Annual Report 2019

Palerang Financial Services Limited

ABN 83 097 801 100

Braidwood & Bungendore Community Bank Branches

Bendigo Bank

Contents

Chairman's report

For year ending 30 June 2019

It is my privilege to provide you with the 2018/19 Annual Report for Palerang Financial Services Limited.

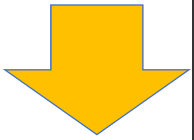
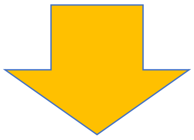
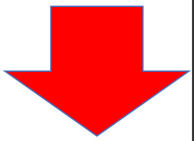
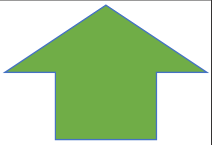
This report reflects upon a year for the Company with a range of challenges including:

- An overall contraction in banking business.
- Additional compliance and processing requirements arising from the Royal Commission into Banking and Financial Services.
- Real Estate market changes and customers paying down debt.

We suffered a slight reduction in income even though we constrained our expenditure, and overall our net Profit before community funding did increase. At the same time, we increased our community funding allocations which also reduced the profit before tax.

Key points this year include:

- The effect of the Royal Commission into Banking and Financial Services commenced and impacted the business through additional compliance obligations.
- Some fluctuation in Branch Management in Bungendore.
- The continued delivery of philanthropic outcomes through the increased allocation of $673,215 for Charitable Donations, Sponsorships & Community Grants in partnership with the Community Enterprise Foundation.
- The provision of a franked dividend of 7.5 cents per share (CPS) ($0.075).

Revenue	Profit After Tax	Expense
$2,597,259	$164,202	$1,678,593
		
New Business	**New Customers**	**Net Assets**
-$15.2m	79	$1,888,359
		

The company encountered a tough business climate that resulted in a negative growth. We also endured additional processing requirements, intense competition in conjunction with an overall subdued appetite for business.

We recognised these and worked through them as diligently as we can with the positive outcome being a reduction in expense and a slight drop in revenue. In terms of EBIDT-S (Earnings Before Interest, Depreciation, Taxation and Sponsorship) we have had our strongest earnings since we commenced operations back in 2002. Moving forward we have implemented a growth strategy that encompasses additional investment in staff and we are on track to see positive results during the 2019-20 year.

We continue to maintain our excellent structural position (i.e. no debt, $2.204m in assets and $0.315m in liabilities) and our current plans regarding growing the business will be able to utilise this as a base for growth. The company has declared a franked dividend of 7.5 cents per share (CPS) ($0.075) as at 1 November 2019, to be paid to shareholders in December 2019. This maintains our provision of franked dividends to those who support this enterprise.

Chairman's report (continued)

Our high levels of charitable donations, grants and sponsorship contributions slightly increased as our ability to invest in our communities, enabling them to grow and prosper, is a key tenant of our existence. This year sees us recording a total of $3.345 million dollars in funding to our communities. This is a significant achievement for our local enterprise, and it is something we could not have achieved without our customers and shareholder support.

The company will have a direct focus upon achieving business growth as we move forward. This investment has already commenced with the onboarding of a Business Development Manager who is tasked with seeking out opportunities beyond our immediate local area. In order to continue to build upon the success we have achieved to date, we will need your continued support, as the more successful our banking operations are, the more we are able to give back into our communities.

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

Shane Holness

Chairman,

PFSL Board of Directors

Senior Manager's Report

Year ending 30th June 2019

After a very strong 2017/18 financial year the past year has posed many challenges and we saw our banking book contract slightly. This is the first time we have had a contraction of banking business since we started.

The financial effect of this was a slight reduction in income ($21,245), and with prudent management, this was offset by a reduction in expenses.

Our net profit before sponsorship was in line with the previous year at $918,666. Sponsorship payments increased by $87,759.00 reducing the profit before tax to $245,451. If you look at this in the traditional benchmark of EBIDT (Earnings Before Interest, Depreciation and Taxation) and before sponsorship, earnings were $1,005,549. This is the strongest result we have had, since we began operating in 2002.

The earnings per share therefore increased to 12.44cents and the operating profit before sponsorship was again $0.70 per share.

We continue to have a strong balance sheet with $2,204,001 in assets against $315,642 in liabilities, no debt and $857,017 in cash and investments.

The 2018/19 year was difficult due to:

- Loss of Branch Manager in Bungendore for a large portion of the year
- Customers paying down bridging finance and other short term finance
- Increased compliance due to Banking Royal Commission
- Down turn in capital city housing values and the associated drop in buyer confidence.

The challenges we see ahead of us are:

- Continuation of increased compliance and complexity of loans, meaning we have to put more time and resources into each loan application
- Although the local economy is reasonably strong the ongoing drought and high chance of national recession will weigh on the already low consumer confidence
- With a lack of overall loan business there is an increase in competition, and combined with dropping interest rates, we will see interest margins contract.

To counteract these challenges we are looking to change our strategy to become more mobile and go to the customers. Our traditional branch structure needs to adjust to the times and in this regard we have recently appointed a Business Development Manager. I would like to welcome Deb Waddell to the company in this role. As a long term employee of Bendigo Bank, liaising with Community Banks across southern NSW, Deb is very familiar with our operations and challenges. I believe she will bring a strong focus to this role and broaden our customer base.

In a competitive environment, this move to trial a new approach to increase our business share will take some time in establishing relevant networks and relationships and getting the business on

Senior Manager’s Report (continued)

board that we anticipate is out there. There may even be a small reduction in profit, perhaps up to 15%, in the current year as we pursue this avenue for business growth.

We would also like to welcome new staff members Sally Fowler (Customer Service Supervisor, Bungendore) and Karen Cairns (Customer Service Officer, Braidwood)

As always, we must acknowledge the hard work and time the directors have put into ensuring we achieve the best outcome under increased compliance and the work load that brings with it. We also want to thank the staff and our Company Secretary, Janene Collins, for the effort they make to create the successes we have achieved in 2018/19, as they have done in years gone by.

We look forward to a successful 2019/2020 year, albeit a somewhat challenging one, and as always, if you haven’t experienced our Community Bank service please come in and see the difference first hand.

Craig Pettit
Senior Manager

Directors' Report

The Directors present their report of the company for the financial year ended 30 June 2019.

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:

Directors	Details
Shane Holness	Chairman AIMM;GAICD Shane has operated a family owned business since 1999; former director in the APS; former member of the Royal Australian Navy; member of the Community Bank National Council.
Hanna Darmody	Vice-Chair Diploma: Marketing, Canberra Institute of Technology Hanna is currently employed in project management requiring a range of administration, financial and people management skills. Hanna has extensive involvement in the local Bungendore community.
Rhyll Tozer	Treasurer Chartered Accountant Rhyll is a qualified certified practicing accountant, and has extensive experience as an employee of a local accounting firm until recently when she opened her own business. Rhyll also runs a sheep farming property in the area & is involved with several community groups including the Braidwood Life Centre & Braidwood Recreation Ground s355 Committee.
Noel Wisbey	Director Resigned 28 February 2019. Member of the Finance & HR Committee; former Chairman & Treasurer. 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.
Gordon Waters	Director Bachelor of Information Technology, CQU Gordon runs a local IT support business. He is also the volunteer manager of the community radio station which keeps him in touch with various community organisations and events staged in the area.
Dale Towell	Director BA - Secretarial Studies, Economic Major from University of Canberra Dale is a licensed celebrant and manages her own business in this field. Dale has extensive experience as an executive assistant at high levels of the Australian Federal Public Service; as well as exemplary service in the public education sector.
Diana Izzard	Director Di runs a sheep & cattle farm in the area, and is closely involved with several community groups including the Braidwood Show Society and the Gundillion Hall & Recreation Trust. Di also has previous experience in administration and accounts working in the Australia Federal Public Service and in private enterprise.
Michael Clarke	Director Resigned 27 September 2018. 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.

Directors	Details
Susan Smith	Director Resigned 2 May 2019 Sue is retired from the Australian Defence Forces and brings extensive experience in banking and financial management to the PFSL board as well as her involvement with community organisations such as the Bungendore War Memorial..
Matt O'Brien	Director Appointed 28 March 2019 Matt is a practising solicitor and member of the NSW law society. Matt has a wide range of experience through his legal career. Matt has been the captain of the Wamboin Rural Fire Service since 2016.
Richard Elliott	Director Appointed 2 May 2019 Richard is retired with a scientific background and has previously sat on the board of a Credit Union. Richard is currently the captain of the Majors Creek Rural Fire Service, as well as his involvement in community organisations such as the Braidwood National Theatre s355 Committee, Braidwood Film Club & Historical Radio Society.
Garry Cook	Director Appointed 27 June 2019 Garry is very active in local community groups & events. He also has a strong background in management & financial monitoring; he has his own agricultural business and he is a graduate of the Australian Institute of Company Directors.

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings	
Director	**A**	**B**
Shane Holness	12	10
Hanna Darmody	12	12
Rhyll Tozer	12	12
Noel Wisbey	8	6
Gordon Waters	12	7
Dale Towell	12	10
Diana Izzard	12	11
Michael Clarke	3	3
Susan Smith	11	7
Matt O'Brien	3	1
Richard Elliott	2	2
Garry Cook	1	0

A - The number of meetings eligible to attend.

B - The number of meetings attended.

Company Secretary

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

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $164,202 (2018 profit: $247,459), which is a 33.6% decrease as compared with the previous year. This decrease has been caused by a slight reduction in revenue, while community donations have increased.

Dividends

A fully franked final dividend of 7.5 cents per share was declared and paid during the 2019 financial year for the year ended 30 June 2018. No dividend has been declared or paid for the year ended 30 June 2019 as yet.

Options

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

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Directors’ report (continued)

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.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set at page 6 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 on 18 September 2019.

Shane Holness
Chairman

Auditor's independence declaration

41A Breen Street
Bendigo, Victoria
PO Box 448, Bendigo, VIC, 3552

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admin@rsdaudit.com.au
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Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Palerang Financial Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019 there have been no contraventions of:

(i) The auditor independence requirements set out in the *Corporations Act 2001* in relation to the audit; and

(ii) Any applicable code of professional conduct in relation to the audit.

RSD Audit

P.P Delahunty
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 19 September 2019

Financial statements

	Note	2019 $	2018 $
Revenue	2	2,597,259	2,618,504
Expenses			
Employee benefits expense	3	(1,137,170)	(1,158,574)
Depreciation and amortisation	3	(86,883)	(74,021)
Bad and doubtful debts expense	3	(1,393)	(703)
Administration and general costs		(75,172)	(72,953)
Occupancy expenses		(72,952)	(67,140)
IT expenses		(45,659)	(45,498)
Professional fees		(55,271)	(53,930)
Advertising and marketing		(53,525)	(66,389)
Other expenses		(150,568)	(154,545)
		(1,678,593)	(1,693,753)
Operating profit before charitable donations & sponsorship		**918,666**	**924,751**
Charitable donations and sponsorships	3	(673,215)	(585,456)
Profit before income tax		**245,451**	**339,295**
Income tax expense	4	(81,249)	(91,836)
Profit for the year after income tax		**164,202**	**247,459**
Other comprehensive income		-	-
Total comprehensive income for the year		**164,202**	**247,459**
Profit attributable to members of the company		164,202	247,459
Total comprehensive income attributable to members of the company		**164,202**	**247,459**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	17	12.44	18.74

	Note	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	5	747,063	151,555
Trade and other receivables	6	232,946	237,647
Financial assets	7	109,954	623,459
Total current assets		**1,089,963**	**1,012,661**
Non-current assets			
Property, plant and equipment	8	1,055,196	1,084,645
Intangible assets	9	47,411	79,923
Deferred tax assets	4	11,431	13,511
Total non-current assets		**1,114,038**	**1,178,079**
Total assets		**2,204,001**	**2,190,740**
Liabilities			
Current liabilities			
Trade and other payables	11	104,999	126,666
Current tax liability	4	10,614	31,453
Provisions	12	189,131	202,030
Total current liabilities		**304,744**	**360,149**
Non-current liabilities			
Provisions	12	10,898	7,403
Total non-current liabilities		**10,898**	**7,403**
Total liabilities		**315,642**	**367,552**
Net assets		**1,888,359**	**1,823,188**
Equity			
Issued capital	13	1,062,849	1,062,849
Retained earnings	14	709,693	644,522
Reserves	16	115,817	115,817
Total equity		**1,888,359**	**1,823,188**

	Note	Issued capital $	Retained earnings $	Reserves $	Total equity $
Balance at 1 July 2018		**1,062,849**	**644,522**	**115,817**	**1,823,188**
Comprehensive income for the year					
Profit for the year		-	164,202	-	164,202
Transactions with owners in their capacity as owners					
Dividends paid or provided	15	-	(99,031)	-	(99,031)
Balance at 30 June 2019		**1,062,849**	**709,693**	**115,817**	**1,888,359**
Balance at 1 July 2017		1,062,849	496,094	115,817	1,674,760
Comprehensive income for the year					
Profit for the year		-	247,459	-	247,459
Transactions with owners in their capacity as owners					
Dividends paid or provided	15	-	(99,031)	-	(99,031)
Balance at 30 June 2018		**1,062,849**	**644,522**	**115,817**	**1,823,188**

	Note	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		2,849,312	2,600,188
Payments to suppliers and employees		(2,536,765)	(2,164,159)
Interest received		11,225	11,777
Income tax paid		(100,007)	(91,674)
Net cash flows provided by operating activities	18b	**223,765**	**356,132**
Cash flows from investing activities			
Proceeds from sale of investments		527,962	-
Purchase of property, plant and equipment		(24,922)	(56,684)
Purchase of investments		(10,931)	(116,234)
Purchase of intangible assets		(21,335)	(52,832)
Net cash flows from/(used in) investing activities		**470,774**	**(225,750)**
Cash flows from financing activities			
Dividends paid		(99,031)	(99,031)
Net cash flows used in financing activities		**(99,031)**	**(99,031)**
Net increase in cash held		**595,508**	**31,351**
Cash and cash equivalents at beginning of financial year		151,555	120,204
Cash and cash equivalents at end of financial year	18a	**747,063**	**151,555**

Notes to the Financial Statements

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 18 September 2019.

1. Summary of significant accounting policies

(a) Basis of preparation

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

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

Economic dependency

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

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

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the Community Bank branches 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 branches;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

1. Summary of significant accounting policies (continued)

(b) Impairment of assets

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

(c) 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.

(d) Comparative figures

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

(e) 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

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously

Fair value assessment of non-current physical assets

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

1. Summary of significant accounting policies (continued)

(e) Critical accounting estimates and judgements (continued)

Employee benefits provision

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

Income tax

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

(f) New and revised standards that are effective for these financial statements

With the exception of the below, these financial statements have been prepared in accordance with the same accounting policies adopted in the entity's last annual financial statements for the year ended 30 June 2018. Note that the changes in accounting policies specified below **ONLY** apply to the current period. The accounting policies included in the company's last annual financial statements for the year ended 30 June 2018 are the relevant policies for the purposes of comparatives.

AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* (2014) became mandatorily effective on 1 January 2018. Accordingly, these standards apply for the first time to this set of annual financial statements. The nature and effect of changes arising from these standards are summarised in the section below.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 *Revenue,* AASB 111 *Construction Contracts* and several revenue-related interpretations. The new Standard has been applied as at 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balances of retained earnings as at 1 July 2018 and comparatives are not restated.

Based on our assessment, there has not been any effect on the financial report from the adoption of this standard.

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* replaces AASB 139's '*Financial Instruments: Recognition and Measurement*' requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

When adopting AASB 9, the entity elected not to restate prior periods. Rather, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

1. Summary of significant accounting policies (continued)

(f) New and revised standards that are effective for these financial statements (continued)

AASB 9 Financial Instruments (Continued)

The adoption of AASB 9 has mostly impacted the following area:
The classification and measurement of the entity's equity investments in listed entities - the entity holds financial assets to hold and collect the associated cash flows. Term Deposits were previously classified as held to maturity (HTM) and are now classified at Amortised Cost. Listed Investments were previously classified as fair value through profit and loss (FVTPL), and subsequently measured at fair value through profit and loss (FVTPL), as the cash flows are not solely payments of principal and interest (SPPI).

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 out on the proceeding pages.

(g) 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 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 out on the proceeding pages.

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

AASB 16:
- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for ‘on-balance sheet’ by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The standard will primarily affect the accounting for the company's operating leases. As at the reporting date, the company has non-cancellable operating lease commitments of $29,637. However, the company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the company's profit and classification of cash flows.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The company does not intend to adopt the standard before its effective date.

1. Summary of significant accounting policies (continued)

(h) Change in accounting policies

Revenue

Revenue arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

To determine whether to recognise revenue, the company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

Given the nature of the agreement with Bendigo and Adelaide Bank Limited, there are no performance obligations, therefore the revenue is recognised at the earlier of:

a) when the entity has a right to receive the income and it can be reliably measured; or
b) upon receipt.

Financial Instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, are classified into the following categories:

a) Financial assets at amortised cost
b) Financial assets at fair value through profit and loss (FVTPL)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

1. Summary of significant accounting policies (continued)

(h) Change in accounting policies (continued)

Financial assets at amortised cost
Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The company's trade and most other receivables fall into this category of financial instruments as well as deposits that were previously classified as held-to-maturity under AASB 139.

Financial assets at fair value through profit or loss
Investments in equity instruments fall into this category.

Impairment of financial assets
AASB 9's new forward looking impairment model applies to company's investments at amortised cost. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

The company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the company uses its historical experience, external indicators and forward-looking information to determine the expected credit losses on a case-by-case basis.

Financial Liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the company's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as "fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

1. Summary of significant accounting policies (continued)

(h) Change in accounting policies (continued)

Reconciliation of financial instruments on adoption of AASB 9

The table below shows the classification of each class of financial asset and financial liability under AASB 139 and AASB 9 as at 1 July 2018:

	AASB 139 Classification	AASB 9 Classification	AASB 139 Carrying value ($)	AASB 9 Carrying value ($)
Financial Asset				
Trade and Other receivables	Loans and receivables	Amortised cost	237,647	237,647
Term deposits	Held to maturity	Amortised cost	517,032	517,032
Listed shares	FVTPL	FVTPL	106,427	106,427
Financial Liabilities				
Trade and other payables	Amortised cost	Amortised cost	52,827	52,827

2. Revenue

	2019 $	2018 $
Revenue		
- service commissions	2,577,071	2,601,876
	2,577,071	2,601,876
Other revenue		
- interest received	11,225	11,777
- other revenue	8,963	4,851
	20,188	16,628
Total revenue	**2,597,259**	**2,618,504**

Revenue arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The entity applies the revenue recognition criteria set out below to each separately identifiable sales transaction in order to reflect the substance of the transaction.

Interest and other income
Interest income is recognised on an accrual basis using the effective interest rate method.

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

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

Rendering of services
As detailed in the franchise agreement, companies earn three types of revenue - margin, commission and fee income. Bendigo and Adelaide Bank Limited decide the method of calculation of revenue the company earns on different types of products and services and this is dependent on the type of business the company generates also taking into account other factors including economic conditions, including interest rates.

Core Banking Products
Bendigo and Adelaide Bank Limited identify specific products and services as 'core banking products', however it also reserves the right to change the products and services identified as 'core banking products', providing 30 days notice is given. The core banking products, as at the end of the financial year are included below:

Margin
Margin is earned on all core banking products. A Funds Transfer Pricing (FTP) model is used for the method of calculation of the cost of funds, deposit return and margin. Margin is determined by taking the interest paid by customers on loans less interest paid to customers on deposits, plus any deposit returns, i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit, minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Commission
Commission is a fee earned on products and services sold. Depending on the product or services, it may be paid on the initial sale or on an ongoing basis.

Fee Income
Fee income is a share of 'bank fees and charges' charged to customers by Bendigo and Adelaide Bank Limited, including fees for loan applications and account transactions.

2. Revenue (continued)

Discretionary Financial Contributions

Bendigo and Adelaide Bank Limited has made discretionary financial payments to the company, outside of the franchise agreement and in addition to margin, commission and fee income. This income received by the company is classified as "Market Development Fund" (MDF) income. The purpose of these payments is to assist the company with local market development activities, however, it is for the board to decide how to use the MDF. Due to their discretionary nature, Bendigo and Adelaide Bank Limited may change or stop these payments at any time.

Form and Amount of Financial Return

The franchise agreement stipulates that Bendigo and Adelaide Bank Limited may change the form, method of calculation or amount of financial return the company receives. The reasons behind making a change may include, but not limited to, changes in Bendigo and Adelaide Bank Limited's revenue streams/processes; economic factors or industry changes.

Bendigo and Adelaide Bank Limited may make any of the following changes to form, method of calculation or amount of financial returns:

- A change to the products and services identified as 'core banking products and services'
- A change as to whether it pays the company margin, commission or fee income on any product or service.
- A change to the method of calculation of costs of funds, deposit return and margin and a change to the amount of any margin, commission and fee income.

These abovementioned changes, may impact the revenue received by the company on a particular product or service, or a range of products and services.

However, if Bendigo and Adelaide Bank Limited make any of the above changes, per the franchise agreement, it must comply with the following constraints in doing so.

a) If margin or commission is paid on a core banking product or service, Bendigo and Adelaide Bank Limited cannot change it to fee income;

b) In changing a margin to a commission or a commission to a margin on a core banking product or service, ***OR*** changing the method of calculation of a cost of funds, deposit return or margin or amount of margin or commission on a core product or service, Bendigo and Adelaide Bank Limited must not reduce the company's share of Bendigo and Adelaide Bank Limited's margin on core banking product and services when aggregated to less than 50% of Bendigo and Adelaide Bank Limited's margin on core banking products attributed to the company's retail branch operation; and

c) Bendigo and Adelaide Bank Limited must publish the change at least 30 days before making the change.

3. Expenses

	2019 $	2018 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	968,967	932,438
- superannuation costs	94,856	120,117
- other costs	73,347	106,019
	1,137,170	1,158,574

Bungendore Community Bank Branch
Contributions to our community 2018/19

Org: Bunyips Cricket Club Project: 2018 Season

Organisation	Project Title	Amount $
Bungendore Spring Ball Committee	Band & catering for 2018 Bungendore Spring Ball	3,000.00
CWA Tarago, NSW State Office	Upgrade and maintenance of Tarago CWA Rooms	4,359.36
Bungendore Public School P&C Association	2018 Bungendore Spring Fair	2,000.00
Bungendore Rugby League Football Club	Bunyips Cricket Club for 2018 season	3,000.00
Bungendore & Dist Automotive Club	2018 Car & Bike Show Community Fundraiser	5,000.00
The Lions Club of Canberra City Inc	Tickets for Bungendore children to attend World Festival of Magic Show	900.00
Bungendore Country Music Muster Inc.	2019 Bungendore Country Music Muster	3,500.00
The BVH Memorial Trust for Youth Inc	Bungendore Swimming Club equipment	3,000.00
Bungendore Polocrosse Club Inc	Bungendore Spurs Competition Shirts	1,410.90
Bungendore Youth Orchestra	Group member shirts	1,340.00
Captains Flat RSL & Citizen Club	Restoration and repairs of facilities	6,818.20
Bungendore Junior Rugby League Football Club	2019/2020 Season Playing Kits	6,000.00
Bungendore PA & H Society Inc	2019 Bungendore Show	10,000.00
Bungendore Community Playgroup	Baby Change Station & Toy repairs & restock	1,054.00
Bungendore War Memorial Committee	2019 Annual Dinner	500.00
Bungendore Friday Friends Group	Making of comfort quilts	500.00
Bungendore Rugby Football Club Inc	Sponsorship for the 2019 Season	5,500.00
Bungendore Rugby League Football Club	2019 Season	5,000.00
Bungendore Community Soccer	2019 Season	2,500.00
Bungendore Community Soccer	Purchase of Club Marquee	1,386.00
Bungendore Preschool	Prizes for Trivia Night	150.00
Bungendore Spring Ball Committee	2019 Spring Ball	3,000.00
Bungendore Netball Club	2019 Season Training Jerseys	3,000.00

Organisation	Project Title	Amount $
Bungendore Rural Fire Brigade	Purchase of 2 Pelican Lights	3,198.82
Braidwood Life Centre	Delivery of secondhand goods to remote communities in Northern Territory	500.00
Hoskingtown-Rossi Rural Fire Brigade	Safety and communications equipment	5,752.50
Bungendore War Memorial Hall Committee	Hall Repairs and maintenance	35,000.00
Bungendore School P&C Association	Whole school Technology Upgrade Package	10,000.00
Tarago Men's Shed Association	Contribution to new recreation room	6,840.00
Community Bank Scholarship	Student Scholarship	5,000.00
Bungendore Bowling Sports Club	Improvements for the Sports Club Building	20,000.00
Captains Flat Community Preschool Association	Improvements for the Preschool building	9,866.00
Bungendore Public School P&C Association	Primary School Shelter	10,000.00

Community contributions 2018/19

Bungendore

1. 2018 Car & Bike Show
2. Tarago Country Women's Association
3. Bungendore War Memorial Hall Renovations
4. Bungendore Country Music Muster
5. Community Bank Scholarship Awarded
6. Tarago Men's Shed Recreation
7. Bungendore Spring Fair 8. Bungendore Youth Orchestra

Thanks to Sharon at Bungendore Weekly for photos

Braidwood

1. Braidwood Bowling Club Competition Team Shirts 2. Aboriginal Exhibit at the Braidwood Museum 3. Community Bank Scholarship 4. Ladies Bowl Tournament 5. Black Dog Riders 6. Braidwood Staff raising funds for breast cancer nurses 7. Friends of Mongarlowe River at Two Fires Festival

Bowls Tournament

Braidwood Community Bank Branch
Contributions to our community 2018/19

Organisation	Project Title	Amount $
The Lions Club of Braidwood	2018 Antique Fair	1,500.00
Braidwood Swimming Club	Members jumpers	1,800.00
Braidwood Squash Club	Autumn Competition	500.00
Araluen Sports Day Assoc.	Araluen Sports day 2018	3,000.00
Majors Creek CWA	Purchase of wool for knitting	750.00
Braidwood Golf Club	Various events & tournaments	3,000.00
Braidwood Team Sorting	Return of unused funds BW1802-2 Feb 2018	-1,000.00
Braidwood Rugby Union Club	Touch Football Competition	500.00
Braidwood Bowling Club	Various bowls events	3,000.00
Braidwood District Pony Club	Annual Gymkhana 2018	300.00
Apex Braidwood	Fundraising event "Paint your Town Pink"	2,000.00
Braidwood Preschool Association	Annual Trivia Night Fundraiser - Prizes	240.00
Braidwood Youth Performing Arts Assoc	Fundraiser for program	50.00
Majors Creek Festival Inc	2018 Majors Creek Festival	5,000.00
Braidwood Bowling Club	Ladies Open Fours Tournament	1,000.00
Braidwood Swimming Club	Braidwood Swimming Pool Upgrade	4,985.00
Braidwood Education Foundation	Vouchers for Melbourne Cup Fundraiser	50.00
St Bedes Primary School P & F Inc	Cinema Under the Stars Event	1,000.00
Braidwood Rodeo Club	2019 Braidwood Rodeo	2,000.00
Braidwood Show Society	2019 Braidwood Show	8,000.00
Braidwood Quilters Inc	2018 Braidwood Festival/Airing of the Quilts	1,300.00
Braidwood Youth Performing Arts Assoc.	January 2019 School Holiday Program	500.00
Braidwood Jockey Club Inc	Big Screen Broadcast 2019 Braidwood Races	3,000.00
Braidwood Apex Club	Voucher prize - Apex Christmas at the Club	100.00
Gundillion Recreation Reserve Trust	Prize 2019 International Womens Day Lunch	200.00
Braidwood & Villages Tourism Assoc. Inc	Publicity for 2019 Two Fires Festival	2,585.00
Two Fires Festival of Arts and Activism	2019 Two Fires Festival	3,000.00
Braidwood Show Society	2019 Braidwood Team Sorting Event	2,500.00

Organisation	Project Title	Amount $
Braidwood Bowling Club	Club Tournament Shirts	500.00
Braidwood Apex	Defensive Driving Course	2,200.00
Braidwood Golf Club	Club events 2019	5,000.00
Mongarlowe Volunteer Bushfire Brigade	Thermal Imaging Camera	3,851.73
Braidwood & District Education Foundation	Student scholarships	3,000.00
Braidwood Life Centre	Braidwood Community Tune Up	400.00
Braidwood & District Historical Society	Restoration of graves & cemetery signage	4,300.00
Braidwood Regional Arts Group	"Art on Farms" publication	5,270.00
Braidwood Life Centre	Christmas Hampers	5,000.00
Braidwood Hospital Auxiliary	Giant Raffle Fundraiser	200.00
Braidwood Hospital Auxiliary	Braidwood Monopoly Game Fundraiser Prize	4,900.00
Krawarree Brigade RFS	Water tank	2,500.00
Braidwood Life Centre	Delivery to remote communities in NT	500.00
1st Braidwood Scouts Group	All Terrain Wheel Chair	500.00
Braidwood & District Historical Society	Exhibition element: "Timeline of our Country"	724.00
Braidwood Central School P&C	Debating and Public Speaking Fund	750.00
Braidwood Life Centre	Black Dog Ride March 2019	610.00
Braidwood and District Historical Society	Equipment for family history records	900.00
Braidwood Show Society	Show Ring fencing	20,000.00
Braidwood & District Historical Society for Old Anglican Hall Committee	Alterations and additions to the Community Hall	60,000.00
Community Bank Scholarship	Student scholarships	13,000.00

Braidwood grand total	$184,966
Bungendore grand total	$179,076
Combined grand total	**$364,042**

Braidwood & Bungendore Community Bank Branches

3. Expenses (continued)

	2019 $	2018 $
Depreciation and amortisation		
Depreciation		
- buildings	25,980	26,270
- plant and equipment	19,971	17,655
- motor vehicles	8,420	8,420
	54,371	52,345
Amortisation		
- franchise fees	32,512	21,676
Total depreciation and amortisation	86,883	74,021
Bad and doubtful debts expenses	1,393	703
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	7,975	7,390
	7,975	7,390
Charitable donations and sponsorships		
- Donations and sponsorships to community groups	623,215	585,456
- Telstra blackspot tower contribution *	50,000	-
	673,215	585,456

Operating expenses

Operating expenses are recognised in profit or loss on an accruals basis, which is typically upon utilisation of the service or at the date upon which the entity becomes liable.

Depreciation and amortisation

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

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

Class of asset	*Rate*	*Method*
Buildings	2.5-15%	Straight line
Leasehold improvements	5.75-15%	Straight line
Plant and equipment	5-100%	Straight line
Motor vehicles	25%	Straight line
Franchise fees	20%	Straight line

Charitable donations and sponsorships

Under the Community Bank model, Community Bank branches donate funds to various community groups and clubs over the course of the year. These amounts are typically captured under one line item in the Income Statement.

* In the current year, Palerang Financial Services Limited have contributed $50,000 to a blackspot tower project between Braidwood and Cooma. This is still considered a donation, however as the donation has been paid to Telstra and not a community group, the balance has been separately stated in the above note. This was determined to be non-deductible for tax

4. Income tax

	2019 $	2018 $
a. The components of tax expense comprise:		
Current tax expense	79,168	99,029
Deferred tax expense	2,081	(5,723)
Under / (over) provision of prior years	-	(1,470)
	81,249	**91,836**
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5% (2018: 27.5%)	67,499	93,306
Add tax effect of:		
- Under / (over) provision of prior years	-	(1,470)
- Non-deductible expenses	13,750	-
Income tax attributable to the entity	**81,249**	**91,836**
The applicable weighted average effective tax rate is:	33.10%	27.07%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities		
Opening balance	31,453	24,100
Income tax paid	(100,007)	(91,674)
Current tax	79,168	99,029
Under / (over) provision prior years	-	(2)
	10,614	**31,453**
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Accruals	1,863	388
Employee provisions	55,008	57,594
	56,871	**57,982**
Deferred tax liabilities comprise:		
Investments at fair value	1,410	440
Property, plant & equipment	44,030	44,031
	45,440	44,471
Net deferred tax asset	**11,431**	**13,511**
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	1,111	(4,695)
(Decrease) / increase in deferred tax liabilities	970	440
Under / (over) provision prior years	-	(1,468)
	2,081	**(5,723)**

4. Income tax (continued)

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/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 calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

5. Cash and cash equivalents

	2019 $	2018 $
Cash at bank and on hand	219,100	151,555
Short-term bank deposits	527,963	-
	747,063	**151,555**

Cash and cash equivalents include cash on hand, deposits available on demand with banks and other short-term highly liquid investments with original maturities of three months or less.

The interest rate on the short term deposit was 2.25%, with a maturity of less than three months.

6. Trade and other receivables

	2019 $	2018 $
Current		
Trade receivables	232,946	237,199
Other receivables	-	448
	232,946	**237,647**

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

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

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.

6. Trade and other receivables (continued)

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	Not past due	Past due but not impaired			Past due and impaired
			< 30 days	31-60 days	> 60 days	
2019	$	$	$	$	$	$
Trade receivables	232,946	232,946	-	-	-	-
Total	**232,946**	**232,946**	**-**	**-**	**-**	**-**
2018						
Trade receivables	237,199	237,199	-	-	-	-
Other receivables	448	448	-	-	-	-
Total	**237,647**	**237,647**	**-**	**-**	**-**	**-**

7. Financial assets

	2019 $	2018 $
Amortised cost		
Term deposits	-	517,032
Fair value through profit and loss		
Listed investments	109,954	106,427
	109,954	623,459

(a) Classification of financial assets

The company classifies its financial assets in the following categories:
- amortised cost
- fair value through profit or loss (FVTPL)

Classifications are determined by both:
- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets.

(b) Measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Cash and cash equivalents and trade and other receivables fall into this category of financial instruments as well as short term deposits that were previously classified as held-to-maturity under AASB 139.

7. Financial assets (continued)

(b) Measurement of financial assets (continued)

Financial assets at fair value through profit or loss (FVTPL)
Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

(c) Impairment of financial assets

AASB 9's impairment requirements use more forward looking information to recognise expected credit losses - the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVTOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.
The company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.
12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(d) 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.

8. Property, plant and equipment

	2019 $ At cost / valuation	2019 $ Accumulated depreciation	2019 $ Written down value
Land - at Fair Value	172,780	-	172,780
Buildings - at Fair Value	824,520	(78,931)	745,589
Plant and equipment - at cost	293,450	(170,697)	122,753
Motor vehicles - at cost	33,681	(19,607)	14,074
Total property, plant and equipment	**1,324,431**	**(269,235)**	**1,055,196**

2018 $ At cost / valuation	2018 $ Accumulated depreciation	2018 $ Written down value
172,780	-	172,780
824,520	(52,951)	771,569
268,528	(150,726)	117,802
33,681	(11,187)	22,494
1,299,509	**(214,864)**	**1,084,645**

Land and buildings

Freehold land and buildings are measured at fair value less accumulated depreciation and any accumulated impairment. In the event the carrying amount of land and buildings is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

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

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

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

8. Property, plant and equipment (continued)

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

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

(a) Capital expenditure commitments
The entity does not have any capital expenditure commitments at 30 June 2019 (2018: None)

(b) Movements in carrying amounts of PP&E

2019	Opening written down value $	Additions $	Depreciation $	Closing written down value $
Land	172,780	-	-	172,780
Buildings	771,569	-	(25,980)	745,589
Plant and equipment	117,802	24,922	(19,971)	122,753
Motor vehicles	22,494	-	(8,420)	14,074
Total property, plant and equipment	**1,084,645**	**24,922**	**(54,371)**	**1,055,196**

2018	Opening written down value $	Additions $	Depreciation $	Closing written down value $
Land	172,780	-	-	172,780
Buildings	797,839	-	(26,270)	771,569
Plant and equipment	78,776	56,681	(17,655)	117,802
Motor vehicles	30,914	-	(8,420)	22,494
Total property, plant and equipment	**1,080,309**	**56,681**	**(52,345)**	**1,084,645**

9. Intangible assets

	2019 $			2018 $		
	At cost	Accumulated amortisation	Written down value	At cost	Accumulated amortisation	Written down value
Franchise fees	201,483	(154,072)	47,411	201,483	(121,560)	79,923
Total intangible assets	**201,483**	**(154,072)**	**47,411**	**201,483**	**(121,560)**	**79,923**

Franchise fees and 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 in the Statement of Profit or Loss and Other Comprehensive Income.

Movements in carrying amounts

2019	Opening written down value $	Additions $	Amortisation $	Closing written down value $
Franchise fees	79,923	-	(32,512)	47,411
Total intangible assets	**79,923**	**-**	**(32,512)**	**47,411**

2018	Opening written down value $	Additions $	Amortisation $	Closing written down value $
Franchise fees	61,003	40,596	(21,676)	79,923
Total intangible assets	**61,003**	**40,596**	**(21,676)**	**79,923**

10. Financial liabilities

Financial liabilities include trade payables and other creditors.. Financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as "fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Non-derivative financial liabilities other than financial guarantees 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.

11. Trade and other payables

	2019 $	2018 $
Current		
Unsecured liabilities:		
Trade creditors	54,969	52,827
Franchise fee payable	26,075	47,410
Other creditors and accruals	23,955	26,429
	104,999	**126,666**

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.

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

12. Provisions

	2019 $	2018 $
Current		
Employee benefits	189,131	202,030
Non-current		
Employee benefits	10,898	7,403
Total provisions	**200,029**	**209,433**

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

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

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

12. Provisions (continued)

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.

13. Share capital

	2019 $	2018 $
1,062,849 Ordinary shares fully paid	1,062,849	1,062,849
257,570 Bonus shares issued for no consideration	-	-
	1,062,849	**1,062,849**

Ordinary shares are classified as equity.

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

(a) Movements in share capital

Fully paid ordinary shares:		
At the beginning of the reporting period	1,320,419	1,320,419
At the end of the reporting period	**1,320,419**	**1,320,419**

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

(b) 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.

14. Retained earnings

	2019	2018
	$	$
Balance at the beginning of the reporting period	644,522	496,094
Profit for the year after income tax	164,202	247,459
Dividends paid	(99,031)	(99,031)
Balance at the end of the reporting period	**709,693**	**644,522**

15. Dividends paid or provided for on ordinary shares

	2019	2018
	$	$
Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 7.5 cents per share (2018: 7.5) franked at the tax rate of 27.5% (2018: 27.5%).	99,031	99,031

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

16. Reserves

	2019	2018
	$	$
Asset revaluation reserve		
Balance at the beginning of the reporting period	115,817	115,817
Balance at the end of the reporting period	**115,817**	**115,817**

The reserves represent undistributable gains recognised on the revaluation of non-current assets.

17. Earnings per share

	2019	2018
	$	$
Basic earnings per share (cents)	12.44	18.74
Earnings used in calculating basic earnings per share	164,202	247,459
Weighted average number of ordinary shares used in calculating basic earnings per share	1,320,419	1,320,419

Basic earnings per share

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

18. Statement of cash flows

	2019 $	2018 $
(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:		
Cash and cash equivalents (Note 5)	747,063	151,555
As per the Statement of Cash Flow	**747,063**	**151,555**
(b) Reconciliation of cash flow from operations with profit/loss after income tax		
Profit for the year after income tax	164,202	247,459
Non-cash flows in profit		
- Depreciation and amortisation	86,884	74,023
- Fair value increases	(3,527)	(1,601)
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	4,701	(4,938)
- (Increase) / decrease in deferred tax asset	2,080	(7,192)
- Increase / (decrease) in trade and other payables	(332)	14,020
- Increase / (decrease) in current tax liability	(20,839)	7,353
- Increase / (decrease) in provisions	(9,404)	27,008
Net cash flows from operating activities	**223,765**	**356,132**

19. Key management personnel and related party disclosures

(a) 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.

(b) Transactions with key management personnel and related parties

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

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

Name of related party	Description of goods / services provided	Value $
Rhyll Tozer	Conference expenses and staff relief	1,307

Palerang Financial Services Limited has not accepted the Bendigo and Adelaide Bank Limited's **Community Bank®** Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch.

19. Key management personnel and related party disclosures (continued)

(d) Key management personnel shareholdings

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

	2019	2018
Shane Holness	2,000	2,000
Hanna Darmody	500	-
Noel Wisbey	751	6,751
Michael Clarke	1,950	1,500
Richard Elliott	9,500	-
	14,701	11,251

There was some movement in key management personnel shareholdings during the year as noted in the table above.

(e) Other key management transactions

There has been no other transactions key management or related parties other than those described above.

20. Events after the reporting period

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

21. Contingent liabilities and contingent assets

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

22. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in two areas being Bungendore, NSW and Braidwood, NSW. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 99% of the revenue (2018: 99%).

23. Commitments

Operating lease commitments

	2019 $	2018 $
Payable:		
- no later than 12 months	16,775	17,150
- between 12 months and five years	12,862	17,664
Minimum lease payments	29,637	34,814

The property lease is a non-cancellable lease with a two year term, with rent payable monthly in advance and with CPI increases each year.

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

24. Company details

The registered office and principal place of business is 93-95 Wallace Street, Braidwood, NSW 2622.

25. Financial instrument risk

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.

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 9 *Financial Instruments* as detailed in the accounting policies are as follows:

	Note	2019 $	2018 $
Financial assets			
Cash and cash equivalents	5	747,063	151,555
Trade and other receivables	6	232,946	237,647
Financial assets			
- Term deposits (Amortised cost)		-	517,032
- Listed entities (Fair value through profit/loss)	7	109,954	106,427
Total financial assets		**1,089,963**	**1,012,661**
Financial liabilities			
Trade and other payables	11	104,999	126,666
Total financial liabilities		**104,999**	**126,666**

(a) Credit risk

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

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

Credit risk exposures

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

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

25. Financial instrument risk (continued)

(a) Credit risk (continued)

None of the assets of the company are past due (2018: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

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

(b) Liquidity risk

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

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

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

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

Financial liability and financial asset maturity analysis:

30 June 2019	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	2.25%	747,063	747,063	-	-
Trade and other receivables		232,946	232,946	-	-
Financial assets					
- Listed entities (Fair value through profit/loss)		109,954	109,954	-	-
Total anticipated inflows		1,089,963	1,089,963	-	-
Financial liabilities					
Trade and other payables		104,999	21,000	83,999	-
Total expected outflows		104,999	21,000	83,999	-
Net inflow / (outflow) on financial instruments		**984,964**	**1,068,963**	**(83,999)**	**-**

25. Financial instrument risk (continued)

(b) Liquidity risk (continued)

30 June 2018	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	0.01%	151,555	151,555	-	-
Trade and other receivables		237,647	237,647	-	-
Financial assets					
- Term Deposits (Amortised cost)	2.55%	517,032	517,032		
- Listed entities (Fair value through profit/loss)		106,427	106,427	-	-
Total anticipated inflows		1,012,661	1,012,661	-	-
Financial liabilities					
Trade and other payables		126,666	25,333	101,333	-
Total expected outflows		126,666	25,333	101,333	-
Net inflow / (outflow) on financial instruments		**885,995**	**987,328**	**(101,333)**	**-**

(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.

The primary risks the company is exposed to is interest rate risk and other price risk. The company has no exposure to fluctuations in foreign currency.

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

The financial instruments that primarily expose the company to interest rate risk are borrowings, deposits held to maturity, fixed interest securities, and cash and cash equivalents.

Other price risk
The company is exposed to other price risk on its listed investment carried at fair value, whereby a change in share prices will affect the fair value of the financial instruments.

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, management believes the following movements are 'reasonably possible' over the next 12 months:
- A parallel shift of +/-10% in equity prices from year-end rates.

These movements will not have a material impact on the valuation of the company's investments, nor will they have a material impact on the results of the company's operations.

28. Financial instrument risk (continued)

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.

	2019		2018	
	Profit	Equity	Profit	Equity
	$	$	$	$
+/- 1% in interest rates (interest income)	5,416	5,416	2,580	2,580
	5,416	5,416	2,580	2,580
	Profit	Equity	Profit	Equity
	$	$	$	$
+/- 10% in equity prices	7,972	7,972	7,716	7,716
	7,972	7,972	7,716	7,716

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

26. Fair value measurements

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

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. 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 (i.e. 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 (i.e. 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.

The company measures and recognises the following assets at fair value on a recurring basis after initial recognition:
- freehold land and buildings
- listed investments

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

(a) Fair value hierarchy

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

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

26. Fair value measurements (continued)

(a) Fair value hierarchy (continued)

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:

	30 June 2019			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Recurring fair value measurements				
Non-financial assets				
Freehold land	-	172,780	-	172,780
Buildings	-	745,589	-	745,589
Total non-financial assets recognised at fair value	-	918,369	-	918,369
Financial assets				
Listed investments	109,954	-	-	109,954
Total financial assets recognised at fair value	109,954	-	-	109,954

	30 June 2018			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Recurring fair value measurements				
Non-financial assets				
Freehold land	-	172,780	-	172,780
Buildings	-	771,569	-	771,569
Total non-financial assets recognised at fair value	-	944,349	-	944,349
Financial assets				
Listed investments	106,427	-	-	106,427
Total financial assets recognised at fair value	106,427	-	-	106,427

There were no transfers between Levels for assets measured at fair value on a recurring basis during the reporting period (2018: no transfers).

(b) 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.

26. Fair value measurements (continued)

Valuation techniques and inputs used to measure Level 2 fair values

Description	Fair value at 30 June 2019 $	Description of valuation techniques	Inputs used
Freehold land	172,780	Market value approach using valuations of land and buildings as at 30 June 2016.	Qualified external valuer
Buildings	745,589		Qualified external valuer

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

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

(c) Reconciliation of recurring Level 2 Fair value measurements

Level 2	Freehold land $	Buildings $
Balance at the beginning of the year	172,780	771,569
Gains/(losses) recognised in profit or loss during the year	-	(25,980)
Balance at the end of the year	172,780	745,589

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 7 to 40 are in accordance with the *Corporations Act 2001*
   (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 2019 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 18 September 2019.

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PALERANG FINANCIAL SERVICES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Palerang Financial Services Limited, which comprises the statement of financial position as at 30 June 2019, 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, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

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 2019 and of its performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001;* and

(ii) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

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

Independence

We are independent of the entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

Director's 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.
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 entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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 conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. On connection with our audit of the financial report, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RSD Audit
Chartered Accountants

P. P Delahunty
Partner
Bendigo
Dated: 19 September 2019

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