

**Palerang Financial Services Limited**

**ABN 83 097 801 100**

**Financial Report**

**As at December 2015**

**Palerang Financial Services Limited**  
**ABN 83 097 801 100**

**Directors' Report**

Your directors submit the financial report of the Company for the half year ended 31 December 2015.

**Directors**

The names of directors who held office during or since the end of the half-year:

Shane Holness	Sue Smith	(Appointed 26 November 2015)
Karen Leshinskas	Michael Fay	
Michael Wall	Michael Clarke	
Mary Anne Mathias	Gemma Hooper	(Retired 26 November 2015)
Noel Wisbey	Kylie Coe	(Retired 26 November 2015)

**Principal activities**

The principal activities of the Company during the course of the financial period were providing community banking services under franchise agreement to operate franchised branches of Bendigo and Adelaide Bank Limited

**Review and results of operations**

Operations have continued to perform in line with expectations. The net profit of the company for the financial period was \$135,724 (2014: \$109,154).

**Matters subsequent to the end of the reporting period**

There are no matters or circumstances that have arisen since the end of the half year reporting period that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company.

**Significant changes in the state of affairs**

In the opinion of the directors there were no significant changes in the state of affairs of the Company that occurred during the financial period under review not otherwise disclosed in this report.

**Auditor's independence declaration**

The auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 2 for the half year ended 31 December 2015.

The director's report is signed in accordance with a resolution of the Board of Directors at Braidwood, New South Wales on 16 March 2016.



Shane Holness  
Director & Chairman

Dated: 16 March 2016

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2015 there have been no contraventions of:

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

**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants**P. P. Delahunty**  
Partner  
Level 2, 10-16 Forest Street  
Bendigo VIC 3550**Dated: 16 March 2016**

**Palerang Financial Services Limited**  
**ABN 83 097 801 100**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**for the half-year ended 31 December 2015**

	<b>Note</b>	<b>31 Dec 2015 \$</b>	<b>31 Dec 2014 \$</b>
Revenue		1,037,977	1,074,051
Employee benefits expense		(500,990)	(489,986)
Depreciation and amortisation expense		(24,444)	(24,353)
Bad and doubtful debts		(7,736)	(442)
Other expenses from ordinary activities		(233,559)	(214,552)
<b>Profit before charitable donations &amp; sponsorships</b>		<b>271,248</b>	<b>344,718</b>
Charitable donations and sponsorship		(96,143)	(188,786)
<b>Profit before income tax</b>		<b>175,105</b>	<b>155,932</b>
Income tax benefit / (expense)		(39,381)	(46,778)
<b>Profit for the period</b>		<b>135,724</b>	<b>109,154</b>
Other comprehensive income		-	
<b>Total comprehensive income for the period</b>		<b>135,724</b>	<b>109,154</b>
Profit attributable to members of the company		135,724	109,154
<b>Total comprehensive income attributable to members of the company</b>		<b>135,724</b>	<b>109,154</b>
<b>Earnings per share (cents per share)</b>			
- basic earnings per share		10.26	8.25

The accompanying notes form part of these financial statements

**Palerang Financial Services Limited**  
**ABN 83 097 801 100**  
**Statement of Financial Position**  
**as at 31 December 2015**

	<b>31 Dec 2015</b>	<b>30 Jun 2015</b>
	\$	\$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	190,181	213,572
Current tax receivable		18,455
Trade and other receivables	203,352	183,223
Investment & other financial assets	350,836	235,472
<b>Total Current Assets</b>	<b>744,369</b>	<b>650,722</b>
<b>Non-Current Assets</b>		
Property, plant and equipment	1,066,120	1,080,760
Intangible assets	4,617	6,928
<b>Total Non-Current Assets</b>	<b>1,070,737</b>	<b>1,087,688</b>
<b>Total Assets</b>	<b>1,815,106</b>	<b>1,738,410</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	99,535	80,290
Current tax payable	33,328	
Provisions	124,812	112,969
<b>Total Current Liabilities</b>	<b>257,675</b>	<b>193,259</b>
<b>Non-Current Liabilities</b>		
Deferred tax liability	50	37,666
<b>Total Non-Current Liabilities</b>	<b>50</b>	<b>37,666</b>
<b>Total Liabilities</b>	<b>257,725</b>	<b>230,925</b>
<b>Net Assets</b>	<b>1,557,381</b>	<b>1,507,485</b>
<b>Equity</b>		
Issued capital	1,062,849	1,062,849
Retained earnings	406,645	356,749
Asset revaluation reserve	87,887	87,887
<b>Total Equity</b>	<b>1,557,381</b>	<b>1,507,485</b>

The accompanying notes form part of these financial statements

**Palerang Financial Services Limited**  
**ABN 83 097 801 100**  
**Statement of Changes in Equity**  
**for the half-year ended 31 December 2015**

	Note	Issued Capital \$	Retained Earnings \$	Asset Revaluation Reserve \$	Total Equity \$
<b>Balance at 1 July 2014</b>		<b>1,062,849</b>	<b>324,314</b>	<b>87,887</b>	<b>1,475,050</b>
Total comprehensive income for the period		-	109,154		109,154
Dividends recognised for the period	5		(85,827)		(85,827)
<b>Balance at 31 December 2014</b>		<b>1,062,849</b>	<b>347,641</b>	<b>87,887</b>	<b>1,498,377</b>
<b>Balance at 1 July 2015</b>		<b>1,062,849</b>	<b>356,749</b>	<b>87,887</b>	<b>1,507,485</b>
Total comprehensive income for the period		-	135,724		135,724
Dividends recognised for the period	5		(85,828)		(85,828)
<b>Balance at 31 December 2015</b>		<b>1,062,849</b>	<b>406,645</b>	<b>87,887</b>	<b>1,557,381</b>

The accompanying notes form part of these financial statements

**Palerang Financial Services Limited**  
**ABN 83 097 801 100**

**Statement of Cash Flows**  
**for the half-year ended 31 December 2015**

	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
	<b>\$</b>	<b>\$</b>
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	1,109,938	1,188,066
Payments to suppliers and employees	(903,041)	(982,054)
Interest received	3,611	3,323
Income tax paid	(25,213)	(61,877)
	<b>185,295</b>	<b>147,458</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of property, plant and equipment	(7,494)	(24,583)
Purchase of investments	(115,364)	
	<b>(122,858)</b>	<b>(24,583)</b>
<b>Cash Flows From Financing Activities</b>		
Dividends paid	(85,828)	(85,827)
	<b>(85,828)</b>	<b>(85,827)</b>
<b>Net decrease in cash held</b>	<b>(23,391)</b>	<b>37,048</b>
Cash and cash equivalents at beginning of period	213,572	335,680
<b>Cash and cash equivalents at end of period</b>	<b>190,181</b>	<b>372,728</b>

The accompanying notes form part of these financial statements

**Palerang Financial Services Limited**  
**ABN 83 097 801 100**  
**Notes to the Financial Statements**  
**for the half-year ended 31 December 2015**

**1. Summary of significant accounting policies**

**(a) Basis of preparation**

These general purpose interim financial statements for the half-year reporting period ended 31 December 2015 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard *AA.50 134: Interim Financial Reporting*. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Palerang Financial Services Limited ("the Company"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Company. It is therefore recommended that this **financial** report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2015, together with any public announcements made during the following half-year.

**(b) Accounting policies**

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the entity's last annual financial statements for the year ended 30 June 2015.

**(c) Critical accounting estimates and judgements**

The critical judgements, estimates and assumptions applied in the interim financial statements were the same as those applied in the entity's last annual financial statements for the year ended 30 June 2015.

**(d) New and revised accounting requirements applicable to the current half year reporting period**

The following Australian Accounting Standards and amendments to Australian Accounting Standards have become mandatory for the reporting period commencing 1 July 2015:

- **AASB** 111 Construction Contracts
- AASB 1004 Contributions
- AASB 1039 Consise Financial Reports
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality
- AASB 2015-4 Amendments to Australian Accounting Standards — Financial Reporting Requirements for Australian Groups with a Foreign Parent

None of the above new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2015 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. There were no other new or revised Accounting Standards and Interpretations effective for the current reporting period relevant to the company that were not disclosed in the annual financial report for the **year** ended 30 June 2015.

**Palerang Financial Services Limited**  
**ABN 83 097 801 100**  
**Notes to the Financial Statements**  
**for the half-year ended 31 December**

**2015 1. Summary of significant accounting policies (continued)**

**(e) Fair Value of Assets and Liabilities**

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

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

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

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

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

**The** fair value of liabilities and the Company's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation Techniques

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

- *Market Approach*: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income Approach*: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- *Cost Approach*: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

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

**Palerang Financial Services Limited**  
**ABN 83 097 801 100**  
**Notes to the Financial Statements**  
**for the half-year ended 31 December 2015**

**(e) Fair Value of Assets and Liabilities (Continued)**

Fair value hierarchy

AASB 13 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 <b>based</b> 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.

The Company would change the categorisation within the fair value hierarchy only in the following circumstances:

- (i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- (ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Company recognises transfers between levels of the fair value hierarchy (i.e. transfer into and out of each level of the fair value hierarchy) on the date the event or change in circumstance occurred.

**2. Events after the End of the Interim Period**

There have been no events subsequent to reporting date that would materially effect the financial statements at the reporting date.

**3. Contingent assets and liabilities**

Since the last annual reporting date there has been no material change of any contingent assets or contingent liabilities.

**4. Segment reporting**

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in two geographic areas being Bungendore and Braidwood.

**5. Dividends**

	2015	2014
Dividends paid during the half year:		
Final fully franked dividend for the year ended 30 June 2015 of 6.5 cents (2014: 6.5 cents)	85,828	85,828

**6. Specific expenses**

During the period to 31 December 2015, an assessment of the valuation of assets was completed. This highlighted a significant variance between the assets carrying value and recoverable amount. After consideration of the useful life of the assets, a decision was made to write down the value of assets during the period by the following amounts:

Land and buildings	128,281
Improvements	31,775
Furniture and fittings	<u>623</u>
<b>Total</b>	<b>160,679</b>

**Palerang Financial Services Limited**  
**ABN 83 097 801 100**  
**Notes to the Financial Statements**  
**for the half-year ended 31 December 2015**

**7. Fair Value Measurement**

**a. Recurring and Non-recurring Fair Value Measurement Amounts and the Level of the Fair Value Hierarchy within which the Fair Value Measurements are Categorised.**

		<b>Fair Value Measurements at 31 December 2015 using:</b>		
<b>Description</b>	<b>Note</b>	<b>Quoted</b>	<b>Significant</b>	<b>Other Significant</b>
		<b>Prices in</b>	<b>Observable</b>	<b>Inputs</b>
		<b>Active</b>	<b>Markets for Inputs</b>	<b>Identical than Level 1 Unobservable</b>
		<b>Assets</b>	<b>Inputs</b>	<b>Inputs</b>
		<b>(Level 1)</b>	<b>(Level 2)</b>	<b>(Level 3)</b>
<b>Recurring fair value measurements</b>				
Freehold land	(I)		252,021	
Buildings	(I)		488,468	

		<b>Fair Value Measurements at 30 June 2015 using:</b>		
<b>Description</b>	<b>Note</b>	<b>Quoted</b>	<b>Significant</b>	<b>Other Significant</b>
		<b>Prices in</b>	<b>Observable</b>	<b>Inputs</b>
		<b>Active</b>	<b>Markets for Inputs</b>	<b>Identical than Level 1 Unobservable</b>
		<b>Assets</b>	<b>Inputs</b>	<b>Inputs</b>
		<b>(Level 1)</b>	<b>(Level 2)</b>	<b>(Level 3)</b>
<b>Recurring fair value measurements</b>				
Freehold land	(i)		252,021	
Buildings	(i)		620,164	

(i) The fair value measurement amounts of freehold land freehold land and buildings is determined at least every five years, as above, and is measured at approximate fair value. At the end of each intervening period, the Directors review the independent valuation and, when appropriate, update the fair value measurement to reflect current market conditions using a range of valuation techniques, including recent observable market data and discounted cash flow methodologies.

There were no transfers between Level 1 and Level 2 during the reporting period.

**b. Valuation Techniques and Inputs used to Determine Level 2 Fair Values**

<b>Fair Value at 31 December</b>			
<b>Description</b>	<b>2015</b>	<b>Description of Valuation Techniques</b>	<b>Inputs Used</b>
93-95 Wallace Street, Braidwood		344,494 Market value approach using valuation of land and buildings at 30 June 2011	Registered Valuer
1/33 Ellendon Street, Bungendore	395,995	Market value at purchase price 31 October 2011.	Purchase Contract

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

Palerang Financial Services Limited  
ABN 83 097 801 100

**Directors Declaration  
for the half-year ended 31 December 2015**

In the opinion of the directors of Palerang Financial Services Limited:

(1) The financial statements and notes, as set out on pages 4 to 11 are in accordance with the *Corporations Act 2001*, including:

(a) complying with Accounting Standard AASB 134 Interim Financial Reporting; and

(b) giving a true and fair view of the Company's financial position as at 31 December 2015 and of its performance for the half-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 declaration is made in accordance with a resolution of the Board of Directors.



Shane Holness  
Director & Chairman

Signed at Braidwood, New South Wales on 16 March 2016.