

Annual Report 2025

Penola & District Financial
Services Limited

Community Bank
Penola & District
ABN 76 165 281 854

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Chairman's report

For year ending 30 June 2025

It is my pleasure to present to the shareholders of Penola and District Financial Services Limited the Chair's Report for the year ending 30 June 2025.

This year has been one of both a challenge and opportunity for our Community Bank Penola & District. While broader economic conditions, including high interest rates, inflationary pressures, and ongoing cost-of-living challenges have tested many households and businesses, our Bank has remained steadfast in its commitment to supporting our customers, shareholders, and community.

Our financial performance this year can best be described as solid. Lending growth and margins have been constrained by ongoing competition and broader economic pressures. While our total footings reduced by \$1.2 million to \$64.4 million, we managed to increase revenue by 3.25% on last year. This resulted in a profit of \$50,977 before community contributions and income tax, which was an increase of 20.1% on last year's results. Cash and cash equivalents at the end of the financial year went up by \$44,298 to \$245,165. While profits could be better, they remain sufficient to allow us to continue meeting our obligations, supporting our community, and planning for sustainable future growth.

What continues to set us apart is our community focus. Over the past year, we have returned \$12,447 in sponsorships, grants, and partnerships to local organisations, schools, sporting clubs, and initiatives that directly benefit our region. This reinvestment is not just part of our model; it is our purpose. The success of our bank flows directly back into making our community stronger, more connected, and more resilient.

The Board has maintained a close focus on prudent management and governance, ensuring we are well-placed to respond to the pressures facing the banking industry. I am grateful to my fellow Directors for their dedication, guidance and support over the past year, and for their assistance in my role as Chair. We farewelled Lachlan Heysen and Anna Copping as they retired from the Board this year. We thank them both for their dedication and passion for the Community Bank and the wider community. We were pleased to welcome

Michael Wetherall as a new Board member. He brings a wealth of knowledge and is well connected to the community.

This year we saw Kathy Kelly leave the staff team and we thank her for her commitment in presenting a great customer service experience to all who came into the branch. Her position was filled by Nikki Deglaitis who has fitted in well and has a great appetite to learn all she can. Nikki joins a great team wonderfully led by branch manager Tara Batt. Also, Andrea Weston in the role of Customer Relationship Officer and Molly Cox in the Customer Service role. The Board is very appreciative of the team's dedication to the success of the branch.

I thank and acknowledge the efforts of Regional Manager Emma Agers for her valuable insights and expertise in assisting Branch Staff and Directors during the year. I also appreciate the ongoing support of the broader Bendigo and Adelaide Bank network.

To the shareholders, thank you for your ongoing support. I put the challenge to you to take the time to help us grow your business. If every one of our shareholders, together with all those associated with our various community partners, referred a friend, family member or work colleague to the Community Bank Penola & District, imagine the growth to our business and to your investment. Ultimately, the benefit is to your community with a greater pool of funds to distribute to community groups and projects. So, if you, your family, friends or work colleagues need any banking related services come into your Community Bank Penola & District branch. Together we can make a Big Difference in our community here in Penola.



Shane McPherson
Chairman
Penola & District Financial Services Limited

Manager's report

For year ending 30 June 2025

On behalf of the team at Community Bank Penola & District, I present to you, our shareholders, the 2025 Annual Report.

Another year of improvement for the business, with increased revenue and profit.

We provided \$12,447 to community groups by way of funding equipment purchases, donations, and sponsorship, thus feeding into our community's prosperity. This has continued to be reined in from previous years and continues to show the fiscal management of the business. Our total community investment has now exceeded \$345,000 through 250 grants and sponsorships.

Our Community Bank farewelled Kathy Kelly in November 2024 and welcomed Nikki Deglaitis in February 2025. Nikki hails from Nangwarry and joins us with experience in real estate property management in Geelong. Nikki has slotted well into the team and confidently providing cash services, customer support and maintenance. Tara Batt continues in the role of Branch Manager, with Andrea Weston as Customer Relationship Officer, both clocking up their 5 years of service in 2025, with Molly Cox continuing in the Customer Service Officer role.

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 FY26, 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 Community Bank Penola & 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

Community Bank Penola & District

Bendigo and Adelaide Bank report

For year ending 30 June 2025

This year marks another significant chapter in our shared journey, one defined by **adaptation, collaboration, and remarkable achievements**. I'm immensely proud of our collective progress and the unwavering commitment demonstrated by our combined networks.

We began 2025 with a renewed focus on **model evolution**, a top priority that guided our decisions and initiatives throughout the year. This involved navigating the Franchising Code and broader regulatory changes to the **Franchise Agreement**. Thanks to the network's proactive engagement and cooperation, we successfully reviewed the agreement, and the necessary changes were implemented smoothly.

Beyond the operational successes, I want to highlight the **invaluable contributions** our Community Banks continue to make to their local communities. The dedication and commitment to supporting local initiatives remain a cornerstone of our combined success and a source of immense pride for Bendigo Bank.

In FY25, more than \$50 million was invested in local communities, adding to a total of and \$416 million since 1998. This funding enables community infrastructure development, strengthens the arts and culturally diverse communities, improving educational outcomes, and fosters healthy places for Australians to live and work.

On behalf of Bendigo Bank, thank you for being a shareholder in your local Community Bank. Your resilience, adaptability, and unwavering belief in our vision have been instrumental in our success. You are an integral part of the Bendigo Bank Community Banking family.

Your continued support is vital, and the results we've achieved together in 2025 underscore the continuing relevance and importance of the Community Bank model.

Justine Minne

Head of Community Banking, Bendigo Bank

Directors' report

30 June 2025

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2025.

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 director
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:	Chair, 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, Board member of BrandSA, 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:	Treasurer, Finance & Governance Committee (Alternate) and Community Investment Committee

Directors' report (continued)

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:	Michael Timothy Wetherall
Title:	Non-executive director (<i>appointed 31 October 2024</i>)
Experience and expertise:	Michael is currently an Agribusiness Executive Director at PPHS. Previously the Agribusiness manager of Australia and New Zealand for Treasury Wine Estates, managing director and owner of Wetherall Wines and a wine industry consultant.
Special responsibilities:	Business Development Committee
Name:	Sarah Jade Murphy
Title:	Non-executive director (<i>appointed 3 July 2025</i>)
Experience and expertise:	Sarah holds a Bachelor of Environmental Science with a major in Environmental Management. With over 10 years of operational and management experience, she has worked extensively across the government, environmental, and forestry sectors within the Green Triangle Region. Her career has involved engagement with a broad range of stakeholders, from local community members to international investors. Currently, Sarah serves as the Co-Chair of the Green Triangle Forest Health Group, contributing her expertise to advancing forest health and sustainability initiatives. She is also a dedicated member of the Penola Netball Club Committee and is actively involved in various community activities.
Name:	Anna Copping
Title:	Non-executive director (<i>resigned 14 November 2024</i>)
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
Name:	Lachlan Hamilton Heysen
Title:	Non-executive director (<i>resigned 14 November 2024</i>)
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

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).

Directors' report (continued)

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 \$28,594 (2024: \$9,915).

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

There were no significant changes in the state of affairs of the company during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2025 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 2025, 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	9	9	10	10	-	-
Kirsty Anne Balnaves	9	9	-	-	6	6
Sophie Jane Angus	9	9	10	10	-	-
Mark Edwards	9	9	10	7	6	6
Amanda Skene Harrold	9	8	-	-	-	-
Michael Timothy Wetherall	6	6	-	-	1	1
Anna Copping	4	3	-	-	3	3
Lachlan Hamilton Heysen	4	4	4	4	-	-
	Human Resources Committee		Property Committee			
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Shane McPherson			7	7	1	1
Kirsty Anne Balnaves			-	-	1	1
Sophie Jane Angus			-	-	-	-
Mark Edwards			-	-	-	-
Amanda Skene Harrold			7	7	-	-
Michael Timothy Wetherall			-	-	-	-
Anna Copping			2	2	-	-
Lachlan Hamilton Heysen			-	-	-	-

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.

Directors' report (continued)

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
Amanda Skene Harrold	-	-	-
Michael Timothy Wetherall	-	-	-
Anna Copping	-	-	-
Lachlan Hamilton Heysen	-	-	-

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 2025 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 22 to the accounts.

Directors' report (continued)

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



Shane McPherson
Chair

28.08 2025

Auditor's independence declaration



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

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 2025, 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'.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 28 August 2025

A handwritten signature in black ink, appearing to read 'Lachlan Tatt'.

Lachlan Tatt
Lead Auditor

Financial statements

Penola & District Financial Services Limited Statement of profit or loss and other comprehensive income For the year ended 30 June 2025

	Note	2025 \$	2024 \$
Revenue from contracts with customers	6	418,359	405,219
Finance revenue		2,145	-
Total revenue		<u>420,504</u>	<u>405,219</u>
Employee benefits expense	7	(226,517)	(214,451)
Advertising and marketing costs		(8,160)	(9,591)
Occupancy and associated costs		(8,742)	(10,724)
System costs		(16,784)	(15,933)
Depreciation and amortisation expense	7	(40,328)	(44,419)
Finance costs	7	(10,421)	(11,061)
General administration expenses		(58,575)	(56,597)
Total expenses before community contributions and income tax expense		<u>(369,527)</u>	<u>(362,776)</u>
Profit before community contributions and income tax expense		50,977	42,443
Charitable donations and sponsorships expense		<u>(12,447)</u>	<u>(30,253)</u>
Profit before income tax expense		38,530	12,190
Income tax expense	8	<u>(9,936)</u>	<u>(2,275)</u>
Profit after income tax expense for the year		28,594	9,915
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>28,594</u></u>	<u><u>9,915</u></u>
		Cents	Cents
Basic earnings per share	24	3.40	1.18
Diluted earnings per share	24	3.40	1.18

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

Financial statements (continued)

Penola & District Financial Services Limited Statement of financial position As at 30 June 2025

	Note	2025 \$	2024 \$
Assets			
Current assets			
Cash and cash equivalents	9	54,769	200,867
Trade and other receivables	10	23,917	20,351
Investments	11	190,397	-
Total current assets		<u>269,083</u>	<u>221,218</u>
Non-current assets			
Property, plant and equipment	12	97,848	103,250
Right-of-use assets	13	142,377	158,402
Intangible assets	14	57,965	71,148
Deferred tax assets	8	126,598	136,534
Total non-current assets		<u>424,788</u>	<u>469,334</u>
Total assets		<u>693,871</u>	<u>690,552</u>
Liabilities			
Current liabilities			
Trade and other payables	15	43,764	38,076
Lease liabilities	16	25,370	24,632
Employee benefits		9,241	11,684
Total current liabilities		<u>78,375</u>	<u>74,392</u>
Non-current liabilities			
Trade and other payables	15	31,305	46,958
Lease liabilities	16	185,096	200,844
Employee benefits		8,887	6,954
Make good provision		4,611	4,401
Total non-current liabilities		<u>229,899</u>	<u>259,157</u>
Total liabilities		<u>308,274</u>	<u>333,549</u>
Net assets		<u>385,597</u>	<u>357,003</u>
Equity			
Issued capital	17	829,469	829,469
Accumulated losses		<u>(443,872)</u>	<u>(472,466)</u>
Total equity		<u>385,597</u>	<u>357,003</u>

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

Financial statements (continued)

Penola & District Financial Services Limited Statement of changes in equity For the year ended 30 June 2025

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2023	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
Balance at 30 June 2024	<u>829,469</u>	<u>(472,466)</u>	<u>357,003</u>
 Balance at 1 July 2024	 829,469	 (472,466)	 357,003
Profit after income tax expense	-	28,594	28,594
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	-	28,594	28,594
Balance at 30 June 2025	<u>829,469</u>	<u>(443,872)</u>	<u>385,597</u>

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

Financial statements (continued)

Penola & District Financial Services Limited Statement of cash flows For the year ended 30 June 2025

	Note	2025 \$	2024 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		456,646	461,780
Payments to suppliers and employees (inclusive of GST)		(367,574)	(373,951)
Interest received		397	-
Net cash provided by operating activities	23	89,469	87,829
Cash flows from investing activities			
Payments for investments		(190,397)	-
Payments for property, plant and equipment		(5,719)	-
Payments for intangible assets		(14,230)	(14,230)
Net cash used in investing activities		(210,346)	(14,230)
Cash flows from financing activities			
Interest and other finance costs paid		(10,211)	(10,859)
Repayment of lease liabilities		(15,010)	(13,627)
Net cash used in financing activities		(25,221)	(24,486)
Net increase/(decrease) in cash and cash equivalents		(146,098)	49,113
Cash and cash equivalents at the beginning of the financial year		200,867	151,754
Cash and cash equivalents at the end of the financial year	9	54,769	200,867

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

Notes to the financial statements

30 June 2025

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 28 August 2025. 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 Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The company has assessed and concluded there are no material impacts.

Accounting standards issued but not yet effective

Australian Accounting Standards and Interpretations that have been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2025. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Current and non-current classification

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

Investments

The company's investment in managed funds is classified as a financial asset at fair value through profit or loss in accordance with AASB 9. The investment is measured at fair value at each reporting date, with changes in fair value recognised in profit or loss.

Impairment of financial assets

The company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Notes to the financial statements (continued)

Note 3. Material accounting policy information (continued)

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

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.

Notes to the financial statements (continued)

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

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.

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 company'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.

Notes to the financial statements (continued)

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. Revenue from contracts with customers

	2025 \$	2024 \$
Margin income	269,966	236,022
Fee income	17,466	17,598
Commission income	130,927	151,599
	<u>418,359</u>	<u>405,219</u>

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.

Notes to the financial statements (continued)

Note 6. Revenue from contracts with customers (continued)

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
plus:	any deposit returns i.e. interest return applied by Bendigo Bank for a deposit
minus:	any costs of funds i.e. interest applied by 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.

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.

Notes to the financial statements (continued)

Note 7. Expenses

Employee benefits expense

	2025 \$	2024 \$
Wages and salaries	189,832	180,025
Superannuation contributions	21,705	19,421
Expenses related to long service leave	1,933	3,039
Other expenses	13,047	11,966
	<u>226,517</u>	<u>214,451</u>

Depreciation and amortisation expense

	2025 \$	2024 \$
<i>Depreciation of non-current assets</i>		
Leasehold improvements	10,237	14,192
Plant and equipment	883	1,083
	<u>11,120</u>	<u>15,275</u>
<i>Depreciation of right-of-use assets</i>		
Leased land and buildings	16,025	15,961
<i>Amortisation of intangible assets</i>		
Franchise fee	2,197	2,197
Franchise renewal fee	10,986	10,986
	<u>13,183</u>	<u>13,183</u>
	<u>40,328</u>	<u>44,419</u>

Finance costs

	2025 \$	2024 \$
Lease interest expense	10,211	10,859
Unwinding of make-good provision	210	202
	<u>10,421</u>	<u>11,061</u>

Charitable donations, sponsorships and grants

	2025 \$	2024 \$
Direct donation, sponsorship and grant payments	<u>12,447</u>	<u>30,253</u>

Notes to the financial statements (continued)

Note 8. Income tax

	2025 \$	2024 \$
<i>Income tax expense</i>		
Movement in deferred tax	(707)	(4,566)
Recoupment of prior year tax losses	10,643	7,885
Under/over provision in respect to prior years	-	(1,044)
Aggregate income tax expense	<u>9,936</u>	<u>2,275</u>
<i>Prima facie income tax reconciliation</i>		
Profit before income tax expense	<u>38,530</u>	<u>12,190</u>
Tax at the statutory tax rate of 25%	9,633	3,048
Tax effect of:		
Non-deductible expenses	303	271
Under/over provision in respect to prior years	-	(1,044)
Income tax expense	<u>9,936</u>	<u>2,275</u>
	2025 \$	2024 \$
<i>Deferred tax assets/(liabilities)</i>		
Employee benefits	4,532	4,660
Provision for lease make good	1,153	1,100
Accrued expenses	1,174	1,050
Lease liabilities	52,616	56,369
Right-of-use assets	(35,594)	(39,601)
Carried-forward tax losses	99,722	110,364
Property, plant and equipment	2,995	2,592
Deferred tax asset	<u>126,598</u>	<u>136,534</u>

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 9. Cash and cash equivalents

	2025 \$	2024 \$
Cash at bank and on hand	<u>54,769</u>	<u>200,867</u>

Notes to the financial statements (continued)

Note 10. Trade and other receivables

	2025 \$	2024 \$
Trade receivables	17,551	14,002
Other receivables and accruals	1,748	-
Prepayments	4,618	6,349
	6,366	6,349
	23,917	20,351

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.

Note 11. Investments

	2025 \$	2024 \$
<i>Current assets</i>		
Investment in managed funds	190,397	-

Accounting policy for investments

The company's investment in managed funds is classified as a financial asset at fair value through profit or loss in accordance with AASB 9. The investment is measured at fair value at each reporting date, with changes in fair value recognised in profit or loss.

Note 12. Property, plant and equipment

	2025 \$	2024 \$
Leasehold improvements - at cost	231,725	227,824
Less: Accumulated depreciation	(142,008)	(131,771)
	89,717	96,053
Plant and equipment - at cost	30,346	28,529
Less: Accumulated depreciation	(22,215)	(21,332)
	8,131	7,197
	97,848	103,250

Notes to the financial statements (continued)

Note 12. Property, plant and equipment (continued)

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 2023	110,245	8,280	118,525
Depreciation	(14,192)	(1,083)	(15,275)
Balance at 30 June 2024	96,053	7,197	103,250
Additions	3,901	1,817	5,718
Depreciation	(10,237)	(883)	(11,120)
Balance at 30 June 2025	<u>89,717</u>	<u>8,131</u>	<u>97,848</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	5 to 20 years
Plant and equipment	2 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 13. Right-of-use assets

	2025 \$	2024 \$
Land and buildings - right-of-use	237,291	237,291
Less: Accumulated depreciation	(94,914)	(78,889)
	<u>142,377</u>	<u>158,402</u>

Notes to the financial statements (continued)

Note 13. 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 2023	171,986
Remeasurement adjustments	2,377
Depreciation expense	<u>(15,961)</u>
Balance at 30 June 2024	158,402
Depreciation expense	<u>(16,025)</u>
Balance at 30 June 2025	<u><u>142,377</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 16 for more information on lease arrangements.

Note 14. Intangible assets

	2025 \$	2024 \$
Franchise fee	32,845	32,845
Less: Accumulated amortisation	<u>(23,184)</u>	<u>(20,987)</u>
	9,661	11,858
Franchise renewal fee	114,222	114,222
Less: Accumulated amortisation	<u>(65,918)</u>	<u>(54,932)</u>
	48,304	59,290
	<u><u>57,965</u></u>	<u><u>71,148</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 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	11,858	59,290	71,148
Amortisation expense	<u>(2,197)</u>	<u>(10,986)</u>	<u>(13,183)</u>
Balance at 30 June 2025	<u><u>9,661</u></u>	<u><u>48,304</u></u>	<u><u>57,965</u></u>

Notes to the financial statements (continued)

Note 14. Intangible assets (continued)

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:

Asset class	Method	Useful life	Expiry/renewal date
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.

Note 15. Trade and other payables

	2025 \$	2024 \$
<i>Current liabilities</i>		
Trade payables	12,966	9,147
Other payables and accruals	30,798	28,929
	<u>43,764</u>	<u>38,076</u>
<i>Non-current liabilities</i>		
Other payables and accruals	31,305	46,958
	<u>31,305</u>	<u>46,958</u>
	2025 \$	2024 \$
<i>Financial liabilities at amortised cost classified as trade and other payables</i>		
Total trade and other payables	75,069	85,034
less other payables and accruals (net GST payables to the ATO)	(7,294)	(1,012)
	<u>67,775</u>	<u>84,022</u>

Note 16. Lease liabilities

	2025 \$	2024 \$
<i>Current liabilities</i>		
Land and buildings lease liabilities	25,370	24,632
	<u>25,370</u>	<u>24,632</u>
<i>Non-current liabilities</i>		
Land and buildings lease liabilities	185,096	200,844
	<u>185,096</u>	<u>200,844</u>

Notes to the financial statements (continued)

Note 16. Lease liabilities (continued)

Reconciliation of lease liabilities

	2025 \$	2024 \$
Opening balance	225,476	238,324
Remeasurement adjustments	-	779
Lease interest expense	10,211	10,859
Lease payments - total cash outflow	(25,221)	(24,486)
	<u>210,466</u>	<u>225,476</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 17. Issued capital

	2025 Shares	2024 Shares	2025 \$	2024 \$
Ordinary shares - fully paid	841,329	841,329	841,329	841,329
Less: Equity raising costs	-	-	(11,860)	(11,860)
	<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.

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.

Notes to the financial statements (continued)

Note 17. Issued capital (continued)

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 (2024: 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.

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.

Notes to the financial statements (continued)

Note 18. 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 19. Financial risk management

The company's financial instruments include trade receivables and payables, cash and cash equivalents, investments 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 A- 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.

Notes to the financial statements (continued)

Note 19. Financial risk management (continued)

	2025 \$	2024 \$
Financial assets at amortised cost		
Trade and other receivables (note 10)	19,299	14,002
Cash and cash equivalents (note 9)	54,769	200,867
Financial assets at fair value through profit and loss		
Investments (note 11)	190,397	-
	<u>264,465</u>	<u>214,869</u>
Financial liabilities at amortised cost		
Trade and other payables (note 15)	67,775	84,022
Lease liabilities (note 16)	210,466	225,476
	<u>278,241</u>	<u>309,498</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 into the following categories:

- Amortised cost
- Fair value through profit or loss (FVTPL)

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 \$54,769 and investments of \$190,397 at 30 June 2025 (2024: \$200,867 and \$nil).

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.

Notes to the financial statements (continued)

Note 19. Financial risk management (continued)

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.

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 \$
2025				
Trade and other payables	36,470	31,305	-	67,775
Lease liabilities	25,978	111,941	121,673	259,592
Total non-derivatives	62,448	143,246	121,673	327,367
	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2024				
Trade and other payables	37,064	46,958	-	84,022
Lease liabilities	25,221	108,680	150,910	284,811
Total non-derivatives	62,285	155,638	150,910	368,833

Note 20. 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
Kirsty Anne Balnaves
Sophie Jane Angus
Mark Edwards
Amanda Skene Harrold

Michael Timothy Wetherall
Sarah Jade Murphy
Anna Copping
Lachlan Hamilton Heyesen

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 21. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in note 20.

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.

Notes to the financial statements (continued)

Note 21. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	2025 \$	2024 \$
The company paid sponsorship to Penola Netball Club. Sarah Murphy is on the club committee.	500	-
The company purchased wine and secondhand barrels from Balnaves Vineyard Services Pty Ltd. Kirsty Balnaves is associated with this entity.	536	-

Note 22. 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:

	2025 \$	2024 \$
<i>Audit services</i>		
Audit or review of the financial statements	6,750	6,450
<i>Other services</i>		
Taxation advice and tax compliance services	265	700
General advisory services	3,340	3,070
Share registry services	3,440	2,310
	7,045	6,080
	13,795	12,530

Note 23. Reconciliation of profit after income tax to net cash provided by operating activities

	2025 \$	2024 \$
Profit after income tax expense for the year	28,594	9,915
Adjustments for:		
Depreciation and amortisation	40,329	44,419
Lease liabilities interest	10,211	10,859
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(3,566)	13,263
Decrease in deferred tax assets	9,936	2,275
Increase in trade and other payables	4,265	1,303
Increase/(decrease) in employee benefits	(510)	5,593
Increase in other provisions	210	202
Net cash provided by operating activities	89,469	87,829

Notes to the financial statements (continued)

Note 24. Earnings per share

	2025 \$	2024 \$
Profit after income tax	28,594	9,915
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	841,329	841,329
Weighted average number of ordinary shares used in calculating diluted earnings per share	841,329	841,329
	Cents	Cents
Basic earnings per share	3.40	1.18
Diluted earnings per share	3.40	1.18

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 25. Commitments

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

Note 26. Contingencies

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

Note 27. Events after the reporting period

No matter or circumstance has arisen since 30 June 2025 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.

Directors' declaration

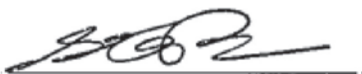
30 June 2025

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 2025 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



Shane McPherson
Chair

28.08 2025

Independent audit report



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 2025
- 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 2025 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

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 2025, 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.



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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'.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 28 August 2025

A handwritten signature in black ink, appearing to read 'Lachlan Tatt'.

Lachlan Tatt
Lead Auditor

Community Bank · Penola & District
52 Church Street,
Penola SA 5277
Phone: 08 8737 2400
Email: PenolaMailbox@bendigoadelaide.com.au
Web: www.bendigobank.com.au/penola

Franchisee: Penola & District Financial Services Limited
ABN: 76 165 281 854
52 Church Street, Penola SA 5277
Email: 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



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