Annual Report 2015

Palerang Financial Services Limited

ABN 83 097 801 100

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

Contents

Chairman's report

For year ending 30 June 2015

It is with pleasure that we provide you with the 2014/15 Annual Report for Palerang Financial Services Limited. This report outlines a result achieved in a business climate where:

- There is a continued reduction in margin income due to the low interest rate environment and competition,
- The low interest rate environment is delivering reductions in income sourced from deposits, and
- There was a significant trend to pay down debt by our customers.

Revenue	**Profit after tax**	**Expense**
$2,086,091	$118,262	$518,174
+ 0.6%	- 33.2%	+ 10%
New business	**New customers**	**Nett assets**
$22.3m	879	$1,507,485
+9.9%	+17%	+2%

The company has delivered a result that builds upon its strong and healthy position (ie no debt, $1.79 million in assets and $0.23 million in liabilities) and continues to deliver outcomes for our communities.

The company declared a franked dividend of 6.5 cents per share (CPS) ($0.065) as at 1 November 2015, to be paid to shareholders in December. This is a continuing result over the last three 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 build a better and bigger business.

The Braidwood and Bungendore **Community Bank**® branches operate franchises of the Bendigo and Adelaide Bank to deliver banking and other services. Using our profit share (on a 50:50 basis with Bendigo and Adelaide) we allocate significant funds in order to deliver benefits to our community.

For example we:

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

The total allocation for community endeavours was $391,203. This is an 8% reduction on last year and a reflection of our performance challenges.

Chairman's report (continued)

There will be continuing headwinds for the business over the next year or two. These take the form of:

a. Adjustments to our profit share with Bendigo and Adelaide Bank (the Franchisor) from July 2016,

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. A number of strategies have been enacted to support this, as we are expecting a challenging year that will require diligence and focus, with improvements in conditions more than 12 months out.

To continue to build 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 2015

This is the 13th Annual Report I have done for the operations of Palerang Financial Services Limited and it has proved to be one of our most challenging years so far. Despite a $22.3 million (9.95%) growth in banking business over the year our revenue remained stable and due to increased costs there has been a drop in profit.

The overall growth was the strongest in three years however the problem was that the growth was all deposits and other investment products, while the more profitable loans book actually dropped slightly. With no loans growth and a slight reduction on overall margins, we saw no increase in revenue.

There was a good number of loans written, however there was also a lot of repayment/reduction of loans due to:

- Loans repaid from sale of properties, with some customers selling investment properties and not rebuying.
- The ongoing reduction of loans from everyone making their monthly payments. We have to write over $1 million in loans each month just to replace what is repaid each month through scheduled repayments.
- People have used the historically low interest rates to accelerate debt reduction by not decreasing payments as rates dropped.

The above are a banking industry wide challenge outside the major metro areas of Sydney and Melbourne, which have seen strong property markets.

Profit before tax and sponsorship of $518,174 was a large reduction on the previous year's profit of $677,402. This was due to a number of factors which are as follows:

- The increase in staffing at Bungendore with a specialist lender employed, raising the staff numbers to six from five. This has since been reversed although there is still a focus on lending.
- Full year of admin costs with Park Lane office.
- General increase in expenses without a corresponding increase in revenue.

Actions are being put in place to reduce costs as well as increase revenue.

There are some further margin adjustments as Bendigo and Adelaide Bank complete the last stage of their Project Horizon adjustments over the next two years. This will have a minor negative impact on our margins and a reduction in the Market Development Fund that we are paid from Bendigo and Adelaide Bank.

We continue to have a strong balance sheet with $1.79 million in assets against $230,925 in liabilities and no debt. This is achieved after $391,203 in charitable donations and sponsorship for the year, including $60,176 as yet unallocated funds on deposit with the Community Enterprise Foundation™.

We continue to pay a 6.5 cent fully franked dividend again this year, which remains a strong return in current low interest rate environment.

There have been a number of staff changes over the past 12 months and I would like to welcome Andrew Pollitt as the new Manager of Bungendore and Lizzie Farley who has been doing maternity relief for Simone Dickson.

Although there have been challenges over the last 12 months (and these will continue in the short term) there are also a lot of opportunities, especially in the Bungendore area with continuing residential development. Also, with the industry wide increases in interest rates on investment loans and competition waning in this area we should hopefully see interest margins improve.

Senior Manager's report (continued)

It is with pride we see the community projects coming to fruition which we have funded, with partners such as the Bungendore Tennis Courts and the Braidwood Showground Pavilion. I would finally like to thank the Directors for the time and effort they put into the company on a voluntary basis, and the staff whose efforts are often beyond the requirements of the job, and they have made this all possible.

Craig Pettit
Senior Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2015

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Bendigo and Adelaide Bank report (continued)

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

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

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

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

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

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

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

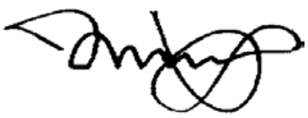
Recent APRA announcements regarding changes to risk weights on mortgages will positively impact our Bank – providing customers with a level playing field by giving them more choice from a wider variety of financial providers.

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

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

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

Thank you for your ongoing support of your local **Community Bank**® branch.



Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2015

Your Directors present their report of the company for the financial year ended 30 June 2015.

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:

Name and position held	Qualifications	Experience and other Directorships
Shane Holness Chairman Board member since June 2008	AIMM GAICD	Currently Finance and HR Committee. 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.
Michael Clarke Director Board member since June 2015		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.
Gemma Hooper Director Board member since September 2009	Cert II Public Administration, Dept of Defence Quality Assurance, QMSG. Advanced Quality Mgmt Knowledge Mgmt, QMSG. Cert. Business Resilience Specialist, Sentryx. Cert. Business Resilience Auditor, Sentryx. Neuro-Linguistic Programming Practitioner, Impact Learning & Development. Cert IV Training and Assessment, Impact Learning and Development.	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. Gemma is also a Bungendore Sponsorship Committee Member.
Karen Leshinskas Director Board member since July 2013	MBBS MPH&TM	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.

Directors’ report (continued)

Directors (continued)

Name and position held	Qualifications	Experience and other Directorships
Michael Wall Director Board member since November 2009	B App Science (Agriculture) Dip Ed	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. He is currently a member of the Braidwood Sponsorship Committee.
Mary Anne Mathias Director Board member since January 2009		Currently Braidwood Sponsorship Committee Member. Mary is a retired School Principal and is a respected community resident who is involved in many local groups and associations.
Noel Wisbey Director Board member since August 2001		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 and is on Finance & HR Committee. Noel is also the Treasurer.
Kylie Coe Director Board member since January 2009	Bachelor of Arts - Double Major Sociology and Natural Resource Management. Masters Natural Resource Management.	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. Kylie is a member of the Finance and HR Committee.
Michael Fay Director Board member since September 2005		Mick is a local businessman and Sales Manager. He is involved in many local groups and associations. Mick is currently a member on the Finance & HR Committee as well as Bungendore Sponsorship.
Ian Cargill Director Board member since July 2011 Resigned December 2014	Plant Mechanic Green Keeper	Ian owns and operates a productive rural property on the outskirts of Braidwood producing quality beef and sheep. He is involved with many other organisations in the community including NSW Farmers Association.

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

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

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $118,262 (2014 profit: $177,021), which is a 33.2% decrease as compared with the previous year.

The net assets of the company have increased to $1,507,485 (2014: $1,475,050).

Dividends

	Year ended 30 June 2015	
	Cents Per Share	$
Dividends paid in the year - final dividend:	6.5	85,827

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 reporting date

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.

Remuneration report

Remuneration policy

There has been no remuneration policy developed as Director positions are held on a voluntary basis and Directors are not remunerated for their services.

Remuneration benefits and payments

Other than detailed below, no Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

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 incurred 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' meetings

The number of Directors meetings held during the year was 12. Attendances by each Director during the year were as follows:

Director	Board Meetings #
Shane Holness	9 (12)
Gemma Hooper	8 (12)
Karen Lenshinskas	9 (12)
Michael Wall	10 (12)
Mary Anne Mathias	11 (12)
Noel Wisbey	9 (12)
Kylie Coe	8 (12)
Michael Fay	9 (12)
Ian Cargill	5 (6)
Michael Clarke	1 (1)

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

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.

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.

Company Secretary

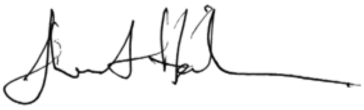
Mr Shane Holness was the Company Secretary until August 2014.

Ms Janene Collins has been Company Secretary since September 2014

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 13 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 24 September 2015.



Shane Holness
Director

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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28th September 2015

The Directors
Palerang Financial Services Limited
95 Wallace St
BRAIDWOOD NSW 2622

Dear Directors,

To the Directors of Palerang Financial Services Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2015 there has been:

(i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) No contraventions of any applicable code of professional conduct in relation to the audit.

P. P. Delahunty
Partner
Richmond Sinnott & Delahunty

Richmond Sinnott Delahunty Pty Ltd
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners: Philip Delahunty, Kathie Teasdale, Cara Hall, David Richmond, Brett Andrews

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2015

	Note	2015 $	2014 $
Revenue	2	2,086,091	2,072,603
Employee benefits expense	3	(934,114)	(853,485)
Depreciation and amortisation expense	3	(65,083)	(76,120)
Bad and doubtful debts expense	3	(599)	(407)
Other expenses		(518,174)	(465,190)
Operating profit before charitable donations & sponsorships		**568,121**	**677,402**
Charitable donations and sponsorships		(391,203)	(422,678)
Profit before income tax expense		**176,918**	**254,724**
Tax expense	4	58,656	77,703
Profit for the year		**118,262**	**177,021**
Other comprehensive income		-	-
Total comprehensive income for the year		**118,262**	**177,021**
Total comprehensive income attributable to:			
Shareholders of the company		118,262	177,021
Total		**118,262**	**177,021**
Earnings per share (cents per share)			
- basic for profit for the year	22	8.96	13.41

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2015

	Note	2015 $	2014 $
Assets			
Current assets			
Cash and cash equivalents	6	449,044	335,680
Trade and other receivables	7	183,223	204,362
Current tax asset	12	18,455	-
Total current assets		**650,722**	**540,042**
Non-current assets			
Property, plant and equipment	8	1,080,760	1,130,028
Intangible assets	9	6,928	11,550
Total non-current assets		**1,087,688**	**1,141,578**
Total assets		**1,738,410**	**1,681,620**
Liabilities			
Current liabilities			
Trade and other payables	10	80,290	70,706
Provisions	11	112,969	89,131
Current tax payable	12	-	9,067
Total current liabilities		**193,259**	**168,904**
Non current liabilities			
Deferred tax liability	12	37,666	37,666
Total non current liabilities		**37,666**	**37,666**
Total liabilities		**230,925**	**206,570**
Net assets		**1,507,485**	**1,475,050**
Equity			
Issued capital	13	1,062,849	1,062,849
Retained earnings	14	356,749	324,314
Asset revaluation reserve		87,887	87,887
Total equity		**1,507,485**	**1,475,050**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
for the year ended 30 June 2015

	Note	Issued capital $	Retained earnings $	Revaluation reserve $	Total equity $
Balance at 1 July 2013		**1,062,849**	**233,120**	**87,887**	**1,383,856**
Profit for the year		-	177,021	-	177,021
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		**-**	**177,021**	**-**	**177,021**
Transactions with owners, in their capacity as owners					
Shares issued during the year		-	-	-	-
Dividends paid or provided	23	-	(85,827)	-	(85,827)
Balance at 30 June 2014		**1,062,849**	**324,314**	**87,887**	**1,475,050**
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					
Shares issued during the year		-	-	-	-
Dividends paid or provided	23	-	(85,827)	-	(85,827)
Balance at 30 June 2015		**1,062,849**	**356,749**	**87,887**	**1,507,485**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2015

	Note	2015 $	2014 $
Cash flows from operating activities			
Receipts from customers		2,099,986	2,260,880
Payments to suppliers and employees		(1,810,666)	(1,936,517)
Interest received		7,244	3,806
Income tax paid		(86,178)	(55,056)
Net cash provided by operating activities	**14**	**210,386**	**273,113**
Cash flows from investing activities			
Purchase of property, plant & equipment		(11,195)	(6,859)
Purchase of intangible assets		-	-
Net cash flows used in investing activities		**(11,195)**	**(6,859)**
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		**113,364**	**180,427**
Cash and cash equivalents at beginning of financial year		335,680	155,252
Cash and cash equivalents at end of financial year	**6**	**449,044**	**335,680**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2015

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 24 September 2015.

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, were 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**® branch.

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

Note 1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic dependency (continued)

- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

(b) Income tax

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) 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 measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

(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 assets 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.

Note 1. Summary of significant accounting policies (continued)

(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.

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.

The carrying amount of land and buildings is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from 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.

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 the 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, is depreciated on a straight-line basis 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	Depreciation rate
Buildings	3%
Leasehold improvements	8%
Plant & equipment	33%

Note 1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Depreciation (continued)

The asset's 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.

(e) Impairment of assets

At each reporting period, the company assesses whether there is any indication that an asset may be impaired. 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.

(f) 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.

(g) 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 company's obligation for short-term employee benefits such as wages and salaries are recognised as part of current trade and other payables in the statement of financial position. The company's obligation for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Note 1. Summary of significant accounting policies (continued)

(g) Employee benefits (continued)

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. 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.

(h) Intangible assets and franchise fees

Establishment costs 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 expense per the Statement of Profit or Loss and Other Comprehensive Income.

(i) 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.

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

(j) Revenue and other income

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

Interest, dividend and fee revenue is recognised when earned.

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

(k) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Note 1. Summary of significant accounting policies (continued)

(l) 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.

(m) 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.

(n) 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).

This Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the company on initial application include certain simplifications to the classification of financial assets.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impractical at this stage to provide a reasonable estimate of such impact.

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2017).

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.

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

Although the Directors anticipate that the adoption of AASB 15 may have an impact on the company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Note 1. Summary of significant accounting policies (continued)

(o) Loans and borrowings

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

(p) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which is probable that the outflow of economic benefits will result and the outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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

(q) Share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(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) 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:

<u>Estimation of useful lives of assets</u>

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.

<u>Fair value assessment of non-current physical assets</u>

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

<u>Employee benefits provision</u>

Assumptions required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. Treatment of leave under updated AASB 119 standard.

Braidwood **Commnity Bank**® Branch – Contributions to our community

Organisation	Purpose	Amount
Braidwood Quilters Inc	Printing of Quilt Event Brochure	860
Braidwood RSL Sub Branch	Memorial Plaques	4,000
Braidwood Central School P&C	Sponsorship of Musical Wizard of Oz	1,000
Braidwood Fire and Rescue	Purchase of a Marquee	2,332
Palerang/Braidwood Junior Soccer Club	Presentation Day Trophy	3,000
Braidwood Truckwash Service	Upgrade facilities to meet operating standards	20,000
Lions Club Braidwood	Antique Fair	1,000
Majors Creek Festival	Main Sponsors Package	3,000
Braidwood Fishing Club	Junior Club Trophies	2,000
Braidwood Swimmimg Club	End of Season Trophies	1,600
Braidwood Womens Bowling Club	Open Fours Competition - Region	750
Gundillion Recreational Reserve Trust	Childrens Xmas Party	1,000
South East Regional Academy of Sport	2015-16 Sponsorship Agreement	3,000
James Sheahan High School, Orange	2015 U17 NZ Cultural Tour	500
Braidwood Quilt Event	Promotional material	840
Braidwood Golf Club	Annual Championship Sponsorship	580
Braidwood Rodeo 2015	Braidwood Rodeo 2015	600
Braidwood Team Sorting	Annual Sorting Event	1,500
Braidwood Mens Bowling Club	Bare Foot Bowls	1,000
Braidwood Jockey Club	Braidwood Races 2015	2,500
Braidwood Golf Club	Wayne Grady Gala Day	5,000
Braidwood Central School P&C	Agricultural Studies Team Shirts	650
Araluen Recreation Reserve Trust	Tennis facilities upgrade	4,000
Braidwood Lions Club	Billy Cart Derby	3,000
Braidwood Rugby Union Football Club	Club Sponsorship	3,000
Braidwood Show Society	BSS Family Activities	1,500
Braidwood Central School P&C Canteen	Breakfast Club	1,000
Two Fires Festival	Festival events	2,000
Majors Creek Music Festival	Naming rights, & broad promotion at venue	3,000
Braidwood Bowling Club	Indoor Carpet Bowls	200
Braidwood Life Centre	Kick Goals for Life Centre	1,600
Braidwood Mens Shed	Oven for Learn to Cook program	579
Braidwood Pre-school	Donation to Trivia Night Prize winners	120
Gofundraise	Australian Cancer Research Foundation	106
Braidwood Life Centre	Christmas hampers & Vouchers	6,000
Braidwood & District Historical Society	Publication - Araluen 100 years	2,000
Braidwood Central School	End of year presentations	200
St Bede's Catholic Primary School	End of year presentations	200
Braidwood Central School	Red Carpet	300
Braidwood RSL Sub Branch	Telling the Story Braidwood & WWI	5,000
Braidwood Regional Arts Group	Warming the centre	8,000
Mates 4 Mates	Supporting ADF Personel & Families	546
	Braidwood total	**$99,063**
Community Enterprise Foundation™		
St Bede's Catholic School	School Garden Project	18,000
Braidwood Central School	School Garden Project	6,952
Braidwood Pre-school Association	Building Extension	20,000
Braidwood Show Society	Refurbish Pavilion Display Area	8,000
Dhurga Rock Project	Cambrian slate	8,000
Community Scholarship Grant	Tertiary Education Grants	10,000
	Braidwood CEF total	**$70,952**
	Braidwood grand total	**$170,015**

Community contributions in Braidwood and Bungendore


TIMBER FROM
TURALLO CREEK BRIDGE
BUNGENDORE SEATING PROJECT
PROUDLY SPONSORED BY
BUNGENDORE COMMUNITY BANK
Another project proudly supported by
Bungendore
Community Bank® Branch
Bendigo Bank

Bungendore **Commnity Bank**® Branch – Contributions to our community

Organisation	Purpose	Amount
Dragons Soccer	Dragons Kanga Cup 2014	850
Bungendore Bowls and Sport Club Inc	Spray Jackets	3,000
Captains Flat Community Association	Mobile Practice Nets for Cricket Club	4,034
Bungendore & District Automotive Club	2014 Car and Bike Show	1,000
Bungendore Preschool	1 x Trivia Night Prize	100
Bungendore Spring Ball	Band $4,500.00; Hall Hire $1,500.00	6,000
Bungendore Tigers Junior Rugby League	Platinum A Sponsorship Package over two years	8,000
Bungendore Community Landcare	Food Forest Project Community Garden	3,500
Wildcare Queanbeyan	Attendance at Snake Handling Training Workshop	1,130
Bungendore Show (BPA&HS)	Major Sponsors Package	8,500
Bungendore Oztag	Bungendore Oztag Competition	3,570
Captains Flat Telegraph	Toner Cartridge for printing	185
Bungendore Netball Club	Coaches Training Courses	2,500
Captains Flat Community Association	Captains Flat Annual Ball	500
South East Regional Academy of Sport	2015-16 Sponsorship Agreement	3,000
QBN Whites Junior Rugy Football Club	Additional to 2014 for home games	1,818
Bungendore Public School P & C	BPS Twighlight Fair	200
Bungendore War Memorial Committee	ANZAC Dinner	500
Palerang United Bungendore Community Soccer Club	2015 Season Sponsorship	2,500
QBN Whites Junior Rugy Football Club	2015 Junior Rugby Season	2,000
Bungendore Rugby Club (Mudchooks)	2015 Bungendore Rugby Season	2,000
Captains Flat Telegraph	Toner Cartridge for printing	185
Bungendore Community Soccer	Best on Ground account depoist	100
Bungendore Rugby Football Club	Ladies Charity Day	924
Bungendore Preschool	Prizes: 2 x Bungendore Community Bank Accounts	200
Angels for the Forgotten	Office fit out	5,000
Tarago Land Care	Lumley Rd Tree restoration	250
Bungendore Quilters	Promotional material	100
Captains Flat Public School	End of year presentations	200
Tarago Public School	End of year presentations	200
Bungedore Public School	End of year presentations	200
Captains Flat RSL & Community Club	Solar lights for War Memorial	500
Bungendore Tennis Club	Resurface Courts	80,000
	Bungendore total	**$142,746**
Community Enterprise Foundation™		
Community Scholarship Grant	Tertiary Education Grants	10,000
CWA Tarago	Repaint internal walls	4411
Bungendore War Memorial Committee	Re-guilding World War 1 Honour Roll	3,855
	Bungendore CEF total	**$18,266**
	Bungendore grand total	**$161,012**

Braidwood grand total	$170,015
Bungendore grand total	$161,012
Balance on deposit at Community Enterprise Foundation™	$60,176
Combined grand total	**$391,203**

Note 1. Summary of significant accounting policies (continued)

(s) Critical accounting estimates and judgements (continued)

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.

(t) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

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.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

A financial asset (or group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

Note 1. Summary of significant accounting policies (continued)

(t) Financial instruments (continued)

Impairment (continued)

In the case of financial assets carried at amortised cost loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency on interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial asset is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

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.

	2015 $	**2014 $**
Note 2. Revenue and other income		
Revenue		
- services commissions	2,078,847	2,068,797
	2,078,847	**2,068,797**
Other revenue		
- interest received	7,244	3,806
	7,244	**3,806**
Total revenue	**2,086,091**	**2,072,603**

	2015 $	2014 $

Note 3. Expenses

	2015 $	2014 $
Employee benefits expense		
- wages and salaries	797,242	748,929
- superannuation costs	87,706	82,423
- other costs	49,166	22,132
	934,114	**853,485**
Depreciation of non-current assets:		
- Depreciation	60,462	71,498
Amortisation of non-current assets:		
- intangible assets	4,621	4,621
	65,083	**76,120**
Bad debts	599	407

Note 4. Tax expense

	2015 $	2014 $
a. The components of tax expense comprise		
- current tax expense	58,656	78,160
- deferred tax expense relating to the origination and reversal of temporary differences	-	-
- adjustments for under/(over)-provision of current income tax of previous years	-	(457)
	58,656	**77,703**
b. The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit/(loss) before income tax at 30% (2014: 30%)	53,075	76,417
Add tax effect of:		
- Adjustments in respect of current income tax of previous year	-	(457)
- Utilisation of previously unrecognised carried forward tax losses	-	-
- timing differences	5,581	1,743
Current income tax expense	**58,656**	**77,703**
Income tax attributable to the entity	**58,656**	**77,703**
The applicable weighted average effective tax rate is	33.15%	30.50%

The applicable income tax rate is the Australian Federal tax rate of 30% (2014: 30%) applicable to Australian resident companies.

	2015 $	2014 $

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

	2015 $	2014 $
- Audit or review of the financial report	6,193	4,450
- Share registry services	6,864	5,473
	13,057	**9,923**

Note 6. Cash and cash equivalents

	2015 $	2014 $
Cash at bank and on hand	449,044	335,680
	449,044	**335,680**

Note 7. Trade and other receivables

Current

	2015 $	2014 $
Trade receivables	183,223	204,362
	183,223	**204,362**

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.

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
2015						
Trade receivables	183,223	-	-	-	-	183,223
Total	**183,223**	**-**	**-**	**-**	**-**	**183,223**
2014						
Trade receivables	204,362	-	-	-	-	204,362
Total	**204,362**	**-**	**-**	**-**	**-**	**204,362**

Note 8. Property, plant and equipment

	2015 $	2014 $
Land		
At valuation	252,021	252,021
	252,021	**252,021**
Buildings		
At valuation	675,833	675,833
Less accumulated depreciation	(55,669)	(43,408)
	620,164	**632,425**
Leasehold improvements - Braidwood		
At cost	133,270	133,270
Less accumulated depreciation	(125,283)	(116,377)
	7,987	**16,893**
Leasehold improvements - Bungendore		
At cost	222,994	222,994
Less accumulated depreciation	(115,469)	(98,669)
	107,525	**124,325**
Total Leasehold Improvements	**115,512**	**141,218**
Plant and equipment		
At cost	198,685	187,490
Less accumulated depreciation	(105,622)	(83,126)
	93,063	**104,364**
Motor Vehicles		
At cost	58,019	58,019
Less accumulated depreciation	(58,019)	(58,019)
	-	-
Total written down amount	**1,080,760**	**1,130,028**
Movements in carrying amounts		
Land		
Balance at the beginning of the reporting period	252,021	252,021
Balance at the end of the reporting period	**252,021**	**252,021**
Buildings		
Balance at the beginning of the reporting period	632,425	644,686
Depreciation expense	(12,261)	(12,261)
Balance at the end of the reporting period	**620,164**	**632,425**

	2015 $	2014 $

Note 8. Property, plant and equipment (continued)

	2015 $	2014 $
Leasehold improvements - Braidwood		
Balance at the beginning of the reporting period	16,893	20,452
Additions	-	6,859
Depreciation expense	(8,906)	(10,418)
Balance at the end of the reporting period	**7,987**	**16,893**
Leasehold improvements - Bungendore		
Balance at the beginning of the reporting period	124,325	141,050
Depreciation expense	(16,800)	(16,725)
Balance at the end of the reporting period	**107,525**	**124,325**
Plant and equipment		
Balance at the beginning of the reporting period	104,364	124,681
Additions	11,195	-
Depreciation expense	(22,496)	(20,317)
Balance at the end of the reporting period	**93,063**	**104,364**
Motor Vehicles		
Balance at the beginning of the reporting period	-	11,777
Depreciation expense	-	(11,777)
Balance at the end of the reporting period	**-**	**-**

Note 9. Intangible assets

	2015 $	2014 $
Franchise fee		
At cost	93,107	93,107
Less accumulated amortisation	(86,179)	(81,557)
	6,928	**11,550**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	11,550	16,171
Amortisation expense	(4,622)	(4,621)
Balance at the end of the reporting period	**6,928**	**11,550**

	2015 $	2014 $

Note 10. Trade and other payables

	2015 $	2014 $
Current		
Unsecured liabilities:		
Trade creditors	80,290	70,706
	80,290	**70,706**

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

Note 11. Provisions

	2015 $	2014 $
Employee benefits	112,969	89,131
Dividend declared	(85,827)	-
	27,142	**89,131**
Movement in employee benefits		
Opening balance	89,131	83,321
Additional provisions recognised	61,326	56,876
Amounts utilised during the year	(37,488)	(51,066)
Closing balance	**112,969**	**89,131**
Current		
Annual leave	42,132	34,105
Long service leave	70,837	55,026
Total provisions	**112,969**	**89,131**

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

	2015 $	2014 $

Note 12. Tax balances

	2015 $	2014 $
(a) Tax assets		
Current		
Income tax receivable	18,455	-
	18,455	**-**
Non-current		
Deferred tax asset comprises:		
- tax losses carried forward	-	-
- Provisions	-	-
	-	**-**
(b) Tax liabilities		
Current		
Income tax payable	-	9,067
	-	**9,067**
Non-current		
Deferred tax liability comprises:		
- relating to asset revaluation	37,666	37,666
	37,666	**37,666**

Note 13. Share capital

	2015 $	2014 $
1,062,849 Ordinary shares fully paid	1,062,849	1,062,849
	1,062,849	**1,062,849**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	1,062,849	1,062,849
Shares issued during the year	-	-
257,570 fully paid bonus shares issued for no consideration	-	-
At the end of the reporting period	**1,062,849**	**1,062,849**

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.

Note 13. Share capital (continued)

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.

	2015 $	**2014 $**

Note 14. Retained earnings

	2015 $	2014 $
Balance at the beginning of the reporting period	324,314	233,120
Dividends payable	(85,827)	(85,827)
Profit after income tax	118,262	177,021
Balance at the end of the reporting period	**356,749**	**324,314**

Note 15. Statement of cash flows

Reconciliation of cash flow from operations with profit after income tax

	2015 $	2014 $
Profit after income tax	118,262	177,021
Non cash flows in profit		
- Depreciation	60,463	71,498
- Amortisation	4,622	4,621

	2015 $	2014 $
Note 15. Statement of cash flows (continued)		
Changes in assets and liabilities		
- (Increase) decrease in receivables	21,139	(1,393)
- (Decrease) / increase in income tax payable	(27,522)	-
- Increase (decrease) in payables	9,584	15,557
- Increase (decrease) in provisions	23,838	5,810
Net cash flows from/(used in) operating activities	**210,386**	**273,113**

Note 16. Related party transactions

The company's main related parties are as follows:

(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.

(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:

The Bungendore Bank building 33 Ellendon Street is on strata title. The owner of the other part of the building is Michael Fay, a Director for PFS Ltd who pays the outgoings for the whole building including waste collection, public lighting etc. He invoices Palerang Financial Service Ltd for their portion, $1,348 (2014: $nil).

(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:

	2015	2014
Shane Holness	2,000	2,000
Gemma Hooper	-	-
Karen Lenshinskas	5,000	5,000
Michael Wall	-	-

Note 16. Related party transactions (continued)

(d) Key management personnel shareholdings (continued)

	2015	2014
Mary Anne Mathias	-	-
Noel Wisbey	6,001	6,001
Kylie Coe	-	-
Michael Fay	1,000	1,000
Michael Clarke	1,500	-
Ian Cargill	-	-
	15,501	**14,001**

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 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 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 (2014: 100%).

Note 20. Company details

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

	2015 $	2014 $

Note 21. Leases

Operating lease commitments

	2015 $	2014 $
Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position		
Payable - minimum lease payments		
- no later than 12 months	14,300	14,300
- between 12 months and 5 years	28,600	42,900
	42,900	**57,200**

The property lease is a non-cancellable lease with a 2 year term, with rent payable monthly. There is also an option to renew for another 2 years.

Note 22. Earnings per share

Basic earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares). There were no options or preference shares on issue during the year.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2015 $	2014 $
Profit after income tax expense	**118,262**	**177,021**
Weighted average number of ordinary shares for basic and diluted earnings per share	**1,320,419**	**1,320,419**

Note 23. Dividends paid or provided for on ordinary shares

(a) Dividends paid during the year

	2015 $	2014 $
(i) Previous year final		
Franked dividends - 6.5 cents per share (2014: 6.5 cents)	**85,827**	**85,827**

Note 24. 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.

Note 24. Fair value measurements (continued)

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.

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.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

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 24. 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		-	620,164	-	620,164
Total non-financial assets recognised at fair value on a recurring basis		**-**	**872,185**	**-**	**872,185**
	Note	**30 June 2014**			
		Level 1 $	**Level 2 $**	**Level 3 $**	**Total $**
Recurring fair value measurements					
Non-financial assets					
Freehold land		-	252,021	-	252,021
Buildings		-	632,425	-	632,425
Total non-financial assets recognised at fair value on a recurring basis		**-**	**884,446**	**-**	**884,446**

There were no transfers between Levels 1 and Level 2 for assets measured at fair value on a recurring basis during the reporting period (2014: no transfers).

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

Description	Fair value at 30 June 2015 $	Description of valuation techniques	Inputs used
93-95 Wallace Street, Braidwood	472,412	Market value approach using valuation of land and buildings at 30 June 2011	Registered valuer
1/33 Ellendon Street, Bugendore	399,773	Market value at purchase price 31 October 2011.	Real estate contact

Note 24. Fair value measurements (continued)

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

(i) The fair value of freehold land and buildings is determined at least every three years, as above, and is measured at approximate fair value. 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 25. Financial risk management

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	2015 $	2014 $
Financial assets			
Cash and cash equivalents	6	449,044	335,680
Trade and other receivables	7	183,223	204,362
Total financial assets		**632,267**	**540,042**
Financial liabilities			
Trade and other payables	10	80,290	70,706
Total financial liabilities		**80,290**	**70,706**

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.

(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.

Note 25. Financial risk management (continued)

(a) Credit risk (continued)

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 statement of financial position.

The company has no 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 (2014: 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.

	2015 $	2014 $
Cash and cash equivalents:		
A rated	449,044	335,680

(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.

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.

Note 25. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis:

30 June 2015	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due for payment					
Trade and other payables	10	80,290	80,290	-	-
Total expected outflows		**80,290**	**80,290**	**-**	**-**
Financial assets - realisable					
Cash & cash equivalents	6	449,044	449,044	-	-
Trade and other receivables	7	183,223	183,223	-	-
Total anticipated inflows		**632,267**	**632,267**	**-**	**-**
Net (outflow)inflow on financial instruments		**551,977**	**551,977**	**-**	**-**

30 June 2014	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due for payment					
Trade and other payables	10	70,706	70,706	-	-
Total expected outflows		**70,706**	**70,706**	**-**	**-**
Financial assets - realisable					
Cash & cash equivalents	6	335,680	335,680	-	-
Trade and other receivables	7	204,362	204,362	-	-
Total anticipated inflows		**540,042**	**540,042**	**-**	**-**
Net (outflow)/inflow on financial instruments		**469,336**	**469,336**	**-**	**-**

(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.

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.

Note 25. Financial risk management (continued)

(c) Market risk (continued)

The financial instruments that primarily expose the company to interest rate risk are borrowings, fixed interest securities, and 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 2015		
+/- 1% in interest rates (interest income)	4,490	4,490
	4,490	**4,490**
Year ended 30 June 2014		
+/- 1% in interest rates (interest income)	3,357	3,357
	3,357	**3,357**

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 approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

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 14 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 2015 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 24 September 2015.

Richmond Sinnott & Delahunty
Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PALERANG FINANCIAL SERVICES LIMITED

Report on the 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 2015, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company at the year's end.

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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

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

Richmond Sinnott Delahunty Pty Ltd
ABN 60 616 244 309

Partners: Kathie Teasdale, Philip Delahunty, Cara Hall

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Palerang Financial Services Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

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 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) 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 at Bendigo, 28th September 2015

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