Annual Report 2018

Palerang Financial Services Limited

ABN 83 097 801 100

Braidwood & Bungendore
Community Bank® Branches

Contents

Chairman's report

For year ending 30 June 2018

It is my privilege to provide you with the 2017/18 Annual Report for Palerang Financial Services Limited.

This report reflects upon another very successful year for the Company as it continues to deliver through its service doctrine and its philanthropy and community contribution program. Our greatest assets are our customers and our excellent staff and I thank them all for their contribution to our excellent results.

Key points this year include:

- During the year, the Company renewed its franchise agreement with the Bendigo and Adelaide Bank under a market driven profit share arrangement.
- The effect of the Royal Commission into Banking and Financial Services commenced having an effect on the business.
- Achieving a record result with an Operating Profit (before Charitable Donations and Sponsorship) of $924,751
- The continued delivery of philanthropic outcomes through the allocation of $585,456 for Charitable Donations and Sponsorship.
- The provision of a franked dividend of 7.5 cents per share (CPS) ($0.075).

Revenue	**Profit After Tax**	**Expense**
$2,618,504	$247,459	$1,693,753
↑	↑	↓
New Business	**New Customers**	**Net Assets**
$24.6.m	234	$1,823,188
↓	↓	↑

The company has delivered continued growth whilst also working for half of the reporting period in an environment that is very sensitive to the Royal Commission into Banking and Financial Services. We have continued to develop the business to deliver a strong and healthy position whilst also continuing to deliver outcomes for our customers, shareholders and communities.

The Company formally renewed its relationship with Bendigo and Adelaide Bank through executing a new franchise agreement that incorporates a market driven profit share model and annualised franchise fee payments. The effect of this approach was modelled and the overall result for the company was positive. This new approach removes the tangible risk that our partner will manually adjust the profit share arrangements negatively as they have done on two previous occasions.

The effect of the Royal Commission to date has materialised internally with our processes being more stringently and rigorously applied to ensure we and Bendigo and Adelaide are doing the right thing each and every time. Whilst this slows our processing times, it does ensure that we continue to be highly compliant to our obligations with our customers.

This year we achieved record results with excellent business growth that delivered our record Operating Profit result and continued high sustainment of philanthropy. This is supported by our excellent structural position (i.e. no debt, $2.19m in assets and $0.367m in liabilities) and our current plans regarding growing the business through our current Branch structure.

We have maintained our high levels of charitable and sponsorship contributions that assist our communities to grow and prosper. We achieved a great milestone in June recording a total of $3.0 million dollars in donations and grants 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.

Chairman's report (continued)

There have been other significant achievements of which we are truly proud. It was very pleasing to celebrate Braidwood's 15th anniversary with the presentation of the "Baby Ben" clock to the town. This resulted in a fantastic show of support from the local community for the work we do in providing financial services and also contributing back to support community growth.

The company has declared a franked dividend of 7.5 cents per share (CPS) ($0.075) as at 1 November 2018, to be paid to shareholders in December 2018. This maintains our provision of franked dividends to those who support this enterprise through the ownership of shares in our little company.

Our business provides banking services to our community through our staff in Braidwood and Bungendore. They are led by our Senior Manager, Mr Craig Pettit and his branch managers. The Board and I would like to thank Craig, and all of his staff, for their focus and professional efforts to help our customers, and to build a better and bigger business. Building a bigger and better business is the pre-requisite that will enable us to support the community in bigger and more tangible ways.

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

1. The results of the Royal Commission that will result in;
   a. significant increases in internal processing requirements that will consume our resources time and effort, and
   b. a strong focus upon compliance from agencies such as ASIC and APRA.
2. Ensuring that we continue to grow the business so that we can deliver better outcomes for our communities.
3. Balancing the delicate aspects of expense versus customer service on the back of a more focused regulatory environment.

The Board and staff will continue to have a direct focus upon reducing expenses and achieving business growth, along with improved profitability over the coming year. In order to continue to build upon our success, 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.

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

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

Shane A Holness
Chairman

Senior Manager’s Report

Year ending 30th June 2018

We have recorded our highest ever profit before charitable donations and sponsorship (Sponsorship) of $924,751. If you look at this in the traditional benchmark of EBIT (earnings before interest and taxation) and before sponsorship, earnings were $998,772. This is the strongest result we have had to date.

This has come off a 9% increase in revenue to $2.618million.

The net profit was up $137,595 to $247,459 (125%) due to stronger revenue as Sponsorship only fell $13,911.

The earnings per share therefore increased to 18.74c. Operating profit before sponsorship was $0.70 per share.

We continue to have a strong balance sheet with $2,190,740 in assets against $367,552 in liabilities, no debt and $775,014 in cash and investments.

Bungendore branch has unfortunately seen the Manager, Andrew Pollitt leave to pursue his own business and has been replaced by Peter Seymour who has moved to Bungendore from Grenfell. We welcome Peter and his wife Sue to Bungendore and Palerang Financial Services. We also would like to welcome Sally Fowler who has taken the place of Erin Hall who has also moved onto other opportunities.

We have also said goodbye to Simone Dickson who has moved to the north coast and welcomed Carrie Reeves and Katie McCracken.

The Banking Royal Commission has seen stronger lending criteria across the industry which has in turn acted as a constraint on growth. This along with recent personnel changes has seen a slow start to this year and repeating the previous year’s business growth will be difficult.

The past year has seen the 15th birthday of Braidwood branch and the construction of the “Baby Ben” clock which has become a highlight for visitors on the hour and quarter hour. This comes after the *“Be the Change”* advertising campaign which featured Braidwood as one of the sites for filming the ads.

We are starting to assist with some larger projects in Bungendore, including the new Scout Hall and there are more projects in the pipeline.

We must acknowledge the hard work and time the Directors have put into ensuring we achieve the best outcome. It is the Staff and our Company Secretary, Janene, and the effort they make to create the success that has brought about this record profitability for the 2017-18 financial year.

Looking forward to another successful year and as always, if you haven’t experienced our **Community Bank**® please come in and see the difference first hand.

Craig Pettit
Senior Manager

Directors' report

For the financial year ended 30 June 2018

The Directors present their report of the company for the financial year ended 30 June 2018.

Directors

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

Shane Holness

Position	Chairman
Professional qualifications	AIMM; MAICD
Experience and expertise	Shane has operated a family owned business since 1999; former director in the APS; former member of the Royal Australian Navy

Michael Fay (Resigned 26 June 2018)

Position	Director; Deputy Chairman (Resigned 1 February 2018); member of Community Funding Committee
Professional qualifications	-
Experience and expertise	Mick is a local businessman who is employed as a sales manager and is involved in many local groups and associations

Noel Wisbey

Position	Treasurer (Resigned 1 February 2018)
Professional qualifications	-
Experience and expertise	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.

Mick Clarke

Position	Director
Professional qualifications	-
Experience and expertise	Mick has been the owner/operator of a retail butchery in Braidwood for the past twelve years. Mick is involved in community service organisations in Braidwood and is a past President of the Braidwood Apex Club.

Susan Smith

Position	Director
Professional qualifications	-
Experience and expertise	Sue is retired from the Australian Defence Forces and brings extensive experience in banking and financial management to the PFSL board as well as her involvement with community organisations such as the Bungendore War Memorial Hall.

Hanna Darmody

Position	Deputy Chair
Professional qualifications	Diploma: Marketing, Canberra Institute of Technology
Experience and expertise	Hanna is currently employed in project management requiring a range of administration, financial and people management skills. Hanna has extensive involvement in the local community including with the Bungendore Autumn Fair, the B & S Ball, the Bungendore Agricultural Show, Rodeo & Country Muster.

Directors' report (continued)

Directors (continued)

Susan Doran (Resigned 1 January 2018)

Position	Director
Professional qualifications	AICD Member; Master of Public Policy; LLB; BA & Diploma of Teaching
Experience and expertise	Sue has extensive experience in the education sector as a teacher, school principal and curriculum writer. She is also a lawyer, with an interest in governance and is a member of the Australia Institute of Company Directors (AICD), and has completed the Directors Course at the AICD. Sue is also an active community member with interests in the Arts, Environment & Heritage and Indigenous participation.

Gordon Waters

Position	Director
Professional qualifications	Bachelor of Information Technology CQU
Experience and expertise	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

Position	Director
Professional qualifications	BA - Secretarial Studies, Economic Major from University of Canberra
Experience and expertise	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.

Rhyll Tozer (Appointed July 2017)

Position	Director, Treasurer (Appointed 1 February 2018)
Professional qualifications	Chartered Accountant
Experience and expertise	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.

Di Izzard (Appointed May 2018)

Position	Director
Professional qualifications	-
Experience and expertise	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.

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:

Director	Board meetings	
	A	B
Shane Holness	12	10
Michael Fay (Resigned 26 June 2018)	6	4
Noel Wisbey	12	12
Mick Clarke	8	4
Susan Smith	12	8
Hanna Darmody	12	11
Susan Doran (Resigned 1 January 2018)	6	5
Gordon Waters	12	8
Dale Towell	12	11
Rhyll Tozer (Appointed July 2017)	12	9
Di Izzard (Appointed May 2018)	1	1

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 a franchised branch of Bendigo and Adelaide Bank Limited.

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

Review of operations

The profit of the company for the financial year after provision for income tax was $247,459 (2017 profit: $109,864), which is a 125.2% increase as compared with the previous year. This increase is driven mainly by a 9% increase in profit share revenue, due to a change in the franchise agreement between Bendigo and Adelaide Bank Limited and the branches.

Dividends

A fully franked final dividend of 7.5 cents per share was declared and paid during the year for the year ended 30 June 2017. No dividend has been declared or paid for the year ended 30 June 2018 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.

Directors' report (continued)

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

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

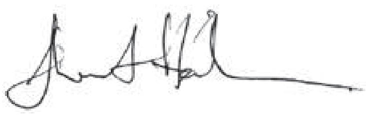
Proceedings on behalf of company

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 26 September 2018.



Shane Holness
Director

Auditor's independence declaration

41A Breen Street
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3552

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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 2018 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: 26 September 2018

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018

	Notes	2018 $	2017 $
Revenue	2	2,618,504	2,401,342
Expenses			
Employee benefits expense	3	(1,158,574)	(1,090,601)
Depreciation and amortisation	3	(74,021)	(55,080)
Bad and doubtful debts expense	3	(703)	(2,062)
Administration and general costs		(72,953)	(70,749)
Occupancy expenses		(67,140)	(52,078)
IT expenses		(45,498)	(40,416)
Professional Fees		(53,930)	(51,148)
Advertising and Marketing		(66,389)	(95,005)
Other expenses		(154,545)	(174,551)
		(1,693,753)	**(1,631,690)**
Operating profit before charitable donations & sponsorship		**924,751**	**769,652**
Charitable donations and sponsorships		(585,456)	(546,367)
Carwoola bushfire appeal		-	(53,000)
		(585,456)	(599,367)
Profit before income tax		**339,295**	**170,285**
Income tax expense	4	(91,836)	(60,421)
Profit for the year after income tax		**247,459**	**109,864**
Total comprehensive income for the year		**247,459**	**109,864**
Profit attributable to members of the company		247,459	109,864
Total comprehensive income attributable to members of the company		**247,459**	**109,864**
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	18.74	8.32

Financial statements (continued)

Statement of Financial Position as at 30 June 2018

	Notes	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents	5	151,555	625,828
Trade and other receivables	6	237,647	232,709
Financial assets	7	623,459	-
Total current assets		**1,012,661**	**858,537**
Non-current assets			
Property, plant and equipment	8	1,084,645	1,080,309
Intangible assets	9	79,923	61,003
Deferred tax assets	4	13,511	6,319
Total non-current assets		**1,178,079**	**1,147,631**
Total assets		**2,190,740**	**2,006,168**
Liabilities			
Current liabilities			
Trade and other payables	11	126,666	124,883
Current tax liability	4	31,453	24,100
Provisions	12	202,030	178,995
Total current liabilities		**360,149**	**327,978**
Non-current liabilities			
Provisions	12	7,403	3,430
Total non-current liabilities		**7,403**	**3,430**
Total liabilities		**367,552**	**331,408**
Net assets		**1,823,188**	**1,674,760**
Equity			
Issued capital	13	1,062,849	1,062,849
Retained earnings	14	644,522	496,094
Reserves	16	115,817	115,817
Total equity		**1,823,188**	**1,674,760**

Statement of Changes in Equity for the year ended 30 June 2018

	Note	Issued capital $	Retained earnings $	Reserves $	Total equity $
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**
Balance at 1 July 2016		1,062,849	472,058	115,817	1,650,724
Comprehensive income for the year					
Profit for the year		-	109,864	-	109,864
Transactions with owners in their capacity as owners					
Dividends paid or provided	15	-	(85,828)	-	(85,828)
Balance at 30 June 2017		**1,062,849**	**496,094**	**115,817**	**1,674,760**

Statement of Cash Flows
for the year ended 30 June 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		2,600,188	2,589,600
Payments to suppliers and employees		(2,164,159)	(2,333,692)
Interest received		11,777	11,395
Income tax paid		(91,674)	(86,693)
Net cash flows provided by operating activities	18b	**356,132**	**180,610**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	2,727
Purchase of property, plant and equipment		(56,684)	(52,325)
Purchase of investments		(116,234)	-
Purchase of intangible assets		(52,832)	-
Net cash flows used in investing activities		**(225,750)**	**(49,598)**
Cash flows from financing activities			
Dividends paid		(99,031)	(85,828)
Net cash flows used in financing activities		**(99,031)**	**(85,828)**
Net increase in cash held		**31,351**	**45,184**
Cash and cash equivalents at beginning of financial year		120,204	580,644
Cash and cash equivalents at end of financial year	18a	**151,555**	**625,828**

Notes to the Financial Statements

For the year ended 30th June 2018

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 26 September 2018.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

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

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

Economic dependency

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

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

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**® 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
- Sales techniques and proper customer relations.

Note 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 as follows:

Estimation of useful lives of assets

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

Fair value assessment of non-current physical assets

The AASB 13 Fair Value standard requires fair value assessments that may involve 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.

(e) Critical accounting estimates and judgements

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.

Note 1. Summary of significant accounting policies (continued)

Income tax

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

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

(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 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

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

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

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

a) Financial assets that are debt instruments will be classified based on:
   (i) the objective of the entity's business model for managing the financial assets; and
   (ii) the characteristics of the contractual cash flows.

b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
   - the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
   - the remaining change is presented in profit or loss if this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk is also presented in profit or loss.

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

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

Note 1. Summary of significant accounting policies (continued)

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.
Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

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

(g) New accounting standards for application in future periods

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

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

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

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

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

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

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

AASB 16:

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

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

Note 2. 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.

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.

Rendering of services

The entity generates service commissions on a range of products issued by the Bendigo and Adelaide Bank Limited. The revenue includes upfront and trailing commissions, sales fees and margin fees.

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).

	2018 $	2017 $
Revenue		
- service commissions	2,601,876	2,387,220
	2,601,876	**2,387,220**
Other revenue		
- interest received	11,777	11,395
- other revenue	4,851	2,727
	16,628	**14,122**
Total revenue	**2,618,504**	**2,401,342**

Note 3. Expenses

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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised leased 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.

Note 3. Expenses (continued)

The depreciation 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

Gains/losses upon disposal of non-current assets

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

	2018 $	2017 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	932,438	846,966
- superannuation costs	120,117	107,699
- other costs	106,019	135,936
	1,158,574	**1,090,601**
Depreciation and amortisation		
Depreciation		
- buildings	26,270	26,680
- plant and equipment	17,655	16,547
- motor vehicles	8,420	2,768
	52,345	**45,995**
Amortisation		
- franchise fees	21,676	9,085
Total depreciation and amortisation	**74,021**	**55,080**
Bad and doubtful debts expenses	703	2,062
(Gain) / Loss on disposal of property, plant and equipment	-	(2,727)
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	7,390	8,100

Notes to the Financial Statements (continued)

Note 4. Income tax

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

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

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

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

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

	2018 $	2017 $
a. The components of tax expense comprise:		
Current tax expense	99,029	79,689
Deferred tax expense	(5,723)	(19,373)
Under / (over) provision of prior years	(1,470)	105
	91,836	**60,421**
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% (2017: 27.5%)	93,306	46,828
Add tax effect of:		
- Non-deductible expenses	-	14,575
- Under / (over) provision of prior years	(1,470)	(982)
Income tax attributable to the entity	**91,836**	**60,421**
The applicable weighted average effective tax rate is:	27.07%	35.48%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	24,100	31,105
Income tax paid	(91,674)	(86,694)
Current tax	99,029	79,689
Under / (over) provision prior years	(2)	-
	31,453	**24,100**

	2018 $	2017 $

Note 4. Income tax (continued)

	2018 $	2017 $
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Accruals	388	1,755
Employee provisions	57,594	50,064
	57,982	**51,819**
Deferred tax liabilities comprise:		
Investments at fair value	440	-
Property, plant & equipment	44,031	45,500
	44,471	**45,500**
Net deferred tax asset	**13,511**	**6,319**
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(4,695)	(15,131)
(Decrease) / increase in deferred tax liabilities	440	(4,137)
Under / (over) provision prior years	(1,468)	(105)
	(5,723)	**(19,373)**

Note 5. Cash and cash equivalents

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.

	2018 $	2017 $
Cash at bank and on hand	151,555	120,204
Short-term bank deposits	-	505,624
	151,555	625,828

Note 6. Trade and other receivables

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

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

	2018 $	2017 $

Note 6. Trade and other receivables (continued)

Current		
Trade receivables	237,647	232,709
	237,647	**232,709**

Credit risk

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

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

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

	Gross amount $	Not past due $	Past due but not impaired			Past due and impaired $
			< 30 days $	31-60 days $	> 60 days $	
2018						
Trade receivables	237,647	237,647	-	-	-	-
Total	**237,647**	**237,647**	**-**	-	-	-
2017						
Trade receivables	**232,709**	232,709	-	-	-	-
Total	**232,709**	**232,709**	**-**	-	-	-

Note 7. Financial assets

(a) Classification of financial assets

The company classifies its financial assets in the following categories:

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

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

Braidwood **Community Bank**® Branch Contributions to our community 2017/18

Organisation	Project Title	Amount $
Braidwood Preschool	Fundraiser Event	320
Majors Creek Music Festival	Majors Creek Music Festival	5,000
Braidwood Bowling Club	Two Bowls Triples Tournament	500
St Bede's Primary School	Makerspace	10,000
Braidwood Community Bank	Main Street Defibrillator	3,163
Braidwood Golf Club	2017 Ladies Open Day	500
Native Animal Rescue Group	2018 Calendar	100
Braidwood Life Centre	Ladies Golf Day Fundraiser	450
Braidwood & Villages Tourism Assoc.	Festival of Braidwood	3,000
Braidwood Hospital Auxiliary	2018 Hospital Fete	190
Braidwood Apex Club	Mobile Cool Room	4,800
Braidwood Life Centre	Xmas Hampers	5,000
Braidwood Scouts Group	Shed Insulation	4,655
Lions Club Of Braidwood	2018 Young Writers Festival	5,000
Braidwood Bowling Club	Barefoot Bowls	1,000
Braidwood Servicemen’s Club	Major Roof Restoration	100,000
Braidwood Quilters Inc	Airing the Quilts 2017	1,000
Braidwood Youth Performing Arts Assoc.	School Holiday Workshops	3,840
Braidwood Rodeo Club	2018 Rodeo Presentations	2,000
Braidwood Jockey Club	Braidwood Races 2018	2,500

Organisation	Project Title	Amount $
Farringdon Rural Fire Service	Communications Project	2,000
Gundillion Recreation Reserve Trust	Fundraiser	200
Braidwood Bowls Club	Bowls Club Event	500
Braidwood APEX Club	Community Xmas Party	200
Braidwood Life Centre	Transport Donated Goods	500
Braidwood Central School	2017 End of Year Assembly	200
St Bede's Primary School	2018 End of Year Assembly	200
Braidwood Central School P & C Assoc.	Arts Mentoring Program	4,400
Braidwood Team Sorting	Team Sorting Event 2018	2,000
Braidwood Rugby Union Club	Season 2018	3,000
Braidwood Show Society	2018 Braidwood Show	8,000
Native Animal Rescue Group	Wallaby Enclosure	300
Gundillion Recreation Reserve Trust	2018 IWD Event	200
Braidwood Regional Arts Group	Health & Safety Upgrade	5,409
Braidwood Central School P & C Assoc.	Skills Development	900
Braidwood Junior Soccer Club	Training Equipment	3,000
Braidwood Central School P & C Assoc.	First Aid Training	358
Braidwood Men’s Shed	Street Art for Easter	828
Braidwood Total		**204,630**

Community contributions 2017/18

Braidwood

1. Mongarlowe Rural Fire Service
2. Braidwood Golf Team 2018
3. Braidwood Servicemen's Club
4. Braidwood Men's Shed Easter Display
5. 2017 Majors Creek Music Festival
6. Braidwood Life Centre Xmas Hampers
7. St Bedes students & Lego Mindstorm
8. St Bedes - Lego Funding 2018
9. Braidwood Youth Performing Arts
10. Braidwood's Baby Ben Town Clock
11. First Aid Training at Braidwood Central School 12. Easter Piggy & Bunny
13. Farringdon Rural Fire Service Pager

Bungendore

1. Bungendore Country Music Muster. 2. Abbeyfield Fundraiser Bungendore. 3. Bungendore Scouts. 4. Bungendore Show 2018 5. Hoskinstown-Rossi Rural Fire Brigade. 6. Lake George Men's Shed. 7. Mudchooks Rugby Club Bungendore. 8. Piggy at Car Show. 9. Footraces at Bungendore Show. 10. Abbeyfield Fundraiser Bungendore.

Photos: Sharon Baxter Judge & the Bungendore Weekly

Bungendore **Community Bank**® Branch
Contributions to our community 2017/18

Organisation	Project Title	Amount $
Bungendore & Districts Auto Club	2017 Car & Bike Show	5,000
Bungendore Public School P & C Assoc.	Lego Resources	14,960
Captains Flat Community pres-school	Every Child Counts	9,174
Tarago Mens Shed	Automated External Defibrillator	1,625
Bungendore Country Music Muster	Country Music Muster	3,500
Bungendore Showground Trust	Facilities Expansion Project	36,890
Bungendore Swim Club	Upgrade Swim Club Equipment	3,106
Bungendore Public School	End of Year Presentations	100
Bungendore PA & H Society	2018 Bungendore Show	10,000
Bungendore Public School P & C Assoc.	Reading Resources K -Yr4	4,600
Lake George Mens Shed	Facility Repairs & Maintenance	6,545
Bungendore War Memorial 355 Committee	Roll of Honour Book	2,904
Bungendore Youth Orchestra	Instruments & Equipment	4,000
Bungendore Preschool	Outdoor Equipment	3,968
Bungendore Rotary Club	BBQ Trailer Refurbishment	3,080
Braidwood Life Centre	Transport for Donated Goods	500
Bungendore War Memorial Hall	Fundraiser	500

Organisation	Project Title	Amount $
Southern NSW Harvest Inc	2018 Harvest Festival	4,500
Bungendore Tigers Rugby League Club	Youth League Jumper	3,000
Bungendore Scholarship	C Fairfax	5,000
Bungendore Scholarship	C Gregoire	5,000
Bungendore War Memorial 355 Committee	2018 ANZAC Day Dinner	500
Bungendore Scholarship	A Ciminelli	2,500
Abbeyfield Bungendore	Fundraiser	3,000
Bungendore Rugby Football Club	2018 Season Sponsor	3,000
Bungendore PS P & C Assoc	Boomerang Bags Project	1,000
South West Vic Bush Fire Appeal	South West Vic Bush Fire	1,000
Captains Flat Rural Fire Service	Equipment	8,000
Bungendore Community Soccer	Gold Sponsorship Package	2,500
Bungendore Netball Club	2018 Season Sponsor	3,000
Hoskinstown War Memorial Hall s355 Committee	Defibrillator	2,995
Bega Valley Shire Mayoral Appeal	Tathra Bush Fire Relief	1,000
Hoskinstown-Rossi Fire Brigade	Equipment & Facility Project	6,111

Braidwood grand total	$204,630
Bungendore grand total	$162,558
Community Enterprise Foundation™	$218,268
Combined grand total	**$585,456**

Braidwood & Bungendore
Community Bank® Branches

Note 7. Financial assets (continued)

Held to maturity investments

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

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

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

(a) Classification of financial assets

Loans and receivables

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term with the intention of making a profit. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

(b) Measurement of financial assets

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

Held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

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

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

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised in profit or loss within other income or other expenses.

(c) Impairment of financial assets

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

Note 7. Financial assets (continued)

Assets carried at amortised cost

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

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

(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.

Note 8. Property, plant and equipment

	At cost $	Accumulated depreciation $	Written down value $
2018			
Land	172,780	-	172,780
Buildings	824,520	(52,951)	771,569
Plant and equipment	268,528	(150,726)	117,802
Motor vehicles	33,681	(11,187)	22,494
Total property, plant and equipment	**1,299,509**	**(214,864)**	**1,084,645**
	At cost $	**Accumulated depreciation $**	**Written down value $**
2017			
Land	172,780	-	172,780
Buildings	824,520	(26,680)	797,840
Plant and equipment	211,844	(133,069)	78,775
Motor vehicles	33,681	(2,767)	30,914
Total property, plant and equipment	**1,242,825**	**(162,516)**	**1,080,309**

Land and buildings

Freehold land and buildings are measured at cost and therefore are carried at cost 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.

Note 8. Property, plant and equipment (continued)

The carrying amount of land and buildings is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

Plant and equipment

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

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 2018 (2017: None)

(b) Movements in carrying amounts of PP&E

	Opening written down value $	**Additions $**	**Depreciation $**	**Closing written down value $**
2018				
Land	172,780	-	-	172,780
Buildings	797,840	-	(26,270)	771,570
Plant and equipment	78,775	56,681	(17,655)	117,801
Motor vehicles	30,914	-	(8,420)	22,494
Total property, plant and equipment	**1,080,309**	**56,681**	**(52,345)**	**1,084,645**
	Opening written down value $	**Additions $**	**Depreciation $**	**Closing written down value $**
2017				
Land	172,780	-	-	172,780
Buildings	824,520	-	(26,680)	797,840
Plant and equipment	76,677	18,645	(16,547)	78,775
Motor vehicles	-	33,682	(2,768)	30,914
Total property, plant and equipment	**1,073,977**	**52,327**	**(45,995)**	**1,080,309**

Note 9. Intangible assets

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

	At cost $	Accumulated depreciation $	Written down value $
2018			
Franchise fees	201,484	(121,561)	79,923
Total intangible assets	**201,484**	**(121,561)**	**79,923**
	At cost $	**Accumulated depreciation $**	**Written down value $**
2017			
Franchise fees	160,888	(99,885)	61,003
Total intangible assets	160,888	(99,885)	61,003

Movements in carrying amounts

	Opening written down value $	Additions $	Depreciation $	Closing written down value $
2018				
Franchise fees	61,003	40,596	(21,676)	79,923
Total intangible assets	61,003	40,596	(21,676)	79,923
	Opening written down value $	**Additions $**	**Depreciation $**	**Closing written down value $**
2017				
Franchise fees	70,088	-	(9,085)	61,003
Total intangible assets	70,088	-	(9,085)	61,003

Note 10. Financial liabilities

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.

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.

Note 11. Trade and other payables

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

	2018 $	2017 $
Current		
Unsecured liabilities:		
Trade creditors	**52,827**	**27,263**
Franchise fee payable	47,410	59,647
Other creditors and accruals	26,429	37,973
	126,666	**124,883**

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

Note 12. Provisions

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 is recognised in profit or loss in the periods in which the changes occur.

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

	2018 $	2017 $
Current		
Employee benefits	202,030	178,995
Non-current		
Employee benefits	7,403	3,430
Total provisions	**209,433**	**182,425**

Note 13. Share capital

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.

	2018 $	2017 $
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**
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.

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.

Note 14. Retained earnings

	2018 $	2017 $
Balance at the beginning of the reporting period	496,094	472,058
Profit for the year after income tax	247,459	109,864
Dividends paid	(99,031)	(85,828)
Balance at the end of the reporting period	**644,522**	**496,094**

Note 15. Dividends paid or provided for on ordinary shares

	2018 $	2017 $
Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 7.5 cents per share (2017: 6.5) franked at the tax rate of 27.5% (2017: 27.5%).	99,031	85,828

Note 16. Reserves

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

	2018 $	2017 $
Asset Revaluation Reserve		
Balance at the beginning of the reporting period	115,817	115,817
Fair value movements during the period	-	-
Balance at the end of the reporting period	**115,817**	**115,817**

Note 17. Earnings per share

Basic earnings per share

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

	2018 $	2017 $
Basic earnings per share (cents)	18.74	8.32
Earnings used in calculating basic earnings per share	**247,459**	**109,864**
Weighted average number of ordinary shares used in calculating basic earnings per share.	1,320,419	1,320,419

Note 18. Statement of cash flows

	2018 $	2017 $
(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)	151,555	625,828
As per the Statement of Cash Flow	**151,555**	**625,828**
(b) Reconciliation of cash flow from operations with profit/loss after income tax		
Profit for the year after income tax	247,459	109,864
Non-cash flows in profit		
- Depreciation and amortisation	74,023	55,080
- Bad debts	-	2,062
- Fair value increases	(1,601)	-
- Net profit on disposal of property, plant & equipment	-	(2,727)
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(4,938)	(36,191)
- (Increase) / decrease in deferred tax asset	(7,192)	(19,372)
- Increase / (decrease) in trade and other payables	1,783	12,616
- Increase / (decrease) in current tax liability	7,353	(7,005)
- Increase / (decrease) in franchise fee payable	12,237	-
- Increase / (decrease) in provisions	27,008	66,283
Net cash flows from operating activities	**356,132**	**180,610**

Note 19. Key management personnel and related party disclosures

(a) Key management personnel

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

No remuneration was paid to key management personnel of the company during the year as the positions were held on a voluntary basis.

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

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

Notes to the Financial Statements (continued)

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

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 $
Gordon Waters	Gordon is the owner of a local IT support company Services provided were computer repairs and maintenance	309
Michael Fay	Payment for services associated with Strata Unit - Bungendore Branch	1,146

Palerang Financial Services Limited has not accepted the Bendigo and Adelaide Bank Limited's **Community Bank**® Directors Privileges package.

(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:

Director	2018	2017
Shane Holness	2,000	2,000
Michael Fay (Resigned 26 June 2018)	1,000	1,000
Noel Wisbey	6,751	6,751
Mick Clarke	1,500	1,500
Susan Smith	-	-
Hanna Darmody	-	-
Susan Doran (Resigned 1 January 2018)	-	-
Gordon Waters	-	-
Dale Towell	-	-
Rhyll Tozer (Appointed July 2017)	-	-
Di Izzard (Appointed May 2018)	-	-
	11,251	**11,251**

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

(e) Other key management transactions

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

Note 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.

Note 21. Contingent liabilities and contingent assets

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

Note 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 (2017: 99%).

Note 23. Commitments

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.

	2018 $	2017 $
Payable:		
- no later than 12 months	**17,150**	14,300
- between 12 months and five years	17,664	-
- greater than five years	-	-
Minimum lease payments	**34,814**	**14,300**

Note 24. Company details

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

Note 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.

Note 25. Financial instrument risk (continued)

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

	Note	2018 $	2017 $
Financial assets			
Cash and cash equivalents	5	151,555	625,828
Trade and other receivables	6	237,647	232,709
Financial assets			
- Term Deposits (Held to Maturity)	7	**517,032**	**-**
- Listed entities (Fair value through profit/loss)	**7**	106,427	-
Total financial assets		**1,012,661**	**858,537**
Financial liabilities			
Trade and other payables	11	126,666	124,883
Total financial liabilities		**126,666**	**124,883**

(a) Credit risk

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

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

Credit risk exposures

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

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

None of the assets of the company are past due (2017: 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.

Note 25. Financial instrument risk (continued)

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

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

Financial liability and financial asset maturity analysis:

	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2018					
Financial assets					
Cash and cash equivalents		151,555	151,555	-	-
Trade and other receivables		237,647	237,647	-	-
Financial assets					
- Term Deposits (Held to Maturity)	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	126,666	-	-
Total expected outflows		**126,666**	**126,666**	**-**	**-**
Net inflow/(outflow) on financial instruments		**885,995**	**885,995**	**-**	**-**
(b) Liquidity risk					
30 June 2017					
Financial assets					
Cash and cash equivalents	2.50%	625,828	625,828	-	-
Trade and other receivables		232,709	232,709	-	-
Total anticipated inflows		**858,537**	**858,537**	**-**	**-**
Financial liabilities					
Trade and other payables		124,883	124,883	-	-
Total expected outflows		**124,883**	**124,883**	**-**	**-**
Net inflow / (outflow) on financial instruments		**733,654**	**733,654**	**-**	**-**

(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.

Note 25. Financial instrument risk (continued)

(c) Market risk (continued)

Exposure to interest rate risk arises on financial assets recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows of fixed rate financial instruments. The company is also exposed to price risk through its investments in listed investments. The company has no exposure to fluctuations in foreign currency.

The financial instruments that primarily expose the company to interest rate risk are fixed interest securities and cash and cash equivalents.

Sensitivity analysis

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

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

	Profit $	Equity $
Year ended 30 June 2018		
+/- 1% in interest rates (interest income)	6,686	6,686
	6,686	**6,686**
Year ended 30 June 2017		
+/- 1% in interest rates (interest income)	6,258	6,258
	6,258	**6,258**
Year ended 30 June 2018		
+/- 1% in share prices	1,064	1,064
	1,064	**1,064**
Year ended 30 June 2017		
+/- 1% in share prices	-	-
	-	-

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

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

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

Note 26. Fair value measurements (continued)

(a) Fair value hierarchy (continued)

Non-financial assets

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 2018			
	Level 1 $	**Level 2 $**	**Level 3 $**	**Total $**
Recurring fair value measurements				
Non-financial assets				
Freehold land	-	172,780	-	172,780
Buildings	-	771,570	-	771,570
Listed investments	106,427	-	-	106,427
Total non-financial assets recognised at fair value on a recurring basis	**106,427**	**944,350**	**-**	**1,050,777**

	30 June 2017			
	Level 1 $	**Level 2 $**	**Level 3 $**	**Total $**
Recurring fair value measurements				
Non-financial assets				
Freehold land	-	172,780	-	172,780
Buildings	-	797,840	-	797,840
Total non-financial assets recognised at fair value on a recurring basis	**-**	**970,620**	**-**	**970,620**

There were no transfers between Levels for assets measured at fair value on a recurring basis during the reporting period (2017: no transfers).

Description	**Fair value at 30 June 2018 $**	**Description of valuation techniques**	**Inputs used**
Freehold land	172,780	Market value approach using valuations of land and buildings as at 30 June 2018	Qualified external valuer
Buildings	797,840	Market value approach using valuations of land and buildings as at 30 June 2018	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.

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 39 are in accordance with the Corporations Act 2001 and:
   (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
   (ii) give a true and fair view of the company's financial position as at 30 June 2018 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 26 September 2018.

Independent audit 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 2018, 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 2018 and of its performance for the year then ended; and

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

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

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 2018, 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: 26 September 2018

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