



**2016 CELEBRATING TEN
YEARS IN BUNGENDORE**

Annual Report 2016

Palerang Financial
Services Limited

ABN 83 097 801 100

Braidwood **Community Bank®** Branch
Bungendore **Community Bank®** Branch

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Chairman's report

For year ending 30 June 2016

It is with pleasure that we provide you with the 2015/16 Annual Report for Palerang Financial Services Limited. This report once again outlines a result well achieved by our excellent staff in challenging times.

Key points this year include:

- The year has seen some improvement in market conditions,
- The low interest rate environment continues to deliver reduced income sourced from deposits, and
- The real estate market has seen increased activity in the second half of the year and that has had a positive impact our results.

Revenue	Profit After Tax	Expense
\$2,126,134	\$203,358	\$528,300
↑	↑	↓
+1.92%	72 %	- 1.95%
New Business	New Customers	Nett Assets
\$28.5m	252	\$1,652,946
↑	↑	↑
+11.3%	+4%	+10%

The company has delivered growth and contained expenses to deliver another positive result. We maintain our strong and healthy position (ie no debt, \$1.92 million in Total Assets and \$0.27 million in liabilities) whilst continuing to deliver outcomes for our communities.

The company will declare a franked dividend of 6.5 cents per share (CPS) (\$0.065) as at 1 November 2016, to be paid to shareholders in December 2016. This is a continuing result over the last four years.

Operationally, we provide banking services to our community through our staff in Braidwood and Bungendore, under the direction of our Senior Manager, Mr Craig Pettit. The Board and I would like to thank Craig, and all of his staff, for their focus and professional efforts to help our customers, and to build a better and bigger business. Building a bigger and better business will enable us to support the community in more tangible ways.

Palerang Financial Services Limited operates a franchise of the Bendigo and Adelaide Bank to deliver banking and other services through our Braidwood and Bungendore **Community Bank®** branches. Using our profit share (on a 50:50 basis with Bendigo and Adelaide Bank) we allocate significant funds in order to deliver benefits to our community.

For example we:

- Award two scholarships each year to students travelling away from home to commence their tertiary studies.
- Contribute funds to worthwhile projects such as the Braidwood Recreation Area Upgrade and the Bungendore Tennis Courts, as well as support for our sporting teams.

The total allocation for community endeavours was \$366,277. This is a 6% reduction on last year and a reflection of the performance challenges we contended with in the first half of the year.

With any business there will always be challenges. For next year the Board will contend with:

- a. Adjustments to our profit share with Bendigo and Adelaide Bank (the Franchisor) from July 2016 with the adoption of a new method of calculating profit share,

Chairman's report (continued)

- b. The removal of Market Development Funding from local control in July 2016, and
- c. The general low interest and low margin business climate.

The Board and staff have a direct focus upon reducing expenses and achieving business growth, along with improved profitability over the coming year.

To continue to build upon our success, we need your continued support, as the more successful our banking operations are, the more we are able to put back into our communities.

I encourage you all to consider your banking needs, with a view to increasing your own banking with your local **Community Bank®** branch, knowing that the branch profit will stay in our local community. We have a great team of professionals who are eager to assist you.

We look forward to seeing you in one of our branches soon.



Shane Holness
Chairman

Senior Manager's report

For year ending 30 June 2016

The past financial year, despite a slow start, has proven a success with strong business growth in the second half resulting in growth in turnover (up 1.92%) and increase in profit before tax and community contributions (up 11.9%). Costs were also well contained with the overall expenses reduced by 1.8%.

We continue to have a strong balance sheet with \$1.9 million in assets against \$259,512 in liabilities and no debt. This was after \$366,227 were allocated to charitable donations and sponsorship during the year, we continue to pay a 6.5 cent fully franked dividend again this year, which remains a strong return in the current low interest rate environment.

With the business growth coming in the second half of the year, this means the benefit was only over a short period resulting in a smaller impact on income. There also has been a good increase in business recently so we are aiming to continue our strong growth.

The historic low interest rates and high metropolitan housing markets have seen strong interest in the local area that is in turn flowing through to an increase in lending enquiries.

We are currently negotiating the third franchise renewal with Bendigo and Adelaide Bank and with this, there is likely to be a new profit share model introduced. The overall impact on this is minor on present business levels however, it may mean movements in interest rates and other external factors such as competition may have more of an influence on our income in the future.

Our business book size remains one of the largest in the **Community Bank**[®] network and we continue to grow. Bendigo and Adelaide Bank has embarked on a marketing and sales campaign to further improve the growth into the future.

Andrew Pollitt and the team at Bungendore have managed some good lending growth recently and we are embarking on a strategy to train more staff in lending with the aim to grow this business further. Penny Poore, Jayde Tranter and Erin Hall all are at present either in, or training for, lending /sales positions.

We would also like to welcome a number of staff who have joined us over the past year, Jenny O'Connell, Rosie Pryor and Emmy Cooper into Customer Service roles. Simone Dickson is welcomed back after maternity leave

The community projects continue with the Braidwood Recreation Area being a highlight. We also saw other great projects such as the Bush Balladeers Memorial in Bungendore and the relocation of the Braidwood Community Radio Station.

Finally, I would like to thank the Directors for the time and effort they put into the company on a voluntary basis, and the staff, whose efforts beyond the requirements of the job, have made not only the **Community Bank**[®] company possible but also the great community projects that have been achieved.

We are looking forward to an exciting year ahead and if you have not considered transferring your banking business to us please come in and see what your **Community Bank**[®] branch can do for you.



Craig Pettit
Senior Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2016

It's been 18 years since Bendigo Bank and two rural communities announced they were joining forces to open **Community Bank®** branches.

The initial aim was to return traditional bank branches to regional communities.

It was soon obvious that the 'community' aspect of this unique banking model was going to be just as important to all types of communities; whether they are rural, regional or urban.

Today, there are 312 **Community Bank®** communities in every state and territory of Australia.

The statistics are impressive:

- More than \$148 million in community contributions returned to local communities
- 1,900 Directors
- 1,500 staff
- More than \$38 million in shareholder dividends.

Yes, these figures are staggering.

But dig a little deeper and what's more significant is that social issues affecting every community in Australia have received funding from **Community Bank®** companies.

- Aged care
- Youth disengagement
- Homelessness
- Domestic and family violence
- Mental health
- Unemployment
- Environment

I have no doubt that your **Community Bank®** company has already had a role to play, either in a funding grant, sponsorship support or connecting locals with relevant government, corporate and not-for-profit organisations.

Behind every **Community Bank®** branch is a company Board of Directors. These people are local mums and dads, tradespeople, small business operators, farmers, lawyers, accountants, school teachers, office workers... and the list goes on.

As **Community Bank®** company Directors they volunteer their time, their professional expertise and their local knowledge to make your **Community Bank®** branch the success it is today.

To every single one of our 1,900-plus **Community Bank®** company Directors, thank you for your commitment, your confidence in Bendigo and Adelaide Bank and your vision to make your community a better place to live.

As a **Community Bank®** community, you're all change makers.

As a shareholder, you're critical to helping make things happen for the benefit of your community.

On behalf of Bendigo Bank, thank you.

Thank you for your support as a shareholder, your belief in your community and your faith in what a **Community Bank®** community can achieve.



Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2016

The Directors present their report of the company for the financial year ended 30 June 2016.

Directors

The following persons were Directors of Palerang Financial Services Limited during or since the end of the financial year up to the date of this report:

Shane Holness, Chairman (AIMM, GAICD)

Experience and expertise	Shane operates a family owned consulting and IT management business, since 1999. He is a former Director in the Australian Public Service and a former member of the Royal Australian Navy.
Special responsibilities	Finance & HR Committee, Governance & Risk Committee.

Michael Clarke

Experience and expertise	Mick has been the owner/operator of a retail butchery in Braidwood for the past twelve years. Mick is involved in community service organisations in Braidwood and is a past President of the Braidwood Apex Club.
Special responsibilities	Nil.

Michael Wall (B App Science (Agriculture), Dip Ed)

Experience and expertise	Mick teaches Agriculture at the local school and is very passionate about the community. He is involved in a number of local groups and coaches the junior Redbacks Rugby team.
Special responsibilities	Sponsorship Committee.

Mary Mathias

Experience and expertise	Mary is a retired School Principal and is a respected community resident who is involved in many local groups and associations.
Special responsibilities	Sponsorship Committee.

Noel Wisbey, Treasurer

Experience and expertise	Noel is a retired Orchardist and has extensive business and financial experience across a number of areas. He is a proud grandparent and lives locally on a rural property. Noel is a former Company Chairman.
Special responsibilities	Finance & HR Committee

Michael Fay

Experience and expertise	Mick is a local businessman and Sales Manager. He is involved in many local groups and associations.
Special responsibilities	Sponsorship Committee and Finance & HR Committee

Susan Smith (Appointed November 2015)

Experience and expertise	Sue is retired from the Australian Defence Forces and brings extensive experience in banking and financial management to the PFSL Board, as well as her involvement with community organisations such as Bungendore War Memorial Hall.
Special responsibilities	Sponsorship Committee.

Directors' report (continued)

Directors (continued)

Hanna Darmody (Appointed April 2016)

Experience and expertise

Hanna is currently employed in project management requiring a range of administrative, financial and people management skills. Hanna has extensive involvement in the local community including the Bungendore Autumn Fair, the B & S Ball, and the Bungendore Agricultural Show, Rodeo and Country Muster.

Special responsibilities

Sponsorship Committee.

Gemma Hooper (Retired November 2015)

Experience and expertise

Gemma is the Director of Wyn Management for Solutions which began operating in 2005, and is a former Director of Octo Consulting - both management consultancy companies.

Special responsibilities

Sponsorship Committee; Governance & Risk Committee

Karen Leshinskas (MBBS, MPH&TM) (Retired March 2016)

Experience and expertise

Currently a Medical Officer with the RAAF. Karen has a MBBS, MPH&TM (Master of Public Health and Tropical Medicine) and FAFPHM. Karen is also a member of the Chief Executive Women (CEW) group.

Special responsibilities

Governance & Risk Committee

Kylie Coe (Bachelor of Arts, Masters Natural Resource Management) (Retired November 2015)

Experience and expertise

Kylie is employed by Palerang Council as the Coordinator of Development Services. She is a passionate Board member and supports youth and sport in the community.

Special responsibilities

Finance and HR Committee.

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings	
Director	A	B
Shane Holness (Chairman)	12	10
Michael Clarke	12	7
Michael Wall	12	7
Mary Mathias	12	11
Noel Wisbey	12	11
Michael Fay	12	11
Susan Smith	11	8
Hanna Darmody	3	3
Gemma Hooper	6	4
Karen Leshinskas	8	6
Kylie Coe	6	3

A - The number of meetings eligible to attend. B - The number of meetings attended.

Directors' report (continued)

Company Secretary

Janene Collins has been the secretary of Palerang Financial Services Limited since September 2014. Her qualifications and experience include a Diploma of Community Organisation Management and an Associate Degree in Library & Information Studies as well as many years experience as an Administrator and a volunteer Board member with a variety of organisations.

Principal activities

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

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

Review of operations

The net profit of the company for the financial year after provision for income tax was \$201,137 (2015: \$118,262), which is a 70% increase as compared with the previous year.

Dividends

A fully franked final dividend of 6.5 cents per share was declared and paid during the year for the year ended 30 June 2015.

Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to the end of the reporting period

No matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company, in future financial years.

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

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.

Directors' report (continued)

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or 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 any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out at page 10 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Bungendore, New South Wales on 22 September 2016.

A handwritten signature in black ink, appearing to read 'Shane Holness', with a long horizontal stroke extending to the right.

Shane Holness
Chairman

Auditor's independence declaration



**Richmond
Sinnott &
Delahunty**

Chartered Accountants

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Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Palerang Financial Services Limited.

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there has been no contraventions of:

- (i) the Auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants



P. P. Delahunty

Partner

Bendigo

Dated: 23 September 2016

Richmond Sinnott Delahunty Pty Ltd
ABN 60 616 244 309

Liability limited by a scheme approved under Professional Standards Legislation

Partners:
Kathie Teasdale
David Richmond

Philip Delahunty
Cara Hall
Brett Andrews

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Revenue	2	2,126,134	2,086,091
Expenses			
Employee benefits expense	3	962,191	992,957
Depreciation and amortisation	3	53,575	87,581
Administration and general costs		61,689	57,124
Bad and doubtful debts expense	3	8,266	599
IT expenses		41,996	45,037
Professional fees		76,852	49,086
Advertising and marketing costs		61,222	75,829
Other expenses		224,778	209,757
		1,490,569	1,517,970
Operating profit before charitable donations and sponsorships		635,565	568,121
Charitable donations and sponsorships		366,227	391,203
Profit before income tax		269,338	176,918
Income tax expense	4	68,201	58,656
Profit for the year		201,137	118,262
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Gain on revaluation of land and buildings (net of tax)		27,930	-
Total comprehensive income for the year		229,067	118,262
Profit attributable to members of the company		229,067	118,262
Total comprehensive income attributable to members of the company		229,067	118,262
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share		17.35	8.96

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Financial Position as at 30 June 2016

	Notes	2016 \$	2015 \$
Assets			
Current assets			
Cash and cash equivalents	5	580,644	449,044
Trade and other receivables	6	198,580	183,223
Current tax asset	4	-	18,455
Total current assets		779,224	650,722
Non-current assets			
Property, plant and equipment	7	1,073,977	1,080,760
Intangible assets	8	70,088	6,928
Total non-current assets		1,144,065	1,087,688
Total assets		1,923,289	1,738,410
Liabilities			
Current liabilities			
Trade and other payables	9	112,265	80,290
Current tax liability	4	31,105	-
Provisions	10	116,142	112,969
Total current liabilities		259,512	193,259
Non-current liabilities			
Deferred tax liability	4	13,053	37,666
Total non-current liabilities		13,053	37,666
Total liabilities		272,565	230,925
Net assets		1,650,724	1,507,485
Equity			
Issued capital	11	1,062,849	1,062,849
Retained earnings	12	472,059	356,749
Reserves	13	115,817	87,887
Total equity		1,650,725	1,507,485

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2016

	Note	Issued capital \$	Retained earnings \$	Reserves \$	Total equity \$
Balance at 1 July 2014		1,062,849	324,314	87,887	1,475,050
Profit for the year		-	118,262	-	118,262
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	118,262	-	118,262
Transactions with owners, in their capacity as owners					
Dividends paid or provided	22	-	(85,827)	-	(85,827)
Balance at 30 June 2015		1,062,849	356,749	87,887	1,507,485
Balance at 1 July 2015		1,062,849	356,749	87,887	1,507,485
Profit for the year		-	201,137	-	201,137
Other comprehensive income for the year					
Items that will not be reclassified to profit or loss					
Gain on revaluation of land and buildings (net of tax)		-	-	27,930	27,930
Total comprehensive income for the year		-	201,137	27,930	229,067
Transactions with owners, in their capacity as owners					
Dividends paid or provided	22	-	(85,827)	-	(85,827)
Balance at 30 June 2016		1,062,849	472,059	115,817	1,650,725

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		2,303,358	2,099,986
Payments to suppliers and employees		(2,020,060)	(1,810,666)
Interest received		8,131	7,244
Income tax paid		(55,225)	(86,178)
Net cash provided by operating activities	14b	236,204	210,386
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment		2,273	-
Purchase of property, plant and equipment		(7,494)	(11,195)
Purchase of intangible assets		(13,556)	-
net cash flows used in investing activities		(18,777)	(11,195)
Cash flows from financing activities			
Dividends paid		(85,827)	(85,827)
Net cash used in financing activities		(85,827)	(85,827)
Net increase in cash held		131,600	113,364
Cash and cash equivalents at beginning of financial year		449,044	335,680
Cash and cash equivalents at end of financial year	14a	580,644	449,044

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

These financial statements and notes represent those of Palerang Financial Services Limited.

Palerang Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 22 September 2016.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**[®] branches at Braidwood & Bungendore.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank", the logo, and systems of operation of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**[®] branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**[®] branches 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.

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 Managers 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;

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic dependency (continued)

- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

(b) Income tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities are measured at the amounts expected to be paid to the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

(c) Fair value of assets and liabilities

The company may measure some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Property

Freehold land and buildings are carried at their fair value (refer note 1 (c)), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings, but excluding freehold land, is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of asset	Rate	Method
Buildings and improvements	2.5% - 15%	SL
Plant and equipment	5% - 100%	SL
Motor vehicles	25%	SL

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(e) 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 recognising 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 recognised as expenses in the periods in which they are incurred.

(f) Impairment of assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(g) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(h) Employee benefits

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(h) Employee benefits (continued)

Other long-term employee benefits (continued)

Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(i) Intangible assets

Franchise fees have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation in the Statement of Profit or Loss and Other Comprehensive Income.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

(k) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

Interest revenue is recognised on a time proportional basis that taken into account the effective yield on the financial asset.

Other revenue is recognised when the right to the income has been established.

All revenue is stated net of the amount of goods and services tax (GST).

(l) Investments and other financial assets

(i) Classification

The company classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held to maturity investments, and
- available for sale assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(I) Investments and other financial assets (continued)

(i) Classification (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term with the intention of making a profit. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The company has not designated any financial assets at fair value through profit or loss.

Loans and receivables

This category is the most relevant to the company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the period end, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Held to maturity investments

The group classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the group intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Available for sale financial asset

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(ii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(I) Investments and other financial assets (continued)

(ii) Measurement (continued)

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in the profit or loss.

(iii) Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(iii) Impairment (continued)

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.”

(iv) Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire 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. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(m) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

(n) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(o) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(p) Dividends

Provision is made for the amount of any dividends declared being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year, but not distributed at balance date.

(q) New and amended accounting policies adopted by the company

There are no new and amended accounting policies that have been adopted by the company this financial year.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(r) Comparative figures

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

(s) Earnings per share

Basic earnings per share

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

(t) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

- (i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- a) Financial assets that are debt instruments will be classified based on:
- (i) the objective of the entity's business model for managing the financial assets; and
 - (ii) the characteristics of the contractual cash flows.
- b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.
- d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
- the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
 - the remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(t) New accounting standards for application in future periods (continued)

- (i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018) (continued)

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities.

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

- (ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018)

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

In May 2015, the AASB issued ED 260 Income of Not-for-Profit Entities, proposing to replace the income recognition requirements of AASB 1004 Contributions and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016.

This Standard will require retrospective restatement, as well as enhanced disclosure regarding revenue.

When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

- (iii) AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019)

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;

Community contributions 2015/16

Braidwood Community Bank® Branch

Organisation	Purpose	Amount \$
Sponsorship		
Braidwood District Pony Club	Sponsorship towards Ribbons for the 2015 Jamboree	800
Braidwood Preschool	Sponsorship towards prizes for 2015 Trivia Night	90
Braidwood Preschool	Sponsorship towards prizes for 2015 Trivia Night	90
Braidwood Womens Bowling Club	Sponsorship for the Ladies Open Fours Tournament	1,000
Braidwood Quilters Inc	Sponsorship of the Annual Airing of the Quilts	1,000
Braidwood National Theatre	Sponsorship of 'An Evening with Keith Potger'	1,500
The Lions Club of Braidwood Inc	Sponsorship of 2015 Antique Fair	1,500
The Lions Club of Braidwood Inc	Sponsorship of the Life Cycle Event	337
APEX Braidwood	Sponsorship of the Defensive Driver Course	2,200
Braidwood & Villages Tourism Assoc Inc	Sponsorship of The Braidwood Festival	3,000
Majors Creek Recreation Reserve Trust	Sponsorship towards improvements to the Recreation Reserve	6,000
Braidwood Bowling Club	Sponsorship of the Mixed Triple and the Men's Pairs Events	1,000
Braidwood Bowling Club	Sponsorship of the 2015 Barefoot Bowls Competition	1,000
Nerriga Progress & Sporting Association	Sponsorship towards the purchase of Nerriga Hall Chairs	3,935
Braidwood District Education Foundation	Sponsorship of Melbourne Cup Fundraiser	100
Braidwood Show Society	Sponsorship of the 2016 Braidwood Show	8,000
NARG	Sponsorship towards replacement of old enclosures and aviaries	3,500
The Lions Club of Braidwood Inc	Sponsorship of the Braidwood Community Bank Billy Cart Derby 2016	3,000
Braidwood Rodeo Club	Sponsorship of 2016 Braidwood Rodeo	1,000
Braidwood Jockey Club Inc.	Sponsorship of 2016 Braidwood Races	2,500
Braidwood Bowling Club	Sponsorship of the Community Bank Barefoot Bowls	1,000
Braidwood Polocrosse Club	Sponsorship of the Braidwood Polocrosse Carnival 2016	2,000
Braidwood Central School P&C	Sponsorship of Public Speaking and Debating	1,500
Braidwood Central School P&C	Sponsorship for the purchase of a Shade Marquee	3,500
Two Fires Festival Braidwood	Sponsorship towards the printing of flyers to promote Dhurga Rock	200
Braidwood Showground 355 Committee	Sponsorship towards the Braidwood Showground Performance Weekend	3,000
Araluen Progress Association	Sponsorship towards the purchase of a Community Mower	4,000
Braidwood Rugby League Football Inc	Sponsorship towards the 2016 Season	3,000
Braidwood Swimming Club	Sponsorship towards Jackets for Junior Swimmers	1,000
Braidwood District Pony Club Inc	Sponsorship towards the 2016 Gymkhana	1,000
Braidwood Golf Club	Sponsorship towards the 2016 Club Championship	580
Braidwood Quilters Inc	Sponsorship towards the 2016 Annual Braidwood Quilt Event	1,000
National Theatre Braidwood	Sponsorship towards the restoration of the National Theatre	4,800
Braidwood Central School P&C	Sponsorship towards the Braidwood Truffle Central Event	3,000
Braidwood Rodeo Club	Sponsorship towards the Team Sorting Fundraiser	500
Araluen Progress Association	Sponsorship towards Araluen Sports Day	3,000
APEX Braidwood	Sponsorship of Defensive Driving Course	2,200
Braidwood Junior Soccer Club	Sponsorship towards replacing Soccer Goals	3,000
	Total Braidwood Sponsorship	79,832
Donations		
Braidwood Life Centre	Donation towards the Christmas Hamper Project	6,000
Braidwood Central School	End of Year Assembly Donation	200
St Bedes Primary School	End of Year Assembly Donation	200
Braidwood Regional Arts Group	Donation towards the Braidwood Regional Arts Prize	5,000
Braidwood Apex	Donation	50
Braidwood Mens Shed	Donation towards a Prize	50
Braidwood Pony Club	Donation of water for Pony Club Event	66
Braidwood Life Centre	Donation towards the Lamont Outback Trip	750
NARG	Donation towards 2017 Calendars	100
	Total Braidwood Donations	12,416
Grants		
Braidwood Community Radio - Braidwood FM	Grant towards the relocation of the studio	37,000
Scholarships		10,000
Braidwood Life Centre	Recreation Ground	350,000
	Total Braidwood Grants	397,000
	Braidwood Total	489,248

Community contributions in Braidwood and Bungendore



From top, and left to right: 1. Bungendore Tigerettes at the Branch 2. Cutting the 10th Birthday cake 3. Pre-school facilities get an upgrade 4. Our 10th Birthday gift to Bungendore 5. The other side of the cake 6. Cupcakes for everyone 7. Team shirts for Captains Flat Public School 8. Joint fundraising for the Pre-school 9. Staff at the Branch 10. Birthday celebrations included past & present PFSL Directors 11. Piggy out and about at the soccer.



From top, and left to right: 1. Araluen Progress Association mower 2. Thanks from the RFS 3. The BMX track takes shape at the Braidwood Rec Grounds 4. One of many horse events at the Braidwood Showground 5. New chairs for Nerriga Hall 6 & 7. Truffles for breakfast 8. Easter hat parade 9. Snowy Hydro South Care open day 10. Black Dog riders at Lions Club, Braidwood 11. Smoking ceremony at the Dhurga Rock 12. Braidwood Swimming Club trophy presentations 13. One of the free activities at the Braidwood Show 14. Braidwood Show Day volunteers 15. 2BRW FM moves to new studios.

Community contributions 2015/16

Bungendore Community Bank® Branch

Organisation	Purpose	Amount \$
Sponsorship		
Captains Flat Public School	Sponsorship for Captains Flat Public School Garden Club	2,000
Bungendore Community Soccer	Individual Prizes	60
Bungendore & District Automotive Club	Sponsorship of the Summer Rocks Royal Car & Bike Show	1,000
Bungendore Community Soccer	Individual Prizes	90
Bungendore Netball Club	Sponsorship of Umpire and Coach Training	2,500
Bungendore Community Soccer	Individual Prizes	40
Rotary Club of Bungendore	Sponsorship of Model Railway Exhibition	3,400
Bungendore Quilters	Sponsorship of the Annual Quilt Exhibition	4,752
Captains Flat Public School P&C Association	Sponsorship of School Sports Shirts	1,485
Southern Harvest Farmers Market	Sponsorship towards the development of the Southern Harvest Farmers Market	5,750
Bungendore Community Soccer	Individual Prizes	50
Bungendore Community Soccer	Individual Prizes	20
Bungendore Rugby Football Club Inc	Sponsorship of 2016 season	3,000
Bungendore Bowling & Sports Club	Sponsorship of 2015 Christmas Party	909
Bungendore Community Soccer	Individual Prizes	30
Bungendore PA & H Society Inc.	Sponsorship of the 2016 Bungendore Show	8,000
Bungendore Community Soccer	Individual Prizes	50
Bungendore Country Music Muster	Sponsorship of the Bungendore Country Music Muster 2016	1,200
Bywong Community Association	Sponsorship towards the building of the Bywong Hall Playground	5,000
Bungendore War Memorial Committee	Sponsorship towards the ANZAC Day Dinner	500
Bungendore Community Soccer	Individual Prizes	20
Bungendore Rugby League Football Club	Sponsorship of the 2016 Season	3,000
Captains Flat Central School P&C Association	Sponsorship towards restoring the Play Area markings	2,150
Bungendore Pony Club	Sponsorship towards Cross Country Jump Course Restoration	6,000
Bungendore Community Soccer	Individual Prizes	10
Bungendore Community Soccer	Sponsorship towards the 2016 Bungendore Soccer Program	2,500
Bungendore Public School P&C Association	Sponsorship towards the purchase of a 65" Interactive LED panel & associated equipment	8,182
Bungendore Preschool	Sponsorship towards the Outdoor Playing Area	500
	Total Bungendore Sponsorship	62,198
Donations		
Tarago Public School	End of Year Assembly Donation	200
Bungendore Public School	End of Year Assembly Donation	200
Captains Flat Central School	End of Year Assembly Donation	200
Future Plans	Refund of signage donation from Oct 2013	500
Braidwood Life Centre	Donation towards the Lamont Outback Trip	750
Geary's Gap Pony Club	Donation towards Cross Country Course Rebuilding Project via ASF	10,000
Wildcare Queanbeyan	Donation towards the Bush Fundraiser and towards Possum Release Box	500
	Total Bungendore Donations	11,350
Grants		
Bungendore Public School	Interactive Whiteboards	8,785.70
Bungendore Public school P&C	New Playground equipment	33,000
Bungendore Pre School	Shade Sails and Aircon	11,730
Scholarships		10,000
	Total Bungendore Grants	63,516
	Bungendore Total	137,064
	Combined Total - Braidwood and Bungendore	626,312
Other Sponsorships		
Snowy Hydro South Care Rescue		15,000

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(t) New accounting standards for application in future periods (continued)

(iii) AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019) (continued)

- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

(u) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

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 intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Fair value assessment of non-current physical assets

The AASB 13 Fair Value standard requires fair value assessments that may involved both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

Employee benefits provision

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 2. Revenue		
Revenue		
- services commissions	2,112,505	2,078,847
	2,112,505	2,078,847
Other revenue		
- interest received	8,131	7,244
- other revenue	5,498	-
	13,629	7,244
Total revenue	2,126,134	2,086,091

Note 3. Expenses

Profit before income tax includes the following specific expenses:

Employee benefits expense		
- wages and salaries	809,284	797,242
- superannuation costs	92,252	87,706
- other costs	60,655	108,009
	962,191	992,957
Depreciation and amortisation		
Depreciation		
- buildings and improvements	30,297	37,967
- plant and equipment	18,657	22,496
- motor vehicles	-	-
	48,954	60,463
Amortisation		
- franchise fees	4,621	4,622
Total depreciation and amortisation	53,575	87,581
Bad and doubtful debts expenses	8,266	599
Loss on disposal of property, plant and equipment	2,950	-
Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	6,000	6,193
- Share registry services	4,582	4,390
- Taxation services	605	6,864
	11,187	17,447

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 4. Income tax		
a. The components of tax expense comprise:		
Current tax expense	81,806	58,656
Deferred tax expense	10,965	-
Income tax recognised directly in equity	(11,970)	-
Under / (over) provision of prior years	(12,600)	-
	68,201	58,656
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 30% (2015: 30%)	80,801	53,075
Add tax effect of:		
- Under / (over) provision of prior years	(12,600)	-
Income tax attributable to the entity	68,201	53,075
The applicable weighted average effective tax rate is	25.32%	33.15%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	(18,455)	9,067
Income tax paid	(55,225)	(86,178)
Current tax	81,806	58,656
Under / (over) provision prior years	22,979	-
	31,105	(18,455)
	35579.00	
d. Deferred tax liability		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Accruals	1,740	-
Employee provisions	34,843	-
	36,583	-
Deferred tax liabilities balance comprises:		
Property, plant & equipment	49,636	37,666
	49,636	37,666
Net deferred tax liability	13,053	37,666

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 4. Income tax (continued)		
e. Deferred income tax expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(1,004)	-
(Decrease) / increase in deferred tax liabilities	11,970	-
Under / (over) provision prior years	(35,579)	-
	(24,613)	-

Note 5. Cash and cash equivalents

Cash at bank and on hand	225,504	213,572
Short term bank deposits	355,140	235,472
	580,644	449,044

The effective interest rate on short-term bank deposits was 2.45% (2015: 2.75%); these deposits have an average maturity of 90 days.

Note 6. Trade and other receivables

Current

Trade receivables	198,580	183,223
	198,580	183,223

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

Notes to the financial statements (continued)

Note 6. Trade and other receivables (continued)

Credit risk (continued)

	Gross amount \$	Past due and impaired \$	Past due but not impaired			Not past due \$
			< 30 days \$	31-60 days \$	> 60 days \$	
2016						
Trade receivables	198,580	198,580	-	-	-	-
Total	198,580	198,580	-	-	-	-
2015						
Trade receivables	183,223	183,223	-	-	-	-
Total	183,223	183,223	-	-	-	-

	2016 \$	2015 \$
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Note 7. Property, plant and equipment

Land

At fair value	172,780	252,021
Buildings and improvements		
At fair value	824,520	1,032,097
Less accumulated depreciation	-	(296,421)
	824,520	735,676

Plant and equipment

At cost	193,202	198,685
Less accumulated depreciation	(116,525)	(105,622)
	76,677	93,063

Motor vehicles

At cost	21,624	58,019
Less accumulated depreciation	(21,624)	(58,019)
	-	-

Total property, plant and equipment	1,073,977	1,080,760
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Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 7. Property, plant and equipment (continued)		
a) Reconciliation of carrying amounts		
Land		
Balance at the beginning of the reporting period	252,021	252,021
Transfers	(84,741)	-
Revaluation increments	5,500	-
Balance at the end of the reporting period	172,780	252,021
Buildings and Improvements		
Balance at the beginning of the reporting period	735,676	773,643
Transfers	84,741	-
Revaluation increments	34,400	-
Depreciation expense	(30,297)	(37,967)
Balance at the end of the reporting period	824,520	735,676
Plant and equipment		
Balance at the beginning of the reporting period	93,063	104,364
Additions	7,494	11,195
Disposals	(5,223)	-
Depreciation expense	(18,657)	(22,496)
Balance at the end of the reporting period	76,677	93,063
Motor vehicles		
Balance at the beginning of the reporting period	-	-
Depreciation expense	-	-
Balance at the end of the reporting period	-	-
Total property, plant and equipment		
Balance at the beginning of the reporting period	1,080,760	1,130,028
Additions	7,494	11,195
Disposals	(5,223)	-
Revaluation increments / (decrements)	39,900	-
Depreciation expense	(48,954)	(60,463)
Balance at the end of the reporting period	1,073,977	1,080,760

Notes to the financial statements (continued)

	2016 \$	2015 \$
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Note 8. Intangible assets

Franchise fee

At cost	160,888	93,107
Less accumulated amortisation	(90,800)	(86,179)
	70,088	6,928

a) Movements in carrying amounts

Franchise fee

Balance at the beginning of the reporting period	6,928	11,550
Additions	67,781	-
Amortisation expense	(4,621)	(4,622)
Balance at the end of the reporting period	70,088	6,928

Note 9. Trade and other payables

Current

Unsecured liabilities:

Trade creditors	25,873	36,714
Franchise renewal fee payable	59,647	-
Other creditors and accruals	26,745	43,576
	112,265	80,290

The average credit period on trade and other payables is one month.

Note 10. Provisions

Current

Employee benefits

Annual leave	43,063	42,132
Long service leave	73,079	70,837
	116,142	112,969

Note 11. Share capital

1,062,849 Ordinary shares fully paid	1,062,849	1,062,849
257,570 Bonus shares issued for no consideration	-	-
Less: Equity raising costs	-	-
	1,062,849	1,062,849

Notes to the financial statements (continued)

	2016 \$	2015 \$
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Note 11. Share capital (continued)

Movements in share capital

Fully paid ordinary shares:

At the beginning of the reporting period	1,320,419	1,320,419
Shares issued during the year	-	-
At the end of the reporting period	1,320,419	1,320,419

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

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 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.

(i) the Distribution Limit is the greater of:

- (a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) 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 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

	2016 \$	2015 \$
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Note 12. Retained earnings

Balance at the beginning of the reporting period	356,749	324,314
Profit after income tax	201,137	118,262
Dividends paid	(85,827)	(85,827)
Balance at the end of the reporting period	472,059	356,749

Notes to the financial statements (continued)

	2016 \$	2015 \$
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Note 13. Reserves

Asset revaluation reserve

Balance at the beginning of the reporting period	87,887	87,887
Fair value movements during the period	27,930	-
Balance at the end of the reporting period	115,817	87,887

Note 14. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:

Cash and cash equivalents (Note 6)	580,644	449,044
As per the Statement of Cash Flow	580,644	449,044

(b) Reconciliation of cash flow from operations with profit after income tax

Profit after income tax	201,137	118,262
Non-cash flows in profit		
- Depreciation	48,954	60,463
- Amortisation	4,621	4,622
- Net loss on disposal of property, plant & equipment	2,950	-
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(15,357)	21,139
- (Increase) / decrease in deferred tax asset	(36,584)	-
- Increase / (decrease) in trade and other payables	(22,250)	9,584
- Increase / (decrease) in current tax liability	49,560	(27,522)
- Increase / (decrease) in provisions	3,173	23,838
Net cash flows from operating activities	236,204	210,386

Note 15. Earnings per share

Basic earnings per share (cents)	17.3	9.0
Earnings used in calculating basic earnings per share	229,067	118,262
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share.	1,320,419	1,320,419

Notes to the financial statements (continued)

Note 16. Key management personnel and related party disclosures

(a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company is considered key management personnel.

There was no remuneration paid to key management personnel of the company as all positions are held on a voluntary basis. Remuneration includes:

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to Executive Directors and other key management personnel.

Post-employment benefits

These amounts are the current year's estimated cost of providing the company's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

Other long-term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

Share-based payments

These amounts represent the expense related to the participation of key management personnel in equity-settled benefits schemes as measured by the fair value of the options, rights and shares granted on grant date.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

During the year, the company purchased goods and services under normal terms and conditions, from related parties as follows:

Name of related party	Description of goods/services	Value \$
Michael Fay - PFS Ltd	33 Ellendon Street property costs including waste collection, public lighting etc	676

Notes to the financial statements (continued)

Note 16. Key management personnel and related party disclosures (continued)

(d) Key management personnel shareholdings

The number of ordinary shares in Palerang Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	2016	2015
Shane Holness (Chairman)	2,000	2,000
Michael Clarke	1,500	1,500
Michael Wall	-	-
Mary Anne Mathias	-	-
Noel Wisbey	6,751	6,001
Michael Fay	1,000	1,000
Susan Smith (appointed November 2015)	-	-
Hanna Darmody (appointed April 2016)	-	-
Gemma Hooper (retired November 2015)	-	-
Karen Leshinskas (retired March 2016)	5,000	5,000
Kylie Coe (retired November 2015)	-	-

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid.

(e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

Note 17. Events after the reporting period

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

Note 18. Contingent liabilities and contingent assets

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

Note 19. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being the Palerang Shire (incorporating Braidwood and Bungendore), NSW. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2015: 100%).

Notes to the financial statements (continued)

	2016 \$	2015 \$
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Note 20. Commitments

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.

Payable:

- no later than 12 months	14,300	14,300
- between 12 months and five years	14,300	28,600
- greater than five years	-	-
Minimum lease payments	28,600	42,900

The property lease is a non-cancellable lease with a two year term, with rent payable monthly in advance and with CPI increases each year. There is also an option to renew for another 2 years.

Note 21. Company details

The registered office and principle place of business is:
95 Wallace Street Braidwood, NSW 2622.

Note 22. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year

Final fully franked ordinary dividend of 6.5 cents per share for the year ended 30 June 2015 (2015: 6.5) franked at the tax rate of 30% (2015: 30%).	85,827	85,827
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Note 23. Fair value measurements

The company measures and recognises the following assets at fair value on a recurring basis after initial recognition:

- freehold land and buildings

The company does not subsequently measure any liabilities at fair value on a non-recurring basis.

(a) Fair value hierarchy

AASB 13: Fair value measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

Notes to the financial statements (continued)

Note 23. Fair value measurements (continued)

(a) Fair value hierarchy (continued)

Fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the company are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following tables provide the fair values of the company's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

	Note	30 June 2016			
		Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring fair value measurements					
Non-financial assets					
Freehold land		-	172,780	-	172,780
Buildings and improvements		-	824,520	-	824,520
Total non-financial assets recognised at fair value on a recurring basis		-	997,300	-	997,300

Notes to the financial statements (continued)

Note 23. Fair value measurements (continued)

(a) Fair value hierarchy (continued)

Valuation techniques (continued)

	Note	30 June 2015			
		Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring fair value measurements					
Non-financial assets					
Freehold land		-	252,021	-	252,021
Buildings and improvements		-	735,676	-	735,676
Total non-financial assets recognised at fair value on a recurring basis		-	987,697	-	987,697

There were no transfers between Levels for assets measured at fair value on a recurring basis during the reporting period (2015: no transfers).

(b) Valuation techniques and inputs used to measure Level 2 fair values

Description	Fair value at 30 June 2016 \$	Description of valuation techniques	Inputs used
Freehold land	252,021	Market value approach using valuation of land and buildings at 30 June 2016.	Qualified external valuer
Buildings and improvements	735,676	Market value approach using valuation of land and buildings at 30 June 2016.	Qualified external valuer

- (i) The fair value of freehold land and buildings is determined at least every three years based on valuations by an independent valuer. At the end of each intervening period, the Directors review the independent valuation and, when appropriate, update the fair value measurement to reflect current market conditions using a range of valuation techniques, including recent observable market data and discounted cash flow methodologies.

There were no changes during the period in the valuation techniques used by the company to determine Level 2 fair values.

Note 24. Financial risk management

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

Notes to the financial statements (continued)

Note 24. Financial risk management (continued)

Specific financial risk exposure and management (continued)

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 Financial Instruments: Recognition and Measurement as detailed in the accounting policies are as follows:

	Note	2016 \$	2015 \$
Financial assets			
Cash and cash equivalents	5	580,644	449,044
Trade and other receivables	6	198,580	183,223
Total financial assets		779,224	632,267
Financial liabilities			
Trade and other payables	9	112,265	80,290
Total financial liabilities		112,265	80,290

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the table above.

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

None of the assets of the company are past due (2015: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited and therefore credit risk is considered minimal.

(b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Notes to the financial statements (continued)

Note 24. Financial risk management (continued)

(b) Liquidity risk (continued)

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
30 June 2016					
Financial assets					
Cash and cash equivalents	2.45%	580,644	580,644	-	-
Trade and other receivables	-%	198,580	198,580	-	-
Total anticipated inflows		779,224	779,224	-	-
Financial liabilities					
Trade and other payables	-%	112,265	112,265	-	-
Total expected outflows		112,265	112,265	-	-
Net inflow / (outflow) on financial instruments		666,959	666,959	-	-

	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
30 June 2015					
Financial assets					
Cash and cash equivalents	2.75%	449,044	449,044	-	-
Trade and other receivables	-%	183,223	183,223	-	-
Total anticipated inflows		632,267	632,267	-	-
Financial liabilities					
Trade and other payables	-%	80,290	80,290	-	-
Total expected outflows		80,290	80,290	-	-
Net inflow / (outflow) on financial instruments		551,977	551,977	-	-

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Notes to the financial statements (continued)

Note 24. Financial risk management (continued)

(c) Market risk (continued)

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instrument that primarily exposes the company to interest rate risk in cash and cash equivalents.

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit \$	Equity \$
Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	5,806	5,806
+/- 1% in interest rates (interest expense)	-	-
	5,806	5,806
Year ended 30 June 2015		
+/- 1% in interest rates (interest income)	4,490	4,490
+/- 1% in interest rates (interest expense)	-	-
	4,490	4,490

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

Fair value estimation

The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Differences between fair values and the carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied to the market since their initial recognition by the company.

Notes to the financial statements (continued)

Note 24. Financial risk management (continued)

(d) Price risk (continued)

Fair values (continued)

	2016		2015	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair Value \$
Financial assets				
Cash and cash equivalents (i)	580,644	580,644	449,044	449,044
Trade and other receivables (i)	198,580	198,580	183,223	183,223
Total financial assets	779,224	779,224	632,267	632,267
Financial liabilities				
Trade and other payables (i)	112,265	112,265	80,290	80,290
Total financial liabilities	112,265	112,265	80,290	80,290

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

Directors' declaration

In accordance with a resolution of the Directors of Palerang Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 11 to 46 are in accordance with the Corporations Act 2001 and:
 - (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (ii) give a true and fair view of the company's financial position as at 30 June 2016 and of the performance for the year ended on that date;
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This resolution is made in accordance with a resolution of the Board of Directors.



Shane Holness
Director

Signed at Bungendore on 22 September 2016.

Independent audit report



**Richmond
Sinnott &
Delahunty**

Chartered Accountants

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INDEPENDENT AUDITOR'S OPINION

To the directors of Palerang Financial Services Limited

Report on the Annual Financial Report

We have audited the accompanying financial report of Palerang Financial Services Limited, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that 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 half-year financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those 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 the auditor's 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, the auditor considers internal control relevant to the company's preparation 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 company'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.

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

Independent audit report (continued)

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- a) the financial report of Palerang 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 2016 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Richmond Sinnott & Delahunty
Chartered Accountants



P.P. Delahunty
Partner

Dated: 23 September 2016

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