

# Annual Report 2024

Penola & District  
Financial Services Limited

Community Bank · Penola & District  
ABN 76 165 281 854





# Chairman's Report

For year ending 30 June 2024

I am pleased to present to the shareholders of Penola and District Financial Services Limited our eleventh Annual Report.

In September 2023 Bendigo Bank celebrated 25 years of community banking in Australia. It was at the first national conference after the covid pandemic. Held in Bendigo Victoria, myself, company secretary Sophie Angus and branch manager Tara Batt attended this great milestone. It was a tremendous networking event and as we partner with Australia's better big bank, we are proud of the contribution we make to what is one of Australia's most trusted brands. As the year ended, we prepared for our own great milestone. In June, we held our 10-year anniversary celebration at Vintage Cafe. Well attended by customers, shareholders, staff and other stakeholders, we acknowledged our achievements and the fact that all the other banks had left town, but we are here, looking forward to continuing to provide the best possible service to our customers and always connecting with our community.

However, it has been a challenging year in a challenging industry, and it is constantly changing. There have been significant changes in the economic environment, and we must recognise the impact that rising interest rates and cost of living pressures have had on local businesses and our customers alike. The bank faced significant challenges coping with slow growth in the market while dealing with digital development and cyber concerns daily.

We have seen some increase in new to bank business over the twelve months, however this has been offset by some accounts cycling to maturity resulting in a modest profit of \$42,443 before community contributions and income tax. Cash and cash equivalents at the end of year went up by \$49,113 to \$200,867. We have been able to achieve customer growth of 9.77%. Deposits are up by \$3.7 million and lending up by \$350,000. Rural bank growth of \$4.7 million and our total footings growth this year was \$8.6 million (from \$55m to \$63m). While our book is heavy in deposits, it does not fare well while interest rates remain high, so as we look to concentrate on lending, we ask all shareholders to be ambassadors for your bank and promote it to all family, friends, neighbours and work colleges alike.

Again, our Community Engagement Committee has been busy distributing funds to a wide range of local sporting clubs and not-for-profit organisations. Major recipients this year included Penola Rodeo, KNTFL, Penola Arts Festival, Penola Show and Penola Acoustic Music Festival just to name a few. It is expected that any request for sponsorship must meet certain guidelines including obtaining the organisations business, advertising and signage at the event, and access to members to promote the benefits of banking with Community Bank Penola & District.

Once again, I commend the commitment and dedication of our staff during the past year. Our team is ably lead by Branch Manager Tara Batt with her tremendous leadership and organising skills. Andrea Weston in the position of Customer Relationship Officer. Molly Cox and Kathy Kelly, both in the Customer Service role. They are all greatly appreciated by the Board.

I thank my fellow Board members for their contributions and commitment to their obligations as a Director of a Public Company. Our volunteer Directors are generous with their time and skills enabling positive outcomes for the betterment of the Company and the Community.

I appreciate the ongoing support, assistance and banking expertise provided by Bendigo Bank. I thank and acknowledge the efforts of Regional Manager Emma Newton for her expertise and dedication in assisting our branch staff and directors during the year.

The collaboration with Rural Bank cannot be understated. They are a very important part of our business and future growth. Their products and services are well regarded in the Agribusiness community, and we appreciate all that Tracey Bainger, Fiona Wilkinson and the team bring to the Company.

Finally, the continued support of customers and shareholders is greatly appreciated, and I look forward to a positive year ahead. I urge you all to refer as many of your family, friends, and colleagues as possible to our Community Bank. Remember the more that bank with us, the more we contribute to our community.

**Shane McPherson**

Chairman Penola & District Financial Services Limited





# Branch Manager's Report

For year ending 30 June 2024

On behalf of the team at Community Bank Penola and District, I present to you, our shareholders, the 2024 Annual Report.

The year that was FY24 saw many targets met, growth achieved, and loans drawn down, however the income does not show a true indication of the achievements made.

Our total footings improved by \$8.6M over the year, our second-best year since inception.

We achieved positive growth in all 3 areas of deposits, lending and Rural Bank.

We provided \$30,253 to community groups by way of funding equipment purchases, donations, and sponsorship, thus feeding into our community's prosperity. This has been reined in from previous years and continues to be to fiscally manage the business. Our total community investment has now exceeded \$325,000 through 232 grants and sponsorships.

Our team has gone from strength to strength, with no staffing changes again for the 2024 financial year, therefore continuing on with Andrea Weston, Customer Relationship Officer, and Molly Cox and Kathy Kelly, Customer Service Officers.

However, our business partners have seen some changes, with Courtney Matthews, Rural Bank Agribusiness Relationship Manager, taking maternity leave and previous Community Bank Keith Branch Manager, Fiona Wilkinson, stepping in to the role. We also farewelled long time Rural Bank Manager, Tim Valente, who was replaced with the previous Community Bank Robe Branch Manager, Tracey Bainger. Both Tracey and Fiona have a wealth of community banking and agribusiness knowledge and experience and are guiding customers through the upcoming migration from Rural Bank to Bendigo Bank Agribusiness. The future is bright for agribusiness banking.

In June we celebrated our 10<sup>th</sup> anniversary. Thank you to those who came along to the celebrations, it was a great event. And thank you to those customers, shareholders, business partners, staff and directors over the past 10 years for their support in maintaining the vision of keeping banking services available in Penola.

We aim to continue to "feed into our community's prosperity, not off of it". We have strong individual and team goals to continue to build our knowledge, brand and reputation across the community by developing ourselves and each other as a team.

As we progress through FY25, we ask you, our shareholders, to consider why you bank with your current bank, and more importantly why don't you bank with us?

The formula is simple – the bigger our footings, the bigger the profit, the sooner we pay a dividend. So, I ask you to consider banking with the Community Bank Penola and District. And if you already do bank with us, firstly thank you, and secondly, please sing our praises, tell our community bank story, help us promote the business so that in turn we can provide dividends your way.

And finally, thank you must go to our Board of Directors, who generously volunteer their time to ensure the business remains viable, regulatory compliant, strategically accountable and assist with lead generation – your depth of knowledge and support is greatly appreciated.

**Tara Batt** B.Bus (AgMgt)

Branch Manager - Bendigo Bank – Community Bank Penola & District

# Penola & District Financial Services Limited

ABN 76 165 281 854

## Financial Report - 30 June 2024

**Penola & District Financial Services Limited**  
**Directors' report**  
**30 June 2024**

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2024.

**Directors**

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

Name:	Shane McPherson
Title:	Non-executive directors
Experience and expertise:	Shane spent 10 years as a Butcher and Meat wholesaler. He then spent 32 years as owner operator of Penola IGA Supermarket and is now retired. He was an elected member of the State IGA Committee for 9 years. A member and Past President of the Lions Club of Penola and a member of the Penola Golf Club. Past member of the Penola Business Association, and past Chairman of Mary MacKillop Memorial School Board.
Special responsibilities:	Finance & Governance, Human Resources and Property Committees
Name:	Kirsty Anne Balnaves
Title:	Non-executive director
Experience and expertise:	Kirsty attended university in Adelaide where she studied Business Management with her major in marketing. In 1990, Kirsty joined the family company and is currently responsible for the administration, and financial aspects of: vineyard management and contracting business along with winery contracting and management and making and selling Balnaves of Coonawarra wines. Kirsty is the Chair of the South Australian Wine Industry Association, on the Director Nominations Committee of the Stand Like Stone Foundation, Board member of the Penola and District Community Bank - Bendigo Bank and volunteer for Meals on Wheels. Kirsty was a member of the Coonawarra Vignerons' 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, Penola Netball Club, and Penola and District Medical Support Group.
Special responsibilities:	Community Investment and Property Committees
Name:	Sophie Jane Angus
Title:	Non-executive director
Qualifications:	B.Com., L.L.B. (with honours)
Experience and expertise:	Sophie has held various positions in the banking and finance sector and legal roles in Sydney and Adelaide including Senior Legal Counsel at Commonwealth Bank of Australia, Subject Matter Expert at AMP and Consultant at Piper Alderman. She has for many years part-owned and operated a number of medical and health related businesses. She has also volunteered her time on community not-for-profits boards including the governing council of the Penola Primary School and Penola Coonawarra Arts Festival.
Special responsibilities:	Company Secretary, Finance & Governance Committee
Name:	Mark Edwards
Title:	Non-executive director
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:	Deputy Chair, Finance & Governance Committee (Alternate) and Community Investment Committee

**Penola & District Financial Services Limited**  
**Directors' report**  
**30 June 2024**

Name: Lachlan Hamilton Heysen  
Title: Non-executive director  
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. Lachlan is currently a farmer.  
Special responsibilities: Treasurer, Finance & Governance Committee

Name: Amanda Skene Harrold  
Title: Non-executive director  
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

Name: Anna Copping  
Title: Non-executive director  
Experience and expertise: Current principal of Mulga Street Primary School, previous principal of Penola Primary School for 5 years. Worked at Penola Primary for 20 years as a teacher, coordinator and curriculum facilitator. Completed Bachelor of Education, also completing a Masters of Education in 2019 and was a participant in the Harvard School of Education-Leadership for School Excellence course. Active involvement in Penola Netball Club.  
Special responsibilities: Human Resources and Community Investment Committees

**Company secretary**

The company secretary is Sophie Jane Angus. Sophie was appointed to the position of company secretary on 4 November 2020.

**Principal activity**

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

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

**Review of operations**

The profit for the company after providing for income tax amounted to \$9,915 (30 June 2023: \$83,888).

Operations have continued to perform in line with expectations.

**Dividends**

No dividends were declared or paid in the current financial year.

**Significant changes in the state of affairs**

On 1 July 2023, Bendigo Bank updated the Funds Transfer Pricing (FTP) base rate on certain deposits which has reduced the income earned on these products.

In June 2024, the company renewed its franchise agreement for a further term of five-years, increasing the company's intangible assets by \$71,148.



**Penola & District Financial Services Limited**  
**Directors' report**  
**30 June 2024**

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

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

**Likely developments and expected results of operations**

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

**Environmental regulation**

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

**Meetings of directors**

The number of meetings of the company's board of Directors ('the board') and of each board committee held during the year ended 30 June 2024, and the number of meetings attended by each director were:

	Board		Finance & Governance Committee		Community Investment Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Shane McPherson	10	8	11	11	-	-
Kirsty Anne Balnaves	10	7	-	-	11	7
Sophie Jane Angus	9	8	11	11	-	-
Mark Edwards	10	10	-	-	9	9
Lachlan Hamilton Heysen	10	7	7	6	-	-
Amanda Skene Harrold	10	7	-	-	-	-
Anna Copping	7	5	-	-	11	10
			Human Resources Committee		Property Committee	
			Eligible	Attended	Eligible	Attended
Shane McPherson			10	7	1	1
Kirsty Anne Balnaves			-	-	1	1
Sophie Jane Angus			-	-	-	-
Mark Edwards			-	-	-	-
Lachlan Hamilton Heysen			-	-	-	-
Amanda Skene Harrold			9	9	-	-
Anna Copping			9	8	-	-

**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 22 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.

**Penola & District Financial Services Limited**  
**Directors' report**  
**30 June 2024**

**Directors' interests**

The interest in company shareholdings for each director are:

	Balance at the start of the year	Changes	Balance at the end of the year
Shane McPherson	4,001	-	4,001
Kirsty Anne Balnaves	42,001	-	42,001
Sophie Jane Angus	-	-	-
Mark Edwards	10,501	-	10,501
Lachlan Hamilton Heysen	-	-	-
Amanda Skene Harrold	-	-	-
Anna Copping	-	-	-

**Shares under option**

There were no unissued ordinary shares of the company under option outstanding at the date of this report.

**Shares issued on the exercise of options**

There were no ordinary shares of the company issued on the exercise of options during the year ended 30 June 2024 and up to the date of this report.

**Indemnity and insurance of directors and officers**

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance.

**Proceedings on behalf of the company**

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

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

**Indemnity and insurance of auditor**

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

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

**Non-audit services**

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non-audit services provided during the year are set out in note 23 to the accounts.

**Penola & District Financial Services Limited**  
**Directors' report**  
**30 June 2024**

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

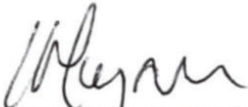
- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality, integrity and objectivity of the auditor
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

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

On behalf of the directors

  
\_\_\_\_\_  
Lachlan Heysen  
Director

17<sup>th</sup> September 2024



Andrew Frewin Stewart  
61 Bull Street Bendigo VIC 3550  
ABN: 65 684 604 390  
afs@afsbendigo.com.au  
03 5443 0344

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

As lead auditor for the audit of Penola & District Financial Services Limited for the year ended 30 June 2024, 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.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart', is positioned above the printed name.

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, Vic, 3550  
Dated: 17 September 2024

A handwritten signature in black ink, appearing to read 'Lachlan Tatt', is positioned above the printed name.

**Lachlan Tatt**  
Lead Auditor

**Penola & District Financial Services Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2024**

	Note	2024 \$	2023 \$
Revenue from contracts with customers	7	405,219	456,680
Other revenue	8	-	32,500
Total revenue		<u>405,219</u>	<u>489,180</u>
Employee benefits expense	9	(214,451)	(195,161)
Advertising and marketing costs		(9,591)	(7,002)
Occupancy and associated costs		(10,724)	(14,512)
System costs		(15,933)	(15,501)
Depreciation and amortisation expense	9	(44,419)	(44,435)
Finance costs	9	(11,061)	(11,835)
General administration expenses		(56,597)	(54,819)
Total expenses before community contributions and income tax expense		<u>(362,776)</u>	<u>(343,265)</u>
<b>Profit before community contributions and income tax expense</b>		42,443	145,915
Charitable donations and sponsorships expense		<u>(30,253)</u>	<u>(34,036)</u>
<b>Profit before income tax expense</b>		12,190	111,879
Income tax expense	10	<u>(2,275)</u>	<u>(27,991)</u>
<b>Profit after income tax expense for the year</b>		9,915	83,888
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u><u>9,915</u></u>	<u><u>83,888</u></u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	25	1.18	9.97
Diluted earnings per share	25	1.18	9.97

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



**Penola & District Financial Services Limited**  
**Statement of financial position**  
**As at 30 June 2024**

	Note	2024 \$	2023 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	200,867	151,754
Trade and other receivables	12	20,351	33,614
<b>Total current assets</b>		<u>221,218</u>	<u>185,368</u>
<b>Non-current assets</b>			
Property, plant and equipment	13	103,250	118,525
Right-of-use assets	14	158,402	171,986
Intangible assets	15	71,148	13,183
Deferred tax assets	10	136,534	138,809
<b>Total non-current assets</b>		<u>469,334</u>	<u>442,503</u>
<b>Total assets</b>		<u>690,552</u>	<u>627,871</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	38,076	25,260
Lease liabilities	17	24,632	13,359
Employee benefits		11,684	9,130
<b>Total current liabilities</b>		<u>74,392</u>	<u>47,749</u>
<b>Non-current liabilities</b>			
Trade and other payables	16	46,958	-
Lease liabilities	17	200,844	224,965
Employee benefits		6,954	3,915
Make good provision		4,401	4,154
<b>Total non-current liabilities</b>		<u>259,157</u>	<u>233,034</u>
<b>Total liabilities</b>		<u>333,549</u>	<u>280,783</u>
<b>Net assets</b>		<u>357,003</u>	<u>347,088</u>
<b>Equity</b>			
Issued capital	18	829,469	829,469
Accumulated losses		<u>(472,466)</u>	<u>(482,381)</u>
<b>Total equity</b>		<u>357,003</u>	<u>347,088</u>

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

**Penola & District Financial Services Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2024**

	<b>Issued capital \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
<b>Balance at 1 July 2022</b>	829,469	(566,269)	263,200
Profit after income tax expense	-	83,888	83,888
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	-	83,888	83,888
<b>Balance at 30 June 2023</b>	<u>829,469</u>	<u>(482,381)</u>	<u>347,088</u>
<b>Balance at 1 July 2023</b>	829,469	(482,381)	347,088
Profit after income tax expense	-	9,915	9,915
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	-	9,915	9,915
<b>Balance at 30 June 2024</b>	<u>829,469</u>	<u>(472,466)</u>	<u>357,003</u>

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

**Penola & District Financial Services Limited**  
**Statement of cash flows**  
**For the year ended 30 June 2024**

	Note	2024 \$	2023 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		461,780	523,724
Payments to suppliers and employees (inclusive of GST)		(373,951)	(364,255)
Interest and other finance costs paid		-	(20)
		<u>          </u>	<u>          </u>
Net cash provided by operating activities	24	<u>87,829</u>	<u>159,449</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		-	(2,190)
Payments for intangible assets		(14,230)	(13,184)
		<u>          </u>	<u>          </u>
Net cash used in investing activities		<u>(14,230)</u>	<u>(15,374)</u>
<b>Cash flows from financing activities</b>			
Interest and other finance costs paid		(10,859)	(11,372)
Repayment of lease liabilities		(13,627)	(12,408)
		<u>          </u>	<u>          </u>
Net cash used in financing activities		<u>(24,486)</u>	<u>(23,780)</u>
Net increase in cash and cash equivalents		49,113	120,295
Cash and cash equivalents at the beginning of the financial year		<u>151,754</u>	<u>31,459</u>
		<u>          </u>	<u>          </u>
Cash and cash equivalents at the end of the financial year	11	<u><u>200,867</u></u>	<u><u>151,754</u></u>

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

# Penola & District Financial Services Limited

## Notes to the financial statements

### 30 June 2024

#### Note 1. Reporting entity

The financial statements cover Penola & District Financial Services Limited (the company) as an individual entity, which is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 52 Church Street, Penola SA 5277.

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

#### 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 and are presented in Australian dollars, which is the company's functional and presentation currency.

The directors have a reasonable expectation that the company has adequate resources to pay its debts as and when they fall due for the foreseeable future. For these reasons, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 17 September 2024. The directors have the power to amend and reissue the financial statements.

#### Note 3. Material accounting policy information

The accounting policies that are material to the company are set out either in the respective notes or below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

##### Adoption of new and revised accounting standards

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current financial year. A description of the impact of new or amended Accounting Standards and Interpretations that have had a material impact on the company during the current financial year is outlined below:

*AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* is mandatory for annual reporting periods beginning on or after 1 January 2023 and was adopted by the company in the preparation of the 30 June 2024 financial statements.

AASB 2021-2 includes amendments to AASB 101 *Presentation of Financial Statements*, requiring the company to disclose material accounting policy information in its financial statements rather than significant accounting policies which was required in previous financial years. Accounting policy information is material if it, when considered with other information, could reasonably be expected to influence decisions of primary users based on the financial statements.

Adoption of AASB 2021-2 has had no impact on the numerical information disclosed in the company's financial statements. Rather, adoption has required the company to remove significant accounting policy information from the notes to the financial statements that is not considered material.

##### Accounting standards issued but not yet effective

An assessment of accounting standards and interpretations issued by the AASB that are not yet mandatorily applicable to the company has been performed. No new or amended Accounting Standards or Interpretations that are not mandatory have been early adopted, nor are they expected to have a material impact on the company in future financial years.

##### Current and non-current classification

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

**Penola & District Financial Services Limited**  
**Notes to the financial statements**  
**30 June 2024**

**Note 3. Material accounting policy information (continued)**

**Impairment of non-financial assets**

At each reporting date, the company reviews the carrying amounts of its tangible assets and intangible assets to determine whether there is any indication those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

If the recoverable amount of an asset 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.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

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

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. The directors continually evaluate their judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

The directors base their judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events that it believes to be reasonable under the circumstances. Differences between the accounting judgements and estimates and actual results and outcomes are accounted for in future reporting periods. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

**Judgements**

*Timing of revenue recognition associated with trail commission*

The company receives trailing commission from Bendigo Bank for products and services sold. Ongoing trailing commission payments are recognised on a monthly basis when earned as there is insufficient detail readily available to estimate the most likely amount of revenue without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission revenue is outside the control of the company.

*Allowance for expected credit losses*

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

The company has not recognised an allowance for expected credit losses in relation to trade and other receivables for the following reasons:

- 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.
- The credit risk (i.e. the risk that a customer will not make repayments) is for Bendigo Bank 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. The directors are not aware of any such non-compliance at balance date.
- 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 has not experienced any instances of default in relation to receivables owed to the company from Bendigo Bank.

*Impairment of non-financial assets*

The company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. The directors did not identify any impairment indications during the financial year.



**Penola & District Financial Services Limited**  
**Notes to the financial statements**  
**30 June 2024**

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

*Recovery of deferred tax assets*

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

*Lease term*

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term.

In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the's operations, comparison of terms and conditions to prevailing market rates, incurrence of significant penalties, existence of significant leasehold improvements and the costs and disruption to replace the asset. The reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

The company includes extension options applicable to the lease of branch premises in its calculations of both the right-of-use asset and lease liability except where the company is reasonably certain it will not 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 leased premises.

**Estimates and assumptions**

*Estimation of useful lives of assets*

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

*Incremental borrowing rate*

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

*Employee benefits provision*

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and inflation have been taken into account.

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.

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

*Lease make good provision*

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

**Penola & District Financial Services Limited**  
**Notes to the financial statements**  
**30 June 2024**

**Note 5. Economic dependency**

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank. The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry in June 2029.

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 Bendigo Bank to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

Bendigo Bank provides significant assistance in establishing and maintaining the Community Bank franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice and assistance in relation to:

- the design, layout and fit out of the Community Bank premises
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations
- providing payroll services.

**Note 6. Change to comparative figures**

*Calculation of right-of-use asset cost and accumulated depreciation*

On adoption of AASB 16 *Leases* on 1 July 2019, the company previously recognised the right-of-use asset cost and accumulated depreciation on a gross basis from the commencement of the lease as if AASB 16 had always been applied by the company.

During the financial year the company recorded a change in accounting policy, whereby it elected to recognise the right-of-use asset net of accumulated depreciation on initial adoption of AASB 16. The change in accounting policy had no impact on the company’s net profit or net asset position, however it did reduce the company’s right-of-use asset cost and accumulated depreciation at 30 June 2023 by \$77,492.

**Note 7. Revenue from contracts with customers**

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Margin income	236,022	293,124
Fee income	17,598	17,436
Commission income	151,599	146,120
	<u>405,219</u>	<u>456,680</u>

**Penola & District Financial Services Limited**  
**Notes to the financial statements**  
**30 June 2024**

**Note 7. Revenue from contracts with customers (continued)**

*Accounting policy for 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, as follows:

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

All revenue is stated net of the amount of GST. There was no revenue from contracts with customers recognised over time during the financial year.

*Revenue calculation*

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

*Margin income*

Margin on core banking products is arrived at through the following calculation:

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

The company is entitled to a share of the margin earned by Bendigo Bank. If this reflects a loss, the company incurs a share of that loss.

*Commission income*

Commission income is generated from the sale of products and services. This commission is recognised at a point in time which reflects when the company has fulfilled its performance obligation. Refer to Note 4 for further information regarding key judgements applied by the directors in relation to the timing of revenue recognition from trail commission.

*Fee income*

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank 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.

**Penola & District Financial Services Limited**  
**Notes to the financial statements**  
**30 June 2024**

**Note 7. 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.

**Note 8. Other revenue**

	2024 \$	2023 \$
Market development fund	-	32,500

*Accounting policy for market development fund*

In previous years Bendigo Bank made market development fund (MDF) payments to the company, which has been based on the volume of business attributed to a branch. Bendigo Bank ceased the MDF during the previous year and therefore the company did not receive any contributions during the current financial year.

**Note 9. Expenses**

**Employee benefits expense**

	2024 \$	2023 \$
Wages and salaries	180,025	164,317
Superannuation contributions	19,421	16,958
Expenses related to long service leave	3,039	3,252
Other expenses	11,966	10,634
	<u>214,451</u>	<u>195,161</u>

**Depreciation and amortisation expense**

	2024 \$	2023 \$
<i>Depreciation of non-current assets</i>		
Leasehold improvements	14,192	14,246
Plant and equipment	1,083	1,468
	<u>15,275</u>	<u>15,714</u>
<i>Depreciation of right-of-use assets</i>		
Leased land and buildings	15,961	15,537
<i>Amortisation of intangible assets</i>		
Franchise fee	2,197	2,196
Franchise renewal fee	10,986	10,988
	<u>13,183</u>	<u>13,184</u>
	<u>44,419</u>	<u>44,435</u>

**Penola & District Financial Services Limited**  
**Notes to the financial statements**  
**30 June 2024**

**Note 9. Expenses (continued)**

**Finance costs**

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Bank overdraft interest paid or accrued	-	20
Lease interest expense	10,859	11,732
Unwinding of make-good provision	202	83
	<u>11,061</u>	<u>11,835</u>

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

**Leases recognition exemption**

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Expenses relating to low-value leases	<u>4,315</u>	<u>4,829</u>

**Charitable donations, sponsorships and grants**

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Direct donation, sponsorship and grant payments	<u>30,253</u>	<u>34,036</u>

**Note 10. Income tax**

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
<i>Income tax expense</i>		
Movement in deferred tax	(4,566)	(5,264)
Recoupment of prior year tax losses	7,885	33,255
Under/over provision in respect to prior years	(1,044)	-
Aggregate income tax expense	<u>2,275</u>	<u>27,991</u>
<i>Prima facie income tax reconciliation</i>		
Profit before income tax expense	<u>12,190</u>	<u>111,879</u>
Tax at the statutory tax rate of 25%	3,048	27,970
Tax effect of:		
Non-deductible expenses	271	21
Under/over provision in respect to prior years	(1,044)	-
Income tax expense	<u>2,275</u>	<u>27,991</u>



**Penola & District Financial Services Limited**  
**Notes to the financial statements**  
**30 June 2024**

**Note 10. Income tax (continued)**

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
<i>Deferred tax assets/(liabilities)</i>		
Employee benefits	4,660	3,261
Provision for lease make good	1,100	1,039
Accrued expenses	1,050	1,000
Lease liabilities	56,369	59,581
Right-of-use assets	(39,601)	(42,997)
Carried-forward tax losses	110,364	117,205
Property, plant and equipment	2,592	(280)
	<u>136,534</u>	<u>138,809</u>
Deferred tax asset		

*Accounting policy for income tax*

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

*Accounting policy for deferred tax*

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.

**Note 11. Cash and cash equivalents**

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and on hand	<u>200,867</u>	<u>151,754</u>

**Note 12. Trade and other receivables**

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	14,002	30,041
Prepayments	6,349	3,573
	<u>20,351</u>	<u>33,614</u>

*Accounting policy for trade and other receivables*

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

**Penola & District Financial Services Limited**  
**Notes to the financial statements**  
**30 June 2024**

**Note 13. Property, plant and equipment**

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Leasehold improvements - at cost	227,824	227,824
Less: Accumulated depreciation	<u>(131,771)</u>	<u>(117,579)</u>
	<u>96,053</u>	<u>110,245</u>
Plant and equipment - at cost	28,529	34,908
Less: Accumulated depreciation	<u>(21,332)</u>	<u>(26,628)</u>
	<u>7,197</u>	<u>8,280</u>
	<u><u>103,250</u></u>	<u><u>118,525</u></u>

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

	Leasehold improvements \$	Plant and equipment \$	Total \$
Balance at 1 July 2022	124,491	7,558	132,049
Additions	-	2,190	2,190
Depreciation	<u>(14,246)</u>	<u>(1,468)</u>	<u>(15,714)</u>
Balance at 30 June 2023	110,245	8,280	118,525
Depreciation	<u>(14,192)</u>	<u>(1,083)</u>	<u>(15,275)</u>
Balance at 30 June 2024	<u><u>96,053</u></u>	<u><u>7,197</u></u>	<u><u>103,250</u></u>

*Accounting policy for property, plant and equipment*

Property, plant and equipment are measured at cost or fair value as applicable, less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Leasehold Improvements	6 to 16 years
Plant and equipment	1 to 40 years

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

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

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

**Note 14. Right-of-use assets**

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Land and buildings - right-of-use	237,291	234,914
Less: Accumulated depreciation	<u>(78,889)</u>	<u>(62,928)</u>
	<u><u>158,402</u></u>	<u><u>171,986</u></u>

**Penola & District Financial Services Limited**  
**Notes to the financial statements**  
**30 June 2024**

**Note 14. Right-of-use assets (continued)**

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

	Land and buildings \$
Balance at 1 July 2022	185,149
Remeasurement adjustments	2,374
Depreciation expense	<u>(15,537)</u>
Balance at 30 June 2023	171,986
Remeasurement adjustments	2,377
Depreciation expense	<u>(15,961)</u>
Balance at 30 June 2024	<u><u>158,402</u></u>

*Accounting policy for right-of-use assets*

Right-of-use assets are 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.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease. Right-of-use assets are subject to impairment and are adjusted for any remeasurement of lease liabilities.

Refer to note 17 for more information on lease arrangements.

**Note 15. Intangible assets**

	2024 \$	2023 \$
Franchise fee	32,845	20,987
Less: Accumulated amortisation	<u>(20,987)</u>	<u>(18,790)</u>
	<u>11,858</u>	<u>2,197</u>
Franchise renewal fee	114,222	54,932
Less: Accumulated amortisation	<u>(54,932)</u>	<u>(43,946)</u>
	<u>59,290</u>	<u>10,986</u>
	<u><u>71,148</u></u>	<u><u>13,183</u></u>

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

	Franchise fee \$	Franchise Renewal Fee \$	Total \$
Balance at 1 July 2022	4,393	21,974	26,367
Amortisation expense	<u>(2,196)</u>	<u>(10,988)</u>	<u>(13,184)</u>
Balance at 30 June 2023	2,197	10,986	13,183
Additions	11,858	59,290	71,148
Amortisation expense	<u>(2,197)</u>	<u>(10,986)</u>	<u>(13,183)</u>
Balance at 30 June 2024	<u><u>11,858</u></u>	<u><u>59,290</u></u>	<u><u>71,148</u></u>

**Penola & District Financial Services Limited**  
**Notes to the financial statements**  
**30 June 2024**

**Note 15. Intangible assets (continued)**

*Additions*

During the financial year, the franchise fee was renewed. It is to be amortised over five years to June 2029.

*Accounting policy for intangible assets*

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

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

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

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>	<u>Expiry/renewal date</u>
Franchise fee	Straight-line	Over the franchise term (5 years)	June 2029
Franchise renewal fee	Straight-line	Over the franchise term (5 years)	June 2029

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

*Change in estimates*

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

**Note 16. Trade and other payables**

	<b>2024</b>	<b>2023</b>
	\$	\$
<i>Current liabilities</i>		
Trade payables	9,147	14,290
Other payables and accruals	<u>28,929</u>	<u>10,970</u>
	<u><b>38,076</b></u>	<u><b>25,260</b></u>
<i>Non-current liabilities</i>		
Other payables and accruals	<u>46,958</u>	<u>-</u>
	<b>2024</b>	<b>2023</b>
	\$	\$
<i>Financial liabilities at amortised cost classified as trade and other payables</i>		
Total trade and other payables	85,034	25,260
less other payables and accruals (net GST payables to the ATO)	<u>(1,012)</u>	<u>(12,542)</u>
	<u><b>84,022</b></u>	<u><b>12,718</b></u>

**Penola & District Financial Services Limited**  
**Notes to the financial statements**  
**30 June 2024**

**Note 17. Lease liabilities**

	2024 \$	2023 \$
<i>Current liabilities</i>		
Land and buildings lease liabilities	<u>24,632</u>	<u>13,359</u>
<i>Non-current liabilities</i>		
Land and buildings lease liabilities	<u>200,844</u>	<u>224,965</u>
<i>Reconciliation of lease liabilities</i>		
	2024 \$	2023 \$
Opening balance	238,324	250,372
Remeasurement adjustments	779	-
Lease interest expense	10,859	11,732
Lease payments - total cash outflow	<u>(24,486)</u>	<u>(23,780)</u>
	<u>225,476</u>	<u>238,324</u>

*Accounting policy for lease liabilities*

A lease liability is recognised at the commencement date of a lease. The lease liability is initially measured at the present value of the lease payments to be made over the term of the lease, including renewal options if the company is reasonably certain to exercise such options, discounted using the company's incremental borrowing rate.

The company has applied the following accounting policy choices in relation to lease liabilities:

- The company has elected not to separate lease and non-lease components when calculating the lease liability for property leases.
- The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases and low-value assets, which include the company's lease of information technology equipment. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The company's lease portfolio includes:

Lease	Discount rate	Non-cancellable term	Renewal options available	Reasonably certain to exercise options	Lease term end date used in calculations
Penola Branch	4.79%	5 years	1 x 5 years	Yes	May 2034

**Note 18. Issued capital**

	2024 Shares	2023 Shares	2024 \$	2023 \$
Ordinary shares - fully paid	841,329	841,329	841,329	841,329
Less: Equity raising costs	-	-	<u>(11,860)</u>	<u>(11,860)</u>
	<u>841,329</u>	<u>841,329</u>	<u>829,469</u>	<u>829,469</u>

*Accounting policy for issued capital*

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

**Penola & District Financial Services Limited**  
**Notes to the financial statements**  
**30 June 2024**

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

***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 190. As at the date of this report, the company had 199 shareholders (2023: 199 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 their associates) has a prohibited shareholding interest in 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.

**Penola & District Financial Services Limited**  
**Notes to the financial statements**  
**30 June 2024**

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

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

**Note 19. Capital management**

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

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

The distribution limit is the greater of:

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

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

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

**Note 20. Financial risk management**

***Financial risk management objectives***

The company's financial instruments include trade receivables and payables, cash and cash equivalents and lease liabilities. The company does not have any derivatives.

The directors are responsible for monitoring and managing the financial risk exposure of the company, to which end it monitors the financial risk management policies and exposures and approves financial transactions within the scope of its authority.

The directors have identified that the only significant financial risk exposures of the company are liquidity and market (price) risk. Other financial risks are not significant to the company due to the following factors:

- The company has no foreign exchange risk as all of its account balances and transactions are in Australian Dollars.
- 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, Bendigo Bank is rated BBB+ on Standard & Poor's credit ratings.
- The company has no direct exposure to movements in commodity prices.
- The company's interest-bearing instruments are held at amortised cost which have fair values that approximate their carrying value since all cash and payables have maturity dates within 12 months.
- The company has no borrowings.

Further details regarding the categories of financial instruments held by the company that hold such exposure are detailed below.

**Penola & District Financial Services Limited**  
**Notes to the financial statements**  
**30 June 2024**

**Note 20. Financial risk management (continued)**

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
<b>Financial assets at amortised cost</b>		
Trade and other receivables (note 12)	14,002	30,041
Cash and cash equivalents (note 11)	200,867	151,754
	<u>214,869</u>	<u>181,795</u>
<b>Financial liabilities</b>		
Trade and other payables (note 16)	84,022	12,718
Lease liabilities (note 17)	225,476	238,324
	<u>309,498</u>	<u>251,042</u>

At balance date, the fair value of financial instruments approximated their carrying values.

*Accounting policy for financial instruments*

**Financial assets**

*Classification*

The company classifies its financial assets at amortised cost.

*Derecognition*

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

*Impairment of trade and other receivables*

Impairment of trade receivables is determined using the simplified approach which uses an estimation of lifetime expected credit losses. The company has not recognised an allowance for expected credit losses in relation to trade and other receivables. Refer to note 4 for further information.

**Financial liabilities**

*Classification*

The company classifies its financial liabilities at amortised cost.

*Derecognition*

A financial liability is derecognised then it is extinguished, cancelled or expires.

**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.

Interest-bearing assets and liabilities are held with Bendigo Bank and earnings on those subject to movements in market interest rates. Interest-rate risk could also arise from long-term borrowings. The company held cash and cash equivalents of \$200,867 at 30 June 2024 (2023: \$151,754).

**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.

**Liquidity risk**

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.



**Penola & District Financial Services Limited**  
**Notes to the financial statements**  
**30 June 2024**

**Note 20. Financial risk management (continued)**

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

	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>2024</b>				
Trade and other payables	37,064	46,958	-	84,022
Lease liabilities	25,221	108,680	150,910	284,811
Total non-derivatives	<u>62,285</u>	<u>155,638</u>	<u>150,910</u>	<u>368,833</u>
	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>2023</b>				
Trade and other payables	12,718	-	-	12,718
Lease liabilities	24,486	105,515	180,798	310,799
Total non-derivatives	<u>37,204</u>	<u>105,515</u>	<u>180,798</u>	<u>323,517</u>

**Note 21. Key management personnel disclosures**

The following persons were directors of Penola & District Financial Services Limited during the financial year and/or up to the date of signing of these Financial Statements

Shane McPherson	Amanda Skene Harrold
Kirsty Anne Balnaves	Anna Copping
Sophie Jane Angus	Lachlan Hamilton Heysen
Mark Edwards	

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

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

**Note 22. Related party transactions**

*Key management personnel*

Disclosures relating to key management personnel are set out in note 21.

*Receivable from and payable to related parties*

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

*Terms and conditions of transactions with related parties*

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*

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

**Penola & District Financial Services Limited**  
**Notes to the financial statements**  
**30 June 2024**

**Note 23. Remuneration of auditors**

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

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services</i>		
Audit or review of the financial statements	6,450	5,400
<i>Other services</i>		
Taxation advice and tax compliance services	700	860
General advisory services	3,070	3,520
Share registry services	2,310	2,100
	<u>6,080</u>	<u>6,480</u>
	<u><u>12,530</u></u>	<u><u>11,880</u></u>

**Note 24. Reconciliation of profit after income tax to net cash provided by operating activities**

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Profit after income tax expense for the year	9,915	83,888
Adjustments for:		
Depreciation and amortisation	44,419	44,435
Lease liabilities interest	10,859	11,732
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	13,263	(12,427)
Decrease in deferred tax assets	2,275	27,991
Increase/(decrease) in trade and other payables	1,303	(1,800)
Increase in employee benefits	5,593	5,547
Increase in other provisions	202	83
Net cash provided by operating activities	<u><u>87,829</u></u>	<u><u>159,449</u></u>

**Note 25. Earnings per share**

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Profit after income tax	<u><u>9,915</u></u>	<u><u>83,888</u></u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u><u>841,329</u></u>	<u><u>841,329</u></u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u><u>841,329</u></u>	<u><u>841,329</u></u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	1.18	9.97
Diluted earnings per share	1.18	9.97

**Penola & District Financial Services Limited**  
**Notes to the financial statements**  
**30 June 2024**

**Note 25. Earnings per share (continued)**

*Accounting policy for earnings per share*

Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of Penola & District Financial Services Limited, by the weighted average number of ordinary shares outstanding during the financial year.

**Note 26. Commitments**

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

**Note 27. Contingencies**

There were no contingent liabilities or contingent assets at the date of this report.

**Note 28. Events after the reporting period**

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

**Penola & District Financial Services Limited**  
**Directors' declaration**  
**30 June 2024**

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in the notes to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- the company does not have any controlled entities and is not required by the Accounting Standards to prepare consolidated financial statements. Therefore, a consolidated entity disclosure statement has not been included as section 295(3A)(a) of the *Corporations Act 2001* does not apply to the entity.

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

On behalf of the directors



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Lachlan Heysen  
Director

17<sup>th</sup> September 2024



Andrew Frewin Stewart  
61 Bull Street Bendigo VIC 3550  
ABN: 65 684 604 390  
afs@afsbendigo.com.au  
03 5443 0344

# 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 (the company), which comprises:

- Statement of financial position as at 30 June 2024
- Statement of profit or loss and other comprehensive income for the year then ended
- Statement of changes in equity for the year then ended
- Statement of cash flows for the year then ended
- Notes to the financial statements, including material accounting policies
- The directors' declaration.

In our opinion, the accompanying financial report of Penola & District 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 2024 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.



Andrew Frewin Stewart  
61 Bull Street Bendigo VIC 3550  
ABN: 65 684 604 390  
afs@afsbendigo.com.au  
03 5443 0344

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## Other Information

The directors are responsible for the other information. The other information comprises the information included in the company's annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information 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, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## 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.



Andrew Frewin Stewart  
61 Bull Street Bendigo VIC 3550  
ABN: 65 684 604 390  
afs@afsbendigo.com.au  
03 5443 0344

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart', is positioned above the name and address.

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, Vic, 3550  
Dated: 17 September 2024

A handwritten signature in black ink, appearing to read 'Lachlan Tatt', is positioned above the name and title.

**Lachlan Tatt**  
Lead Auditor

Community Bank - Penola & District  
52 Church Street,  
Penola SA 5277  
Phone: 8737 2400  
Email: [9523@bendigoadelaide.com.au](mailto:9523@bendigoadelaide.com.au)  
Web: [bendigobank.com.au/penola](http://bendigobank.com.au/penola)

Franchisee: Penola & District Financial Services Limited  
ABN: 76 165 281 854  
52 Church Street, Penola SA 5277  
Phone: 8737 2400  
Email: [board@penoladfs.com.au](mailto:board@penoladfs.com.au)

Share Registry:  
AFS & Associates Pty Ltd  
PO Box 454, Bendigo VIC 3552  
Phone: 5443 0344  
Fax: 5443 5304  
Email: [shareregistry@afsbendigo.com.au](mailto:shareregistry@afsbendigo.com.au)

 /communitybankpenola

 **Bendigo Bank**