governance Committee to ensure they do not impact on the impartiality, integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants,* as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the 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 8.

Signed in accordance with a resolution of the directors at Penola, South Australia.

Dated this 3rd day of September 2021

AFS
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Independent auditor's independence declaration under section 307C of the *Corporations Act 2001* to the Directors of Penola & District Financial ServicesLimited

As lead auditor for the audit of Penola & District 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: 3 September 2021

Adrian Downing
Lead Auditor

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	357,698	384,983
Other revenue	9	49,388	58,294
Employee benefit expenses	10c)	(147,899)	(189,545)
Charitable donations, sponsorship, advertising and promotion		(56,370)	(36,969)
Occupancy and associated costs		(12,103)	(12,792)
Systems costs		(18,624)	(17,932)
Depreciation and amortisation expense	10a)	(42,479)	(44,752)
Finance costs	10b)	(14,171)	(18,027)
General administration expenses		(53,725)	(62,490)
Profit before income tax expense		61,715	60,770
Income tax expense	11a)	(19,932)	(22,268)
Profit after income tax expense		41,783	38,502
Total comprehensive income for the year attributable to the ordinaryshareholders of the company:		41,783	38,502
Earnings per share		¢	¢
- Basic and diluted earnings per share:	29a)	4.97	4.58

The accompanying notes form part of these financial statements

Statement of Financial Position

as at 30 June 2021

	Notes	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	12a)	19,755	-
Trade and other receivables	13a)	14,859	22,099
Total current assets		34,614	22,099
Non-current assets			
Property, plant and equipment	14a)	147,396	161,152
Right-of-use assets	15a)	200,686	216,270
Intangible assets	16a)	39,551	52,735
Deferred tax asset	17a)	173,917	193,848
Total non-current assets		561,550	624,005
Total assets		596,164	646,104
LIABILITIES			
Current liabilities			
Trade and other payables	18a)	39,239	31,233
Loans and borrowings	19a)	23,182	102,900
Lease liabilities	20a)	10,805	9,700
Employee benefits	22a)	14,459	10,488
Total current liabilities		87,685	154,321
Non-current liabilities			
Trade and other payables	18b)	14,502	29,004
Lease liabilities	20b)	250,370	261,170
Employee benefits	22b)	139	-
Provisions	21a)	1,618	1,542
Total non-current liabilities		266,629	291,716
Total liabilities		354,314	446,037
Net assets		241,850	200,067
EQUITY			
Issued capital	23a)	829,469	829,469
Accumulated losses	24	(587,619)	(629,402)
Total equity		241,850	200,067

Statement of Changes in Equity

for the year ended 30 June 2021

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2019	829,469	(667,904)	161,565
Total comprehensive income for the year	-	38,502	38,502
Balance at 30 June 2020	829,469	(629,402)	200,067
Balance at 1 July 2020	829,469	(629,402)	200,067
Total comprehensive income for the year	-	41,783	41,783
Balance at 30 June 2021	829,469	(587,619)	241,850

Statement of Cash Flows

	Notes	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		452,141	490,275
Payments to suppliers and employees		(309,173)	(347,961)
Interest paid		(1,331)	(4,831)
Lease payments (interest component)	10b)	(12,765)	(13,124)
Lease payments not included in the measurement of lease liabilities	10d)	(6,566)	(5,787)
Net cash provided by operating activities	25	122,306	118,572
Cash flows from investing activities			
Payments for property, plant and equipment		-	(3,035)
Payments for intangible assets		(13,184)	(26,368)
Net cash used in investing activities		(13,184)	(29,403)
Cash flows from financing activities			
Lease payments (principal component)		(9,649)	(8,577)
Net cash used in financing activities		(9,649)	(8,577)
Net cash increase in cash held		99,473	80,592
Cash and cash equivalents at the beginning of the financial year		(102,900)	(183,492)
Cash and cash equivalents at the end of the financial year	12b)	(3,427)	(102,900)

Note 1 Reporting entity

This is the financial report for Penola & District 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
52 Church Street Penola SA 5277	52 Church Street Penola SA 5277

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 28.

Note 2 Basis of preparation and statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001.* The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The financial statements have been prepared on an accrual and historical cost basis. The financial report is presented in Australiandollars and all values are rounded to the nearest dollar, unless otherwise stated.

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 thedirectors on 3 September 2021.

Note 3 Changes in accounting policies, standards and interpretations

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accountingperiods 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 itsfranchise agreement.

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

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

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement. Under AASB 15 *Revenue from Contracts with Customers* (AASB 15), revenue recognition for the company's revenue stream is as follows:

Revenue	Includes	Performance obligation	Timing of recognition
Franchise agreement profit share	Margin, commission, and fee income	When the company satisfies its obligation to arrange for the servicesto 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 serviceswhich 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.

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.

Revenue	Revenue recognition policy
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 daysafter month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g.monthly or quarterly in the activity statement).

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

Discretionary financial contributions

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

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and grants. It is for the board to decide how to use the MDF.

The payments from Bendigo Bank are discretionary and may change the amount or stop making them at any time. The company retains control over the funds, the funds are not refundable to Bendigo Bank.

Cash flow boost

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

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

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

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
- providing payroll services.

d) Employee benefits

Short-term employee benefits

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

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

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

d) Employee benefits *(continued)*

Defined superannuation contribution plans

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

Other long-term employee benefits

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

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

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

e) Taxes

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

Current income tax

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

Deferred tax

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

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

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

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

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

Goods and Services Tax

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

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

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

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

d) Cash and cash equivalents

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks. Bank overdrafts are shown as current liabilities within loans and borrowings in the statement of financial position.

e) 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:

Asset class	Method	Useful life
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.

f) Intangible assets

Intangible assets of the company include the franchise fees paid to Bendigo Bank conveying the right to operate the Community Bank franchise.

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

The franchise fees paid by the company are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

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

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

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

g) Financial instruments

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

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

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

i) Financial instruments *(continued)*

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.

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.

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

m) Leases

(continued)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 not 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.

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

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

Short-term leases and leases of low-value assets

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

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

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

Note 5 Significant accounting judgements, estimates, and assumptions *(continued)*

a) Judgements

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

Note	Judgement
- Note 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:

Note	Assumptions
- Note 17 - recognition of deferredtax assets	availability of future taxable profit against which deductible temporary differences andcarried-forward tax losses can be utilised;
- Note 14 - estimation of useful livesof assets	key assumptions on historical experience and the condition of the asset;
- Note 22 - long service leaveprovision	key assumptions on attrition rate and pay increases though promotion and inflation.
- Note 21 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement.

Note 6 Financial risk management

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

Risk management is carried out directly by the board of directors.

a) Credit risk

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

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

Note 6 Financial risk management *(continued)*

a) 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.

The company maintains the following lines of credit with Bendigo Bank:

- $250,000 overdraft facility with available facility of $226,818 as at 30 June 2021. Interest is payable at a rate of 2.035% (2019: 2.92%)

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

Non-derivative financial liability			Contractual cash flows	
	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Bank overdraft	23,182	23,182	-	-
Lease liabilities	261,175	23,081	99,462	235,114
Trade and other payables	53,741	39,239	14,502	-
	338,098	85,502	113,964	235,114

30 June 2020

Non-derivative financial liability			Contractual cash flows	
	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Bank overdraft	102,900	102,900	-	-
Lease liabilities	270,870	22,464	96,562	261,092
Trade and other payables	45,735	31,233	14,502	-
	419,505	156,597	111,064	261,092

The bank overdraft is repayable on demand and used for cash management purposes. It is reviewed annual by the lender, Bendigo Bank. As at balance date, the lender does not intend to reduce or end the overdraft facility within the next 12 months.

b) 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.

Price risk

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

Note 6 Financial risk management *(continued)*

c) Market risk *(continued)*

Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo Bank and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo Bank mitigates this risk significantly.

The company held cash and cash equivalents of $19,755 at 30 June 2021 (2020: $0). 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	137,679	177,676
- Fee income	16,615	18,266
- Commission income	203,404	189,041
	357,698	384,983

Note 9 Other revenue

	2021 $	2020 $
- Market development fund income	37,500	37,500
- Cash flow boost	11,888	20,794
	49,388	58,294

Note 10 Expenses

a) Depreciation and amortisation expense	2021	2020
	$	$
Depreciation of non-current assets:		
- Leasehold improvements	11,349	12,971
- Plant and equipment	2,407	3,169
	13,756	16,140
Depreciation of right-of-use assets		
- Leased land and buildings	15,539	15,428
Amortisation of intangible assets:		
- Franchise fee	2,198	2,198
- Franchise establishment fee	10,986	10,986
	13,184	13,184
Total depreciation and amortisation expense	42,479	44,752

b) Finance costs

- Bank overdraft interest paid or accrued	1,332	4,831
- Lease interest expense	12,765	13,124
- Unwinding of make-good provision	74	72
	14,171	18,027

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

c) Employee benefit expenses

Wages and salaries	120,063	163,599
Contributions to defined contribution plans	9,384	14,171
Expenses related to long service leave	1,802	(3,208)
Other expenses	16,650	14,983
	147,899	189,545

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.

	2021	2020
	$	$
Expenses relating to low-value leases	6,566	5,787

Note 11 Income tax expense

a) Amounts recognised in profit or loss

	2021 $	2020 $
Current tax expense/(credit)		
- Recoupment of prior year tax losses	18,186	-
- Movement in deferred tax	(5,211)	(16,159)
- Adjustment to deferred tax on AASB 16 retrospective application	-	13,535
- Reduction in company tax rate	6,957	11,184
- Recognition of previously unrecognised tax losses	-	13,708
	19,932	22,268

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 gain of $6,957 related to the remeasurement of deferred tax assets and liabilities of the company.

b) *Prima facie* income tax reconciliation

	2021 $	2020 $
Operating profit before taxation	61,715	60,770
Prima facie tax on loss from ordinary activities at 26% (2020: 27.5%)	16,046	16,712
Tax effect of:		
- Non-deductible expenses	21	92
- Temporary differences	5,210	2,623
- Other assessable income	(3,091)	(5,718)
- Movement in deferred tax	(5,211)	(16,159)
- Leases initial recognition	-	13,535
- Reduction in company tax rate	6,957	11,183
	19,932	22,268

Note 12 Cash and cash equivalents

a) Cash and cash equivalents

	2021 $	2020 $
- Cash at bank and on hand	19,755	-

b) Reconciliation to statement of cash flows

For the purposes of the statement of cash flows, cash includes cash on hand, cash held with financial and banking institutions, and investments in short-term money financial instruments, net of outstanding bank overdrafts. Bank overdrafts are presented with loans and borrowings.

The below figures reconcile to the amount of cash shown in the Statement of Cash Flows at the end of the financial year as follows:

	Note	2021 $	2020 $
- Cash at bank and on hand		19,755	-
- Bank overdraft	19a)	(23,182)	(102,900)
		(3,427)	(102,900)

Note 13 Trade and other receivables

a) Current assets

	2021	2020
	$	$
Trade receivables	10,460	18,789
Prepayments	4,399	3,310
	14,859	22,099

Note 14 Property, plant and equipment

a) Carrying amounts

	2021	2020
	$	$
Leasehold improvements		
At cost	227,824	227,824
Less: accumulated depreciation	(89,089)	(77,740)
	138,735	150,084
Plant and equipment		
At cost	32,718	32,718
Less: accumulated depreciation	(24,057)	(21,650)
	8,661	11,068
Total written down amount	147,396	161,152

b) Reconciliation of carrying amounts

	2021	2020
Leasehold improvements		
Carrying amount at beginning	150,084	163,055
Depreciation	(11,349)	(12,971)
	138,735	150,084
Plant and equipment		
Carrying amount at beginning	11,068	11,202
Additions	-	3,035
Depreciation	(2,407)	(3,169)
	8,661	11,068
Total written down amount	147,396	161,152

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 15 Right-of-use assets

a) Carrying amounts

	2021	2020
	$	$
Leased land and buildings		
At cost	310,032	310,077
Less: accumulated depreciation	(109,346)	(93,807)
Total written down amount	200,686	216,270

Note 15 Property, plant and equipment *(continued)*

b) Reconciliation of carrying amounts

	2021 $	2020 $
Leased land and buildings		
Carrying amount at beginning	216,270	-
Initial recognition on transition	-	308,373
Accumulated depreciation on adoption	-	(78,378)
Remeasurement adjustments	(45)	1,703
Depreciation	(15,539)	(15,428)
Total written down amount	200,686	216,270

Note 16 Intangible assets

a) Carrying amounts

	2021 $	2020 $
Franchise fee		
At cost	20,987	20,987
Less: accumulated amortisation	(14,395)	(12,198)
	6,592	8,789
Franchise establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	-	-
Franchise renewal process fee		
At cost	54,932	54,932
Less: accumulated amortisation	(21,973)	(10,986)
	32,959	43,946
Total written down amount	39,551	52,735

b) Reconciliation of carrying amounts

	2021 $	2020 $
Franchise fee		
Carrying amount at beginning	8,789	10,987
Amortisation	(2,197)	(2,198)
	6,592	8,789
Franchise renewal process fee		
Carrying amount at beginning	43,946	54,932
Amortisation	(10,987)	(10,986)
	32,959	43,946
Total written down amount	39,551	52,735

c) Changes in estimates

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

Note 17 Tax assets and liabilities

a) Deferred tax

	2021 $	2020 $
Deferred tax assets		
- expense accruals	450	468
- employee provisions	3,650	2,727
- make-good provision	405	401
- lease liability	65,294	70,426
- carried-forward tax losses	159,894	184,476
Total deferred tax assets	229,693	258,498
Deferred tax liabilities		
- property, plant and equipment	5,604	8,420
- right-of-use assets	50,172	56,230
Total deferred tax liabilities	55,776	64,650
Net deferred tax assets (liabilities)	173,917	193,848
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(19,931)	(22,269)
Movement in deferred tax charged to Statement of Changes in Equity	-	13,535

Note 18 Trade creditors and other payables

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

a) Current liabilities	2021 $	2020 $
Trade creditors	9,619	2,318
Other creditors and accruals	29,620	28,915
	39,239	31,233
b) Non-current liabilities		
Other creditors and accruals	14,502	29,004

Note 19 Loans and borrowings

a) Current liabilities	2021 $	2020 $
Bank overdraft	23,182	102,900

The company has an approved overdraft limit of $250,000 which was drawn down to $23,182. The company has $226,818 overdraft remaining before exceeding the approved limited or required to re-negotiate the terms.

Interest is recognised using the effective interest method, currently 2.035% (2020: 2.92%).

b) Terms and repayment schedule

	Nominal	Year of	30 June 2021		30 June 2020	
	interest rate	maturity	Face value	Carrying value	Face value	Carrying value
Bank overdraft	2.035%	Floating	23,182	23,182	102,900	102,900

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 4.79%.

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:

- Penola Branch — The lease agreement commenced in June 2014. A 5 year renewal option was exercised in June 2019. The company has 2 x 5 year renewal options available, which for AASB 16: Leases purposes they are reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is May 2034.

a) Current lease liabilities	2021 $	2020 $
Property lease liabilities	23,081	22,464
Unexpired interest	(12,276)	(12,764)
	10,805	9,700
b) Non-current lease liabilities		
Property lease liabilities	334,576	357,654
Unexpired interest	(84,206)	(96,484)
	250,370	261,170
c) Reconciliation of lease liabilities		
Balance at the beginning	270,868	-
Initial recognition on AASB 16 transition	-	277,744
Remeasurement adjustments	(44)	1,702
Lease interest expense	12,765	13,124
Lease payments - total cash outflow	(22,414)	(21,702)
	261,175	270,868
d) Maturity analysis		
- Not later than 12 months	23,081	22,464
- Between 12 months and 5 years	99,462	96,562
- Greater than 5 years	235,114	261,092
Total undiscounted lease payments	357,657	380,118
Unexpired interest	(96,482)	(109,248)
Present value of lease liabilities	261,175	270,870

Note 21 Provisions

a) Non-current liabilities

	2021 $	2020 $
Make-good on leased premises	1,618	1,542

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 of $3,000 based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process. The lease is due to expire on 31 May 2034 at which time it is expected the face-value costs to restore the premises will fall due.

Note 22 Employee benefits

a) Current liabilities

	2021 $	2020 $
Provision for annual leave	8,053	5,745
Provision for long service leave	6,406	4,743
	14,459	10,488

b) Non-current liabilities

Provision for long service leave	139	-

c) Key judgement and assumptions

The company uses historical employee attrition rates in determining the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with long service leave legislation.

Note 23 Issued capital

a) Issued capital

	2021		2020	
	Number	$	Number	$
Ordinary shares - fully paid	841,329	841,329	841,329	841,329
Less: equity raising costs	-	(11,860)	-	(11,860)
	841,329	829,469	841,329	829,469

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.

Note 23 Issued capital *(continued)*

b) Rights attached to issued capital

(continued)Ordinary shares (continued)

Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo Bank contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the 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 190. As at the dateof this report, the company had 199 shareholders (2019: 202 shareholders).

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

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

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considersnecessary 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 24 Accumulated losses

	2021 $	2020 $
Balance at beginning of reporting period	(629,402)	(632,220)
Adjustment for transition to AASB 16	-	(35,684)
Net profit after tax from ordinary activities	41,783	38,502
Balance at end of reporting period	(587,619)	(629,402)

Note 25 Reconciliation of cash flows from operating activities

	2021 $	2020 $
Net profit after tax from ordinary activities	41,783	38,502
Adjustments for:		
- Depreciation	29,295	31,568
- Amortisation	13,184	13,184
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	7,238	20,823
- (Increase)/decrease in other assets	19,931	22,269
- Increase/(decrease) in trade and other payables	6,690	(1,153)
- Increase/(decrease) in employee benefits	4,110	(6,693)
- Increase/(decrease) in provisions	75	72
Net cash flows provided by operating activities	122,306	118,572

Note 26 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	12	19,755	-
Trade and other receivables	13	10,460	18,789
		30,215	18,789
Financial liabilities			
Trade and other payables	18	53,741	60,237
Bank overdrafts	19	23,182	102,900
Lease liabilities	20	261,175	270,868
		338,098	434,005

Note 27 Auditor's remuneration

Amount received or due and receivable by the auditor of the company for the financial year.	2021 $	2020 $
Audit and review services		
- Audit and review of financial statements	5,000	4,800
Non audit services		
- Taxation advice and tax compliance services	600	600
- General advisory services	2,770	3,540
- Share registry services	1,900	1,900
Total auditor's remuneration	10,270	10,840

Note 28 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Mark Edwards Shane
McPherson Kirsty
Anne Balnaves
Michael John Palm
Rhett David McDonald
Sophie Jane Angus
Thomas David Pearce
Lachlan Hamilton Heysen
Amanda Skene Harrold
Tara Margaret Williams Batt
Jennifer Margaret Smibert

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

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties	2021 $	2020 $
- Grocery products were purchased from the Penola IGA managed by Shane McPherson. The total benefit received was:	332	559
- Tara Batt provides services of Company Secretary and Assistant Treasurer. The total benefit received was:	9,116	6,919
Total transactions with related parties	9,448	7,478

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	41,783	38,502
	Number	Number
Weighted-average number of ordinary shares	841,329	841,329
	Cents	Cents
Basic and diluted earnings per share	4.97	4.58

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.

In accordance with a resolution of the directors of Penola & District 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.

Dated this 3rd day of September 2021

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/communitybankpenolaanddistrict

Bendigo Bank

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