

PENOLA & DISTRICT  
FINANCIAL SERVICES LTD  
ABN 76 165 281 854

# ANNUAL REPORT 2015

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# CHAIRMAN'S REPORT

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FOR YEAR ENDING 30 JUNE 2015

On behalf of the Board I am very pleased to present our second Annual Report which covers our first full year of operations.

When we reflect on our achievements as compared to our original plans and forecasts there is no doubt we have had a successful first year.

We have created and established a new business, a new bank in the district, we have created five new jobs, occupied a previously empty building, are providing superior banking services to an ever increasing number of customers and have, in accordance with the **Community Bank®** philosophy contributed over \$12,000 into our community for the year.

This is an outstanding achievement.

As with all new business we have experienced our ups and downs. As we have become established, our staff have settled into their roles and the community has come to realise that we really are here and here to stay.

In terms of business, our banking volumes were broadly in line with the original Feasibility Study projections which is a pleasing result. However, the current low interest rate environment has resulted in lower than forecast margins and income being generated from those volumes.

All these achievements come as result of significant contributions from within our community and I want acknowledge and thank my fellow Directors who have volunteered so much of their time and energy and skills.

I would also like to thank our staff for their great customer service and enthusiastic commitment to the business and the **Community Bank®** concept, our shareholders and customers for their belief in us and support as wells as our business partners at Bendigo and Adelaide Bank for their support and guidance.

We look forward to another successful year as we continue our growth and progress towards profitability.

The **Community Bank®** concept is simple. The more banking business that is directed to the **Community Bank®** branch, the stronger it becomes and the bigger contributions it can make to the community.

We look to the continuing and growing support within the community to make



**Mark Edwards**

**Chairman**

# MANAGER'S REPORT

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FOR YEAR ENDING 30 JUNE 2015

It gives me great pleasure to be presenting the Annual Report for 2014/15.

It has been a great first year for our business and staff as we have embarked upon a journey that has enabled us to assist and contribute to different areas of the local community as part of the banking vision that we can support and benefit those within our district.

We have been able to support Schools, Sporting clubs, Arts, Community groups and Health groups in our first year.

We have experienced a successful first 12 months with our growth goals very close to the targets set in the original feasibility study.

However this does not mean we can sit back and be satisfied as we need to continue to grow and expand our business to enable our level of contribution back to the Community to continue and grow. To continue this growth we need everyone's support. I am asking you to believe in the brand and the community outcomes it can achieve as evidenced in the first 12 months.

We are on the lookout for business to help us become a bigger and stronger banking force in our wider community.

I would like to thank my staff for a wonderful year. We had a year of changes, learning and laughter along the way as we all learnt new roles. They have made my job a lot easier and I am proud of the way we have developed as a team.

To Mark and the Board, thank you from all of us. For you too it has been a challenging first year and I thank you for your support and encouragement as we strive to achieve our goals.



**Michael Mourbey**  
**Branch Manager**

# Bendigo and Adelaide Bank report

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For year ending 30 June 2015

In the 2015 financial year, the **Community Bank**<sup>®</sup> network opened its 310th branch and community contributions since the model's inception exceed \$130 million. Both of these achievements could not have been achieved without your ongoing support as a shareholder, customer and advocate of what is a truly unique way of banking for the benefit of your local community.

Local communities continue to embrace the **Community Bank**<sup>®</sup> model, a banking movement founded on the simple belief that successful customers and successful communities create a successful bank.

Seventeen years later communities are still approaching us and the model is as robust and relevant as ever, however a review of what we were doing, why and how we could do it better was timely.

During an 18 month period the Bank, in partnership with the **Community Bank**<sup>®</sup> network, undertook a comprehensive review of the **Community Bank**<sup>®</sup> model. Project Horizon was the largest single engagement process ever undertaken by our organisation.

As a result, a focus for the next 18 months will be the implementation of 64 recommendations. What was overwhelmingly obvious is that our **Community Bank**<sup>®</sup> network, and our Bank, care deeply about what has been developed and in what the future holds for the network.

In the early days of **Community Bank**<sup>®</sup> development, the **Community Bank**<sup>®</sup> model was seen as a way to restore branch banking services to rural towns, regional cities and metropolitan suburbs after the last of the banks closed their doors.

Today, although the focus is still about providing banking services, there is perhaps an even greater interest in the way in which the model creates a successful community enterprise used to effectively, and sustainably, build community capacity.

In October 2014, we welcomed **Community Bank**<sup>®</sup> branches in Bacchus Marsh, Kilmore, Maffra, Kwinana and Nubeena. All of these branches join a strong and mature banking network where valued partnerships enhance banking services, taking the profits their banking business generates and reinvesting that funding into initiatives to ultimately strengthen their community.

Following consultation with local residents and business owners responding to other banks reducing their branch presence, Aldinga Beach **Community Bank**<sup>®</sup> Branch opened the Willunga Customer Service Centre in April 2015, providing a full banking service to local people five days a week.

The **Community Bank**<sup>®</sup> model is a great example of shared value and was centre stage at an international Shared Value conference in the United States earlier this year.

Funding generated by **Community Bank**<sup>®</sup> branches support projects that make a difference to a community. But no matter how big or small the place people call home, the **Community Bank**<sup>®</sup> network recognises that when they act as one, powered by the good that money can bring, bigger things can happen for local towns, regions and states.

In WA, a \$125,000 commitment to Ronald McDonald House by Collie & Districts **Community Bank**<sup>®</sup> Branch resulted in a further \$125,000 from 21 branches (both community and company owned) in the state.

In QLD, Longreach farming families are now feeding their stock thanks to a dedicated Rotary Club and financial contributions from 16 **Community Bank**<sup>®</sup> (and company) branches.

Across regional and rural NSW, young people are today better drivers thanks to a driver education program supported by **Community Bank**<sup>®</sup> branches and across Australia, 58 young people headed off to their first year of university with the help of a **Community Bank**<sup>®</sup> scholarship.

# Bendigo and Adelaide Bank report (continued)

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Interest in the **Community Bank**<sup>®</sup> model remains strong, with 20 **Community Bank**<sup>®</sup> sites currently in development and a further six **Community Bank**<sup>®</sup> branches expected to open nationally during the next 12 months.

The network's steady expansion demonstrates the strength and relevance of a banking model where the desire to support the financial needs of customers is equalled by the desire to support the community with the good that money can bring.

By the end of the financial year 2014/15 the **Community Bank**<sup>®</sup> network achieved the following:

- Returns to community – over \$130 million since the model's inception
- **Community Bank**<sup>®</sup> branches – 310
- **Community Bank**<sup>®</sup> branch staff – more than 1,500
- **Community Bank**<sup>®</sup> company Directors – 1,946
- Banking business – \$28.79 billion
- Customers – 699,000
- Shareholders – 74,393
- Dividends paid to shareholders since inception – \$38.6 million

The communities we partner with also have access to the Bank's extensive range of other community building solutions including Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco<sup>®</sup> Australia (telecommunications solution), tertiary education scholarships and community enterprises that provide **Community Bank**<sup>®</sup> companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank**<sup>®</sup> company has a committed and strong partner and over the last financial year our company has continued its solid performance. Our Bank continues to be rated at least "A-" by Standard & Poor's, Moody's and Fitch in recognition of its strong performance in the face of what continues to be a challenging economic environment.

Our **Community Bank**<sup>®</sup> partners played an integral role in the Bank's involvement in the Financial Systems Inquiry, lobbying their local Federal Government representatives and calling for a level playing field.

Recent APRA announcements regarding changes to risk weights on mortgages will positively impact our Bank – providing customers with a level playing field by giving them more choice from a wider variety of financial providers.

Thanks to the efforts of our people, our peers and **Community Bank**<sup>®</sup> partners, we're starting to see the benefits. In continuing to take a collaborative approach, we act as one network driving positive outcomes for all Australians.

As **Community Bank**<sup>®</sup> company shareholders you are part of a unique banking movement.

The model offers an alternative way to think about banking and the role banks play in modern society, and because of your support there really is no limit to what can be achieved for local people and the communities in which you live.

Thank you for your ongoing support of your local **Community Bank**<sup>®</sup> branch.



**Robert Musgrove**  
**Executive Community Engagement**

**Penola & District Financial Services Limited**  
**ABN 76 165 281 854**  
**Directors' Report**

Your directors submit the financial statements of the company for the financial year ended 30 June 2015.

**Directors**

The names and details of the company's directors who held office during or since the end of the financial year:

**Mark Edwards**

Chairman

Occupation: Retired

Qualifications, experience and expertise: Wide ranging Banking and Credit Cooperative experience over 40+ years. Currently Independent Chair of Coonawarra Grape and Wine Incorporated. Current Member of Penola Golf Club. Current Committee member of Penola Racing Club Inc.

Special responsibilities: Human Resources Committee and Due Diligence Committee

Interest in shares: 10,501

**Peter Hans-Erich Muller**

Director

Occupation: Retired

Qualifications, experience and expertise: Principal of Penola High School for 20 years, a Wattle Range Councillor for 4 years, Chairman of Penola War Memorial Hospital for 7 years, Chairman of Penola Coonawarra Arts Festival for 9 years and a member of Penola Lions for 22 years. Peter holds Bachelor of Arts and Bachelor of Education degrees and is a life member of the Australian College of Educators. He has numerous teaching and administrative positions during his 35 year career with the SA Education Department. He has been a resident of Penola for 33 years and in retirement manages the family's small vineyard. Peter received Penola's Australia Day Citizen Award in 2006 and was awarded a Melvin Jones Fellowship by his Lions Club in 2010.

Special responsibilities: Finance Committee

Interest in shares: 3,001

**Shane McPherson**

Director

Occupation: Retailer

Qualifications, experience and expertise: I spent 10 years as a Butcher and Meat Wholesaler and the last 25 years as owner operator of Penola IGA Supermarket. I am currently an executive member of the Lions Club Penola. Member of Penola Business Association. Current Member of the Penola Golf Club. Past Chairman Mary Mackillop School Board.

Special responsibilities: Property Committee and Community Investment Committee

Interest in shares: 4,001

**Kirsty Anne Balnaves**

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, member of the Penola and District Medical Support Group, volunteer for Meals on Wheels and active in the Penola Primary School community - although she is never asked to cook! 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 and Penola Netball Club. As with all of the Balnaves clan, Kirsty juggles work, family and community to achieve a happy and balanced life here in Coonawarra. Her weekends involve spending time with partner Will and their daughters Ellie and Annie

Special responsibilities: Community Investment Committee

Interest in shares: 42,001

**Michael John Palm**

Director

Occupation: Stock Agent

Qualifications, experience and expertise: Director of PPHS Livestock & Real Estate for 20 years. Employed in Livestock industry for 35 years. Numerous years on Penola Football Club Committee. 2 years as President 2011, 2012. Current Committee member Penola Racing Club. Real Estate Managers Licence.

Special responsibilities: Community Investment Committee and Business Development Committee

Interest in shares: 81,001

**Penola & District Financial Services Limited**  
**ABN 76 165 281 854**  
**Directors' Report**

**Directors (continued)**

Sandra Lynne Young

Director

Occupation: Farmer

Qualifications, experience and expertise: Sandra holds a B. Pharmacy and MSc of Forensic Sc and has spent 31 years in the family farm business. She ran a Pharmacy business in Millicent for 8 years. Sandra has held a number of positions in the community such as Mary Mackillop Memorial School, Penola Scouts for 11 years, Kalangadoo Uniting Church, Penola Catholic Parish, Kalangadoo Women in Agriculture & Business, Community Action for Sustainability & Kalangadoo Farmer's Market. Community Banking is part of being a sustainable community, which is Sandra's passion.

Special responsibilities: Treasurer, Finance and Due Diligence Committee

Interest in shares: 5,001

William James Murray

Director

Occupation: Consultant

Qualifications, experience and expertise: Bill was initially employed at Struan Beef Cattle Research Centre in 1965, graduated to property management, then in 1983 owned, managed and developed the Company known as Vivco Penola. He was then appointed National Viticulture Manager for the Lama Group. Bill has held numerous roles in community organisations, representing Penola district in the first amalgamated Wattle Range Council for six years. he has been an active member of Lions, Show Society, Penola Pipe Band, Penola Ratepayers Association and Penola Medical Support Group. He is a current director of Penola Investments, owner/manager of The Alexander Cameron Suites, a local motel. In the 2015 Queen's Birthday Honours list he was awarded the OAM for his services to the community.

Special responsibilities: Business Development and Human Resources and Property Committee

Interest in shares: 5,001

Jennifer Margaret Smibert

Director

Occupation: Kindergarten Director

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 - Early Childhood Education (Registered Teacher). Health Promotion work with South East Regional Community Health.

Special responsibilities: Human Resources Committee

Interest in shares: 36,251

Angela Foster

Director (*Appointed 27 November 2014*)

Occupation: Administration

Qualifications, experience and expertise: Varied roles in banking and administration over last 30 years. Past involvement with Mary MacKillop Memorial School, Penola High School and Penola Netball Club. Current treasurer of Penola Coonawarra Arts Festival Inc.

Special responsibilities: Treasurer and Finance Committee

Interest in shares: 5,000

Stuart John Howard Sharman

Director (*Appointed 26 March 2015*)

Occupation: Vineyard Manager

Qualifications, experience and expertise: Bachelor Business: Agricultural Commerce, Sydney University. Diploma Farm management, Lincoln University. Nuffield Scholar. Penola Primary School, Governing Council 2008 - Current. Coonawarra CFS, secretary 2006 - Current.

Special responsibilities:

Interest in shares: 1,000

Terrence James Ey

Director (*Resigned 5 September 2014*)

Occupation: Retired

Qualifications, experience and expertise: Born and educated in Penola and later completed secondary school in Adelaide. Employed by family contracting company until joining the Northern Territory Police Force, remaining in the service for 28 years and obtaining rank of superintendent. The majority of my career was in Command positions which included personnel and significant fiscal responsibilities. In retirement my wife and I returned to Coonawarra to the family property. I am currently a life member of the Penola Sports club and a member of the Coonawarra Community Club.

Special responsibilities:

Interest in shares: 1



**Penola & District Financial Services Limited**  
**ABN 76 165 281 854**  
**Directors' Report**

**Directors (continued)**

John Ritchie Rymill

Director (*Resigned 24 July 2014*)

Occupation: Managing Director of Rymill Coonawarra

Qualifications, experience and expertise: Managing Director of Rymill Coonawarra for 5.5 years, a local wine business employing over 30 local people. Former Captain of Penola CFS Brigade. Past President of Coonawarra Vignerons Association. Member of Inaugural Coonawarra Grape & Wine Incorporated Board.

Special responsibilities: Nil

Interest in shares: 10,001

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

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

**Company Secretary**

The company secretary is Peter Hans-Erich Muller. Peter was appointed to the position of secretary on 13 August 2013.

Qualifications, experience and expertise: Peter holds Bachelor of Arts and Bachelor of Education degrees and is a life member of the Australian College of Educators. He has numerous teaching and administrative positions during his 35 year career with the SA Education Department.

**Principal Activities**

The principal activities of the company during the financial year were facilitating **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

The company accepted responsibility of the Naracoorte Agency for two years commencing the 1 May 2015. Bendigo and Adelaide Bank Limited are to cover the costs of the Agency for the first two years.

There have been no other significant changes in the nature of these activities during the year.

**Operating results**

Operations have continued to perform in line with expectations. The loss of the company for the financial year after provision for income tax was:

Year ended 30 June 2015	Year ended 30 June 2014
\$	\$
(203,761)	(41,674)

**Remuneration report**

Directors' remuneration

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.

Transactions with directors

Grocery products purchased from the Penola IGA managed by Shane McPherson

\$  
236

**Penola & District Financial Services Limited**  
**ABN 76 165 281 854**  
**Directors' Report**

**Remuneration report (continued)**

**Directors' shareholdings**

	Balance at start of the year	Changes during the year	Balance at end of the year
Mark Edwards	10,501	-	10,501
Peter Hans-Erich Muller	3,001	-	3,001
Shane McPherson	4,001	-	4,001
Kirsty Anne Balnaves	42,001	-	42,001
Michael John Palm	81,001	-	81,001
Sandra Lynne Young	5,001	-	5,001
William James Murray	5,001	-	5,001
Jennifer Margaret Smibert	36,251	-	36,251
Stuart John Howard Sharman ( <i>Appointed 26 March 2015</i> )	1,000	-	1,000
Angela Foster ( <i>Appointed 27 November 2014</i> )	5,000	-	5,000
Terrence James Ey ( <i>Resigned 5 September 2014</i> )	1	-	1
John Ritchie Rymill ( <i>Resigned 24 July 2014</i> )	10,001	-	10,001

**Community Bank® Directors' Privileges Package**

The board has adopted the **Community Bank®** Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank®** branch at Penola, South Australia. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the Directors from the Directors' Privilege Package are \$nil for the year ended 30 June 2015 (2014: \$nil).

**Dividends**

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

**Significant changes in the state of affairs**

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 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.

**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.

**Penola & District Financial Services Limited**  
**ABN 76 165 281 854**  
**Directors' Report**

**Directors' meetings**

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

	Board Meetings Attended		Committee Meetings Attended					
	Eligible	Attended	Sponsorship		Finance		Human Resources	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Mark Edwards	12	12	-	-	2	2	1	1
Peter Hans-Erich Muller	12	11	-	-	2	2	-	-
Shane McPherson	12	8	9	9	-	-	-	-
Kirsty Anne Balnaves	12	9	9	9	-	-	-	-
Michael John Palm	12	6	9	4	-	-	-	-
Sandra Lynne Young	12	10	-	-	2	2	-	-
William James Murray	12	10	-	-	-	-	1	1
Jennifer Margaret Smibert	12	10	-	-	-	-	1	1
Stuart John Howard Sharman ( <i>Appointed 26 March 2015</i> )	4	3	-	-	-	-	-	-
Angela Foster ( <i>Appointed 27 November 2014</i> )	6	6	-	-	-	-	-	-
Terrence James Ey ( <i>Resigned 5 September 2014</i> )	3	1	-	-	-	-	-	-
John Ritchie Rymill ( <i>Resigned 24 July 2014</i> )	1	0	-	-	-	-	-	-

**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 the notes to the accounts.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

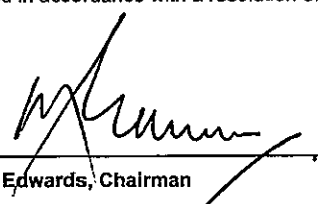
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed to ensure they do not impact on the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk 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 6.

Signed in accordance with a resolution of the board of directors at Penola, South Australia on 1 September 2015.

  
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 Mark Edwards, Chairman

**Lead 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 2015, 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



**David Hutchings**  
Lead Auditor

Dated: 3 September 2015

**Penola & District Financial Services Limited**  
**ABN 76 165 281 854**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**for the year ended 30 June 2015**

	Notes	2015 \$	2014 \$
Revenue from ordinary activities	4	131,953	10,250
Employee benefits expense		(244,157)	(30,969)
Charitable donations, sponsorship, advertising and promotion		(20,008)	(8,007)
Occupancy and associated costs		(26,515)	(1,560)
Systems costs		(19,387)	-
Depreciation and amortisation expense	5	(37,438)	(5,686)
General administration expenses		(60,284)	(24,579)
<b>Loss before income tax credit</b>		<b>(275,836)</b>	<b>(60,551)</b>
Income tax credit	6	72,075	18,877
<b>Loss after income tax credit</b>		<b>(203,761)</b>	<b>(41,674)</b>
<b>Total comprehensive income for the year</b>		<b>(203,761)</b>	<b>(41,674)</b>
<b>Earnings per share on loss attributable to the ordinary shareholders of the company:</b>		¢	¢
Basic earnings per share	20	(24.36)	(78.91)

The accompanying notes form part of these financial statements

**Penola & District Financial Services Limited**  
**ABN 76 165 281 854**  
**Balance Sheet**  
**as at 30 June 2015**

	Notes	2015 \$	2014 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	182,272	362,159
Trade and other receivables	8	14,634	44,963
<b>Total Current Assets</b>		<b><u>196,906</u></b>	<b><u>407,122</u></b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	232,155	267,593
Intangible assets	10	88,000	110,000
Deferred tax asset	11	90,952	18,877
<b>Total Non-Current Assets</b>		<b><u>411,107</u></b>	<b><u>396,470</u></b>
<b>Total Assets</b>		<b><u>608,013</u></b>	<b><u>803,592</u></b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	19,026	35,272
Provisions	13	4,230	1,525
<b>Total Current Liabilities</b>		<b><u>23,256</u></b>	<b><u>36,797</u></b>
<b>Non-Current Liabilities</b>			
Provisions	13	723	-
<b>Total Non-Current Liabilities</b>		<b><u>723</u></b>	<b><u>-</u></b>
<b>Total Liabilities</b>		<b><u>23,979</u></b>	<b><u>36,797</u></b>
<b>Net Assets</b>		<b><u>584,034</u></b>	<b><u>766,795</u></b>
<b>Equity</b>			
Issued capital	14	829,469	808,469
Accumulated losses	15	(245,435)	(41,674)
<b>Total Equity</b>		<b><u>584,034</u></b>	<b><u>766,795</u></b>

The accompanying notes form part of these financial statements

**Penola & District Financial Services Limited**  
**ABN 76 165 281 854**  
**Statement of Changes in Equity**  
**for the year ended 30 June 2015**

	Issued capital \$	Accumulated Losses \$	Total equity \$
<b>Balance at 1 July 2013</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>(41,674)</u>	<u>(41,674)</u>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	820,329	-	820,329
Costs of issuing shares	(11,860)	-	(11,860)
Dividends provided for or paid	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance at 30 June 2014</b>	<u><u>808,469</u></u>	<u><u>(41,674)</u></u>	<u><u>766,795</u></u>
<b>Balance at 1 July 2014</b>	<u>808,469</u>	<u>(41,674)</u>	<u>766,795</u>
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>(203,761)</u>	<u>(203,761)</u>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	21,000	-	21,000
Costs of issuing shares	-	-	-
Dividends provided for or paid	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance at 30 June 2015</b>	<u><u>829,469</u></u>	<u><u>(245,435)</u></u>	<u><u>584,034</u></u>

The accompanying notes form part of these financial statements

**Penola & District Financial Services Limited**  
**ABN 76 165 281 854**  
**Statement of Cash Flows**  
**for the year ended 30 June 2015**

	Notes	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		171,193	(37,516)
Payments to suppliers and employees		(394,342)	(28,318)
Interest received		2,262	2,803
<b>Net cash used in operating activities</b>	16	<u>(220,887)</u>	<u>(63,031)</u>
<b>Cash flows from investing activities</b>			
Contribution from landlord for building improvements		20,000	-
Payments for property, plant and equipment		-	(273,279)
Payments for intangible assets		-	(110,000)
<b>Net cash provided by/(used in) investing activities</b>		<u>20,000</u>	<u>(383,279)</u>
<b>Cash flows from financing activities</b>			
Proceeds from share issue		21,000	808,469
<b>Net cash provided by financing activities</b>		<u>21,000</u>	<u>808,469</u>
<b>Net increase/(decrease) in cash held</b>		(179,887)	362,159
Cash and cash equivalents at the beginning of the financial year		362,159	-
<b>Cash and cash equivalents at the end of the financial year</b>	7(a)	<u><u>182,272</u></u>	<u><u>362,159</u></u>

The accompanying notes form part of these financial statements



**Penola & District Financial Services Limited**  
**ABN 76 165 281 854**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2015**

**Note 1. Summary of significant accounting policies**

**a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the *Corporations Act 2001*. The company is a for-profit entity for the purpose of preparing the financial statements.

**Compliance with IFRS**

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

**Critical accounting estimates**

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

**Historical cost convention**

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

**Comparative figures**

Where required by Australian Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

**Application of new and amended accounting standards**

The following amendments to accounting standards and a new interpretation issued by the Australian Accounting Standards Board (AASB) became mandatorily effective for accounting periods beginning on or after 1 July 2014, and are therefore relevant for the current financial year.

- AASB 2012-3 Amendments to Australian Accounting Standards (AASB 132) – Offsetting Financial Assets and Financial Liabilities.
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.
- AASB 2013-4 Amendments to Australian Accounting Standards (AASB 139) – Novation of Derivatives and Continuation of Hedge Accounting.
- AASB 2013-5 Amendments to Australian Accounting Standards (AASB 10) – Investment Entities.
- AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles).
- AASB 2014-1 Amendments to Australian Accounting Standards (Part B: Defined Benefit Plans: Employee Contributions Amendments to AASB 119).
- Interpretation 21 Levies.
- AASB 1031 Materiality, AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality), AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality).

None of the amendments to accounting standards or the new interpretation issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2014, materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

**Penola & District Financial Services Limited**  
**ABN 76 165 281 854**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2015**

**Note 1. Summary of significant accounting policies (continued)**

**a) Basis of preparation (continued)**

*Application of new and amended accounting standards (continued)*

The following accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) become effective in future accounting periods.

	Effective for annual reporting periods beginning on or after
• AASB 9 Financial Instruments, and the relevant amending standards.	1 January 2018
• AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.	1 January 2017
• AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations.	1 January 2016
• AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.	1 January 2016
• AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants.	1 January 2016
• AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements.	1 January 2016
• AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	1 January 2016
• AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.	1 January 2016
• AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.	1 January 2016
• AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.	1 July 2015
• AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.	1 July 2015
• AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception.	1 January 2016

The company has not elected to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2014. Therefore the abovementioned accounting standards or interpretations have no impact on amounts recognised in the current period or any prior period.

**Economic dependency - Bendigo and Adelaide Bank Limited**

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Penola, South Australia.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name “Bendigo Bank” and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, 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 and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

The company promotes and sells the products and services, but is not a party to the transaction.

**Penola & District Financial Services Limited**  
**ABN 76 165 281 854**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2015**

**Note 1. Summary of significant accounting policies (continued)**

**a) Basis of preparation (continued)**

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited 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 and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank®** branch 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 in relation to:

- advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch
- 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.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

**b) Revenue**

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

Over the period from September 2013 to February 2015, Bendigo and Adelaide Bank Limited conducted a review of the **Community Bank®** model, known as 'Project Horizon'. This was conducted in consultation with the community banking network. The objective of the review was to develop a shared vision of the **Community Bank®** model that positions it for success now and for the future.

The outcome of that review is that the fundamental franchise model and community participation remain unchanged. Changes to be implemented over a three year period reflect a number of themes, including a culture of innovation, agility and flexibility, network collaboration, director and staff development and a sustainable financial model. This will include changes to the financial return for **Community Bank®** companies from 1 July 2016. A funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin. All revenue paid on core banking products will be through margin share. Margin on core banking products will be shared on a 50/50 basis.

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited 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.

Core banking products

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group 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**  
**ABN 76 165 281 854**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2015**

**Note 1. Summary of significant accounting policies (*continued*)**

**b) Revenue (*continued*)**

**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 and Adelaide Bank Limited for a deposit,  
*minus* any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan. From 1 July 2016, both will mean the cost for Bendigo and Adelaide Bank Limited to borrow the money in the market.

Products and services on which margin is paid include variable rate deposits and variable rate home loans. From 1 July 2016, examples include Bendigo Bank branded at call deposits, term deposits and home loans.

For those products and services on which margin is paid, the company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

**Commission**

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products. This currently also includes Bendigo Bank branded fixed rate home loans and term deposits of more than 90 days, but these will become margin products from 1 July 2016.

**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.

**Ability to change financial return**

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited 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. The effect of the change on the revenue earned by the company is entirely dependent on the change.

If Bendigo and Adelaide Bank Limited makes a change to the margin or commission on core banking products and services, it must not reduce the margin and commission the company receives on core banking products and services Bendigo and Adelaide Bank Limited attributes to the company to less than 50% (on an aggregate basis) of Bendigo and Adelaide Bank Limited's margin at that time. For other products and services, there is no restriction on the change Bendigo and Adelaide Bank Limited may make.

Bendigo and Adelaide Bank Limited must give the company 30 days' notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

**Monitoring and changing financial return**

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank®** companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank®** model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

**Penola & District Financial Services Limited**  
**ABN 76 165 281 854**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2015**

**Note 1. Summary of significant accounting policies (*continued*)**

**b) Revenue (*continued*)**

Monitoring and changing financial return (*continued*)

As discussed above in relation to Project Horizon, among other things, there will be changes in the financial return for **Community Bank®** companies from 1 July 2016. This includes 50% share of margin on core banking products, all core banking products become margin products and a funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin.

**c) Income tax**

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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 company entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

**d) Employee entitlements**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

**e) Cash and cash equivalents**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

**Note 1. Summary of significant accounting policies (continued)**

**f) Trade receivables and payables**

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

**g) Property, plant and equipment**

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements	40	years
- plant and equipment	2.5 - 40	years
- furniture and fittings	4 - 40	years

**h) Intangibles**

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

**i) Payment terms**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

**j) Borrowings**

All loans are initially measured at the principal amount. Interest is recognised as an expense as it accrues.

**k) Financial instruments**

**Recognition and initial measurement**

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

**Note 1. Summary of significant accounting policies (continued)**

**k) Financial instruments (continued)**

Classification and subsequent measurement

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where that are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(iv) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

**l) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**m) 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

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

**n) Contributed equity**

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.

**o) Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

**Penola & District Financial Services Limited**  
**ABN 76 165 281 854**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2015**

**Note 1. Summary of significant accounting policies (*continued*)**

**p) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not 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 expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

**Note 2. Financial risk management**

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. 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 entity. The entity does not use derivative instruments.

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

**(i) Market risk**

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

**(ii) 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.

**(iii) Credit risk**

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

**(iv) Liquidity risk**

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

**(v) Cash flow and fair value interest rate risk**

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited 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 and Adelaide Bank Limited mitigates this risk significantly.

**(vi) 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 dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

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 franchisee 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 franchisee 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%.



**Penola & District Financial Services Limited**  
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**Notes to the Financial Statements**  
**for the year ended 30 June 2015**

**Note 2. Financial risk management (continued)**

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 2015 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 3. Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

**Taxation**

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty. There is therefore a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the Statement of Profit or Loss and Other Comprehensive Income.

**Estimation of useful lives of assets**

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

**Penola & District Financial Services Limited**  
**ABN 76 165 281 854**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2015**

**Note 3. Critical accounting estimates and judgements (continued)**

**Impairment of 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 that 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). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

**Note 4. Revenue from ordinary activities**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Operating activities:		
- services commissions	127,955	1,917
- other revenue	1,736	5,530
Total revenue from operating activities	<u>129,691</u>	<u>7,447</u>
Non-operating activities:		
- interest received	2,262	2,803
Total revenue from non-operating activities	<u>2,262</u>	<u>2,803</u>
Total revenues from ordinary activities	<u><u>131,953</u></u>	<u><u>10,250</u></u>

**Note 5. Expenses**

Depreciation of non-current assets:		
- plant and equipment	2,701	5,505
- leasehold improvements	12,737	181
Amortisation of non-current assets:		
- franchise agreement	2,000	-
- establishment fee	20,000	-
	<u><u>37,438</u></u>	<u><u>5,686</u></u>

**Penola & District Financial Services Limited**

**ABN 76 165 281 854**

**Notes to the Financial Statements  
for the year ended 30 June 2015**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Note 6. Income tax credit</b>		
The components of tax credit comprise:		
- Current tax	-	-
- Future income tax benefit attributable to losses	(74,295)	(19,223)
- Movement in deferred tax	(2,567)	346
- Adjustment to deferred tax to reflect change to tax rate in future periods	4,787	-
	<u>(72,075)</u>	<u>(18,877)</u>
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax credit as follows		
Operating loss	(275,836)	(60,551)
Prima facie tax on loss from ordinary activities at 30%	(82,751)	(18,165)
Add tax effect of:		
- non-deductible expenses	6,601	-
- timing difference expenses	2,567	(346)
- other deductible expenses	(712)	(712)
	<u>(74,295)</u>	<u>(19,223)</u>
Movement in deferred tax	(2,567)	346
Adjustment to deferred tax to reflect change of tax rate in future periods	4,787	-
	<u>(72,075)</u>	<u>(18,877)</u>

**11**

**Note 7. Cash and cash equivalents**

Cash at bank and on hand	117,886	45,624
Term deposits	64,386	316,535
	<u>182,272</u>	<u>362,159</u>

**Note 7.(a) Reconciliation to cash flow statement**

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

Cash at bank and on hand	117,886	45,624
Term deposits	64,386	316,535
	<u>182,272</u>	<u>362,159</u>

**Note 8. Trade and other receivables**

Trade receivables	9,512	-
Prepayments	5,122	5,129
Other receivables and accruals	-	39,834
	<u>14,634</u>	<u>44,963</u>

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**Notes to the Financial Statements  
for the year ended 30 June 2015**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Note 9. Property, plant and equipment</b>		
Leasehold improvements		
At cost	225,364	245,364
Less accumulated depreciation	(12,918)	(181)
	<u>212,446</u>	<u>245,183</u>
Plant and equipment		
At cost	27,915	27,915
Less accumulated depreciation	(8,206)	(5,505)
	<u>19,709</u>	<u>22,410</u>
Total written down amount	<u>232,155</u>	<u>267,593</u>
<b>Movements in carrying amounts:</b>		
Leasehold improvements		
Carrying amount at beginning	245,183	-
Additions	(20,000)	245,364
Disposals	-	-
Less: depreciation expense	(12,737)	(181)
Carrying amount at end	<u>212,446</u>	<u>245,183</u>
Plant and equipment		
Carrying amount at beginning	22,410	-
Additions	-	27,915
Disposals	-	-
Less: depreciation expense	(2,701)	(5,505)
Carrying amount at end	<u>19,709</u>	<u>22,410</u>
Total written down amount	<u>232,155</u>	<u>267,593</u>
<b>Note 10. Intangible assets</b>		
Franchise fee		
At cost	10,000	10,000
Less: accumulated amortisation	(2,000)	-
	<u>8,000</u>	<u>10,000</u>
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(20,000)	-
	<u>80,000</u>	<u>100,000</u>
Total written down amount	<u>88,000</u>	<u>110,000</u>

**Penola & District Financial Services Limited**

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**Notes to the Financial Statements  
for the year ended 30 June 2015**

	2015	2014
	\$	\$
<b>Note 11. Tax</b>		
<b>Non-Current:</b>		
Deferred tax assets		
- accruals	698	735
- employee provisions	1,412	458
- tax losses carried forward	88,842	19,223
	<u>90,952</u>	<u>20,416</u>
Deferred tax liability		
- accruals	-	1,539
	<u>-</u>	<u>1,539</u>
Net deferred tax asset	<u>90,952</u>	<u>18,877</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>(72,075)</u>	<u>(18,877)</u>
<b>Note 12. Trade and other payables</b>		
<b>Current:</b>		
Trade creditors	6,774	20,747
Other creditors and accruals	12,252	14,525
	<u>19,026</u>	<u>35,272</u>
<b>Note 13. Provisions</b>		
<b>Current:</b>		
Provision for annual leave	<u>4,230</u>	<u>1,525</u>
<b>Non-Current:</b>		
Provision for long service leave	<u>723</u>	<u>-</u>
<b>Note 14. Contributed equity</b>		
841,329 ordinary shares fully paid (2014: 820,329)	841,329	820,329
Less: equity raising expenses	(11,860)	(11,860)
	<u>829,469</u>	<u>808,469</u>

Rights attached to shares

(a) *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.

**Penola & District Financial Services Limited**  
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**Notes to the Financial Statements**  
**for the year ended 30 June 2015**

**Note 14. Contributed equity (continued)**

(b) *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 and Adelaide Bank Limited 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).

(c) *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 184. As at the date of this report, the company had 203 shareholders.

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

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

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

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

**Note 15. Accumulated losses**

	2015 \$	2014 \$
Balance at the beginning of the financial year	(41,674)	-
Net loss from ordinary activities after income tax	(203,761)	(41,674)
Dividends paid or provided for	-	-
Balance at the end of the financial year	<u>(245,435)</u>	<u>(41,674)</u>

**Penola & District Financial Services Limited**

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**Notes to the Financial Statements  
for the year ended 30 June 2015**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Note 16. Statement of cash flows</b>		
Reconciliation of loss from ordinary activities after tax to net cash used in operating activities		
Loss from ordinary activities after income tax	(203,761)	(41,674)
Non cash items:		
- depreciation	15,438	5,686
- amortisation	22,000	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	30,329	(44,963)
- (increase)/decrease in other assets	(72,075)	(18,877)
- increase/(decrease) in payables	(16,246)	35,272
- increase/(decrease) in provisions	3,428	1,525
Net cash flows used in operating activities	<u>(220,887)</u>	<u>(63,031)</u>

**Note 17. Leases**

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments:

- not later than 12 months	19,282	18,720
- between 12 months and 5 years	61,385	80,667
- greater than 5 years	-	-
	<u>80,667</u>	<u>99,387</u>

The operating lease is a non-cancellable lease with a five-year term that expires on June 2019, with rent payable monthly in advance. The lease has two 5 year extension options available.

**Note 18. Auditor's remuneration**

Amounts received or due and receivable by the auditor of the company for:

- audit and review services	3,950	2,450
- non audit services	3,110	2,500
	<u>7,060</u>	<u>4,950</u>

**Note 19. Director and related party disclosures**

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.

Detailed shareholding disclosures are provided in the remuneration report, included as part of the directors' report.

**Note 20. Earnings per share**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(203,761)	(41,674)
	<b>Number</b>	<b>Number</b>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	836,307	52,814

**Penola & District Financial Services Limited**

**ABN 76 165 281 854**

**Notes to the Financial Statements  
for the year ended 30 June 2015**

**Note 21. Events occurring after the reporting date**

There have been no events after the end of the financial year that would materially affect the financial statements.

**Note 22. Contingent liabilities and contingent assets**

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

**Note 23. Segment reporting**

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Penola and surrounding district of South Australia pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

**Note 24. Registered office/Principal place of business**

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office  
52 Church Street  
Penola SA 5277

Principal Place of Business  
52 Church Street  
Penola SA 5277



**Penola & District Financial Services Limited**  
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**Notes to the Financial Statements**  
**for the year ended 30 June 2015**

**Note 25. Financial instruments**

**Financial Instrument Composition and Maturity Analysis**

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	17,537	45,624	164,735	316,535	-	-	-	-	-	-	0.88	3.84
Receivables	-	-	-	-	-	-	-	-	9,512	39,834	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	6,774	20,747	N/A	N/A

**Net Fair Values**

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

**Credit Risk**

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

**Interest Rate Risk**

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

**Sensitivity Analysis**

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

As at 30 June 2015, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2015	2014
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	1,823	3,622
Decrease in interest rate by 1%	1,823	3,622
Change in equity		
Increase in interest rate by 1%	1,823	3,622
Decrease in interest rate by 1%	1,823	3,622

**Penola & District Financial Services Limited**  
**ABN 76 165 281 854**  
**Directors' Declaration**

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 2015 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.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



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**Mark Edwards, Chairman**

Signed on the 3rd of September 2015.

## **Independent auditor's report to the members of Penola & District Financial Services Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Penola & District Financial Services Limited, which comprises the balance sheet as at 30 June 2015, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

### **Directors' responsibility for the financial report**

The directors of the company are responsible for the preparation and presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

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

## Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

## Auditor's opinion on the financial report

In our opinion:

1. The 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 2015 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

## Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

## Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Penola & District Financial Services Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550



**David Hutchings**  
Lead Auditor

Dated: 3 September 2015