

annual report 2010



Palerang Financial
Services Limited
ABN 83 097 801 100

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

Contents

Chairman's report	2
General Manager's report	3
Sponsorship and grants	4
Directors' report	5-8
Financial statements	9-12
Notes to the financial statements	13-27
Directors' declaration	28
Independent audit report	29-30

Chairman's report

For year ending 30 June 2010

The 2009/2010 financial year has seen another pleasing result for Palerang Financial Services Ltd (PFSL) with both business growth and Company profit exceeding expectations.

A profit before income tax of \$169,728 has been achieved. This has occurred after distributing \$134,971 to community organisations and also putting aside a further \$90,000 for future community projects. These figures together show that the Braidwood and Bungendore **Community Bank®** branches made a trading profit of \$395,000 for PFSL.

A franked dividend of 6 cents will be paid to shareholders in December. This represents a 2 cent increase on the 2008/2009 year payment.

With increased profits coming from the **Community Bank®** branches, PFSL has been able to substantially increase funds being returned for community support. Many contributions were made to organisations in both Bungendore and Braidwood. The most significant amount contributed was \$100,000 made to the Doug Smith Appeal. This project when completed will make the nursing home section of the Braidwood MPS more comfortable and secure for residents.

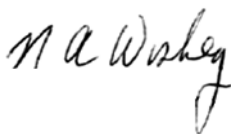
Staff at both Braidwood and Bungendore **Community Bank®** branches, continue in their dedicated manner, to offer friendly and informative service to all their customers. A warm welcome to new staff member, Shane Declifford, who has joined the Company as a Customer Service Officer at the Bungendore **Community Bank®** Branch. The Manager of the Bungendore **Community Bank®** Branch, John Blue, has increased marketing and together with staff, developed a greater community involvement and therefore increased the community awareness of their **Community Bank®** branch. A special thanks to Company CEO Craig Pettit, who continues to grow and develop the services of PFSL.

Thank you to all the PFSL Board members for the effort and time they give willingly to help make the Company the success it is. With great pleasure I welcome new Directors Kylie Coe and Mick Wall. Both new Directors joined the Board earlier in the year.

PFSL outlook;

- Business growth rate achieved during 2009/2010 is expected to be maintained during 2010/2011.
- Provisionally, \$140,000 will be made available for sponsorship and grants during the 2010/2011 financial year.
- PFSL's sponsorship committee is working closely with several community groups in both Bungendore and Braidwood to achieve beneficial outcomes during 2010/2011.
- A forecast of maintaining at least a 6 cent dividend, if business conditions continue as planned, in 2011.

I strongly believe in the **Community Bank®** concept and its ability to continue to deliver positive and rewarding outcomes for customers, shareholders and the community.



Noel Wisbey
Chairman

General Manager's report

For year ending 30 June 2010

I would like to start this report with welcoming John Blue to the Company as Manager of the Bungendore **Community Bank**[®] Branch. John has brought great enthusiasm to both the branch and the town through activities such as the business house twilight bowls competition. I would also like to take this opportunity to welcome Penny Poore and Shane De Clifford to the Bungendore **Community Bank**[®] Branch as Customer Service Officers.

I would like to thank the staff at both branches for their efforts over the past year which saw business under management grow by \$22 million to \$169 million in total. This represents a 15% growth in business for the year.

The year saw margins return to what can be considered normal levels and good growth in non margin income from insurance and other products sold.

Some of the highlights of the year are as follows:

- Income for the year of \$1,517,949 being a 31% increase over the previous year
- Profit before tax, donations and sponsorship of \$394,351
- \$224,623 allocated for sponsorship and community projects
- Dividend of 6 cents fully franked to be paid
- Growth of \$22 million to \$169 million.

There have been a number of initiatives undertaken this year, especially with the Community Darts and Bowls competitions in Bungendore and our involvement in the inaugural Braidwood Billy Cart Derby. We have also for the first time instigated a major advertising campaign through radio adverts.

The coming year again looks promising, and with the ability to put meaningful contributions into community projects, we are seeing the outcomes that the Branches were established to achieve.

With the Australian economy holding up well and expansion continuing in the local area, we are looking to achieve business growth over the coming year in line with what has occurred in previous years.

I wish to thank the Directors for all the support and work they have done to make this a very successful Company.

I would finally like to invite anyone who would like to invite anyone who is not yet a customer of our **Community Bank**[®] branches to contact us for your banking needs.



Craig Pettit
General Manager

Sponsorship and grants

2009/2010 Sponsorship and grants to community organizations

Amount	Recipient	Purpose
\$500	Bungendore mens shed	
\$45	Bungendore Mens Shed	Breakfast for Mens Shed
\$1,000	Bungendore Public School	Sponsorship of Spring Fair
\$3,000	Braidwood Servicemens Club	Sponsorship for \$10,000 draw
\$68	CWA Bungendore	CWA Showbags
\$100	Bungendore Art Trail	Sponsorship
\$1,000	Braidwood Care	Christmas Hampers
\$700	Bungendore Theatrical Society	Santa Suits
\$60	Bungendore Public School	End Year Presentation
\$50	St Bedes Primary School	End Year Presentation
\$100	Braidwood Central School	End Year Presentation
\$500	Braidwood Golf Club	Sponsorship
\$898	Braidwood Little Athletics	Marketing
\$5,000	Braidwood Lions Club	Sponsorship of Billie Cart Derby
\$100,000	Braidwood Hospital	Doug Smith Appeal
\$300	Braidwood Junior Soccer Club	Jerseys
\$200	Weewera Festival	Kite Making Day
\$1,550	Bungendore Concert Band	Purchase of Band Items
\$10,000	Braidwood & District Historical Society	Cemetery Improvements
\$9,900	Bungendore Public School P&C	Interactive whiteboards etc
\$134,971	Total	

Sponsorship and grants paid to date

Amount	Year
\$1,700	2002/2003
\$1,375	2003/2004
\$2,855	2004/2005
\$6,491	2005/2006
\$24,358	2006/2007
\$18,939	2007/2008
\$70,819	2008/2009
\$134,971	2009/2010
\$261,508	Total

Directors' report

For the financial year ended 30 June 2010

Your Directors submit the financial report of the Company for the financial year ended 30 June 2010.

Directors

The names and details of the Company's Directors who held office during or since the end of the financial year are:

Noel Arthur Wisbey

Chairman
Orchardist

Gemma Toleman (appointed 24 September 2009)

Director
Management Consultant

Michael Andrews

Director
Public Servant

Shane Holness

Director
IT Consultant

Michael Fay

Director
Sales Manager

Kylie Coe (appointed 28 January 2010)

Director
Town Planner

Douglas William Smith (deceased 5 August 2009)

Director
Chemist

Frank David Judge

Director
Retired Accountant

Michael Wall (appointed 22 October 2009)

Director
Teacher

Allan Donnelly

Director
Podiatrist

Mary Anne Mathias

Director
Retired Principal

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

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

Principal activities

The principal activities of the Company during the course of the financial period were in providing **Community Bank®** services under management rights to operate two franchised branches of Bendigo and Adelaide Bank Ltd.

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

Operating results

Operations have continued to perform in line with expectations. The profit of the Company for the financial year after provision for income tax was \$107,438 (2009: \$52,409).

Directors' report continued

Dividends	Year ended 30 June 2010	
	Cents per share	\$'000
Dividends paid in the year:		
- Final dividend for the year ended 30 June 2009	4	52,817

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 year under review not otherwise disclosed in this report.

Significant events after the balance date

There are no matters or circumstances that have arisen since the end of the financial year 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, in future years.

Likely developments

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

Directors' benefits

The Company entered into a rental agreement with an entity related to a Director (Michael Fay) for the rental of the Bungendore branch premises. The agreement is on commercial terms and commenced on 1 July 2006, with rent for the year ended 30 June 2010 being \$22,815 (2009: \$22,044). No other Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and insurance of Directors and Officers

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an Auditor of the Company or a related body corporate.

Directors' report continued

Directors' meetings

The number of Directors' meetings attended during the year were:

Director	Board meetings #
Noel Arthur Wisbey	11 (11)
Gemma Toleman (appointed 24 September 2009)	5 (9)
Frank David Judge	9 (11)
Michael Wall (appointed 22 October 2009)	5 (10)
Douglas William Smith (deceased 5 August 2009)	1 (1)
Allan Donnelly	7 (11)
Michael Andrews	9 (11)
Michael Fay	8 (11)
Shane Holness	9 (11)
Mary Anne Mathias	9 (11)
Kylie Coe (appointed 28 January 2010)	4 (6)

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

Company Secretary

Mick Andrews was appointed Company Secretary of Palerang Financial Services Limited in March 2007. Mick's experience includes running his own business.

Corporate Governance

The Company has implemented various corporate governance practices, which include:

- (a) Director approval of operating budgets and monitoring of progress against these budgets;
- (b) Ongoing Director training; and
- (c) Monthly Director meetings to discuss performance and strategic plans.

Directors' report continued

Auditor Independence Declaration

The Directors received the following declaration from the Auditor of the Company:

Richmond Sinnott & Delahunty Chartered Accountants



6 September 2010

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

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

Dear Sirs

Auditor's Independence Declaration

In relation to our audit of the financial report of Palerang Financial Services Limited for the year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Signed in accordance with a resolution of the Board of Directors at Braidwood, New South Wales on 6 September 2010.

Noel Arthur Wisbey
Chairman

Financial statements

Statement of comprehensive income For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenues from ordinary activities	2	1,517,949	1,158,599
Employee benefits expense	3	(699,504)	(603,618)
Charitable donations and sponsorship		(224,623)	(103,739)
Depreciation and amortisation expense	3	(51,999)	(47,780)
Administration and other expenses from ordinary activities		(372,095)	(313,940)
Profit before income tax expense		169,728	89,522
Income tax expense	4	62,290	37,113
Profit after income tax expense		107,438	52,409
Other comprehensive income		87,887	-
Total comprehensive income		195,325	52,409
Earnings per share (cents per share)			
- basic for profit for the year	20	8.14	3.95
- diluted for profit for the year	20	8.14	3.95

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position As at 30 June 2010

	Note	2010 \$	2009 \$
Current assets			
Cash and cash equivalents	6	372,121	354,742
Receivables	7	152,913	120,347
Total current assets		525,034	475,089
Non-current assets			
Property, plant and equipment	8	781,170	632,347
Intangible assets	9	5,647	12,506
Total non-current assets		786,817	644,853
Total assets		1,311,851	1,119,942
Current liabilities			
Current tax liability	4	(17,070)	34,988
Payables	10	68,939	44,107
Provisions	11	62,683	52,695
Total current liabilities		114,552	131,790
Non-current liabilities			
Bank loan	10	184	448
Deferred tax liability	4	37,666	-
Total non-current liabilities		37,850	448
Total liabilities		152,402	132,238
Net assets		1,159,449	987,704
Equity			
Share capital	12	1,062,849	1,067,752
Accumulated losses	13	(25,427)	(80,048)
Asset revaluation reserve		87,887	-
Total equity		1,125,309	987,704

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Cash flows from operating activities			
Cash receipts in the course of operations		1,626,691	1,240,596
Cash payments in the course of operations		(1,413,794)	(1,113,572)
Interest received		11,084	14,589
Income tax paid		(80,208)	(25,709)
Net cash flows from operating activities	14b	143,773	115,904
Cash flows from investing activities			
Payment for property, plant and equipment		(75,388)	(3,515)
Proceeds from sale of property, plant & equipment		6,978	-
Net cash flows used in investing activities		(68,410)	(3,515)
Cash flows from financing activities			
Dividend paid		(52,817)	(66,266)
Proceeds from borrowings		-	156
Repayment of borrowings		(264)	-
Share issue proceeds		1,797	-
Adjustment to share capital		(6,700)	-
Net cash flows used in financing activities		(57,984)	(66,110)
Net increase/(decrease) in cash held		17,379	46,279
Cash and cash equivalents at start of year		354,742	308,463
Cash and cash equivalents at end of year	14a	372,121	354,742

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity For the year ended June 2010

	Note	2010 \$	2009 \$
Share capital			
Balance at start of year		1,067,752	1,067,752
Issue of share capital		1,797	-
Adjustment to share capital		(6,700)	-
Balance at end of year		1,062,849	1,067,752
Retained earnings / (accumulated losses)			
Balance at start of year		(80,048)	(66,191)
Profit after income tax expense		107,438	52,409
Dividends paid	21	(52,817)	(66,266)
Balance at end of year		(25,427)	(80,048)
Asset revaluation reserve			
Balance at start of year		-	-
Additions		87,887	-
Balance at end of year		87,887	-

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

Palerang Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 6 September 2010.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2009 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Income tax (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

In June 2010 the Company received a valuation from Regional Valuers showing the market value of the property at 93-95 Wallace Street, Braidwood is \$500,000. This value has been recorded in the financial statements at 30 June 2010.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Leasehold improvements	8%
Plant & equipment	33%
Buildings	2.5%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Goods and services tax (continued)

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the reporting date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

The Company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

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

Comparative figures

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

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Loans and borrowings

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

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

Share capital

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

	2010 \$	2009 \$
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Note 2. Revenue from ordinary activities

Operating activities:

- services commissions	1,506,865	1,144,010
Total revenue from operating activities	1,506,865	1,144,010

Non-operating activities:

- interest received	11,084	14,589
Total revenue from non-operating activities	11,084	14,589
Total revenue from ordinary activities	1,517,949	1,158,599

Note 3. Expenses

Employee benefits expense

- wages and salaries	581,649	509,416
- superannuation costs	51,951	41,887
- other costs	65,904	52,315
	699,504	603,618

Notes to the financial statements continued

	2010 \$	2009 \$
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- plant and equipment	12,560	6,764
- leasehold improvements	9,720	9,720
- building	22,860	22,860
Amortisation of non-current assets:		
- intangibles	6,859	8,436
	51,999	47,780
Bad debts	1,915	2,427

Note 4. Income tax expense

The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:

Prima facie tax on profit before income tax at 30%	50,918	26,857
Add / (less) tax effect of:		
- Non-deductible expenses	5,055	10,564
- Under / (Over) provision of tax in prior year	6,317	(308)
Current income tax expense	62,290	37,113
Income tax expense	62,290	37,113
Tax liabilities		
Current tax payable	17,070	34,988
Deferred tax payable	37,666	-

Note 5. Auditors' remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:

- Audit or review of the financial report of the Company	3,900	3,650
- Share registry services	3,725	2,369
	7,625	6,019

Notes to the financial statements continued

	2010 \$	2009 \$
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Note 6. Cash and cash equivalents

Cash at bank and on hand	372,121	354,742
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Note 7. Receivables

Trade debtors	152,913	120,347
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Note 8. Property, plant and equipment

Land

At cost	180,621	180,621
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Buildings

At cost / valuation at 30 June 2010*	542,373	446,494
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Less accumulated depreciation	(65,219)	(72,033)
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477,154	374,461
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Leasehold fit out

At cost	121,758	121,758
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Less accumulated depreciation	(75,229)	(65,509)
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46,529	56,249
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Plant and equipment

At cost	93,615	39,851
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Less accumulated depreciation	(16,749)	(18,835)
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76,866	21,016
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Total written down amount	781,170	632,347
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* Refer to note 1 for details on revaluation.

Movements in carrying amounts

Land

Carrying amount at beginning of year	180,621	180,621
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Additions	-	-
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Carrying amount at end of year	180,621	180,621
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Notes to the financial statements continued

	2010 \$	2009 \$
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Note 8. Property, plant and equipment (continued)

Buildings

Carrying amount at beginning of year	374,461	397,321
Additions	-	-
Revaluation	125,553	-
Depreciation expense	(22,860)	(22,860)
Carrying amount at end of year	477,154	374,461

Leasehold fit out

Carrying amount at beginning of year	56,249	65,969
Depreciation expense	(9,720)	(9,720)
Carrying amount at end of year	46,529	56,249

Plant and equipment

Carrying amount at beginning of year	21,016	24,265
Additions	75,388	3,515
Disposals	(6,978)	-
Depreciation expense	(12,560)	(6,764)
Carrying amount at end of year	76,866	21,016

Note 9. Intangible assets

Franchise fee

At cost	70,000	70,000
Less accumulated amortisation	(65,145)	(61,165)
	4,855	8,835

Preliminary expenses

At cost	43,718	43,718
Less accumulated amortisation	(42,926)	(40,047)
	792	3,671
	5,647	12,506

Notes to the financial statements continued

	2010 \$	2009 \$
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Note 10. Payables

Current

Trade creditors	68,939	44,107
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Non current

Bank loan	184	448
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Note 11. Provisions

Employee benefits	62,683	52,695
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Note 12. Share capital

1,067,752 Ordinary shares fully paid of \$1 each	1,067,752	1,067,752
Issue of share capital	1,797	-
Adjustment to share capital	(6,700)	-
257,570 fully paid bonus shares issued for no consideration	-	-
	1,062,849	1,067,752

Movement in ordinary shares

Balance at beginning of year	1,067,752	1,067,752
Issue of share capital	1,797	-
Adjustment to share capital	(6,700)	-
Balance at end of year	1,062,849	1,067,752

Note 13. Accumulated losses

Balance at the beginning of the financial year	(80,048)	(66,191)
Profit after income tax	107,438	52,409
Dividend paid	(52,817)	(66,266)
Balance at the end of the financial year	(25,427)	(80,048)

Notes to the financial statements continued

	2010 \$	2009 \$
Note 14. Statement of cash flows		
(a) Cash and cash equivalents		
Cash assets	372,121	354,742
(b) Reconciliation of profit after tax to net cash provided from operating activities		
Profit after income tax	107,438	52,409
Non cash items		
- Depreciation	45,140	39,344
- Amortisation	6,859	8,436
- Deferred tax on revaluation of fixed asset	(37,666)	-
Changes in assets and liabilities		
- (Increase) decrease in receivables	(32,566)	(19,145)
- Increase (decrease) in payables	24,832	(3,324)
- Increase (decrease) in provisions	9,988	26,780
- Increase (decrease) in income tax payable	(17,918)	11,404
- (Increase) decrease in deferred tax liability	37,666	-
Net cash flows from operating activities	143,773	115,904

Note 15. Director and related party disclosures

The names of Directors who have held office during the financial year are:

Noel Arthur Wisbey

Gemma Toleman (appointed 24 September 2009)

Frank David Judge

Michael Wall (appointed 22 October 2009)

Douglas William Smith (deceased 5 August 2009)

Allan Donnelly

Michael Andrews

Michael Fay

Shane Holness

Mary Anne Mathias

Kylie Coe (appointed 28 January 2010)

Notes to the financial statements continued

Note 15. Director and related party disclosures (continued)

The Company entered into a rental agreement with an entity related to a Director (Michael Fay) for the rental of the Bungendore branch premises. The agreement is on commercial terms and commenced on 1 July 2006, with rent for the year ended 30 June 2010 being \$22,815 (2009: \$22,044). No other Director or related entity has entered into a material contract with the Company. No Directors' fees have been paid as all positions are held on a voluntary basis.

Directors' shareholdings	2010	2009
Noel Arthur Wisbey	6,001	6,001
Gemma Toleman (appointed 24 September 2009)	-	-
Frank David Judge	750	750
Michael Wall (appointed 22 October 2009)	-	-
Douglas William Smith (deceased 5 August 2009)	3,750	3,750
Allan Donnelly	5,000	5,000
Michael Andrews	200	200
Michael Fay	1,000	1,000
Shane Holness	2,000	2,000
Mary Anne Mathias	-	-
Kylie Coe (appointed 28 January 2010)	-	-

There was no movement in Director shareholdings during the year. Each share held is valued at \$1 and is fully paid.

Note 16. Subsequent events

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

Note 17. Contingent liabilities

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

Note 18. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being the Palerang Shire (incorporating Braidwood and Bungendore) New South Wales.

Notes to the financial statements continued

Note 19. Corporate information

Palerang Financial Services Limited is a Company limited by shares incorporated in Australia.

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

	2010 \$	2009 \$
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Note 20. Earnings per share

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

Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

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

Profit after income tax expense	107,438	52,409
Weighted average number of ordinary shares for basic and diluted earnings per share	1,320,419	1,325,322

Note 21. Dividends paid or provided for on ordinary shares

(a) Dividends paid during the year

(i) Previous year final		
Franked dividends - 4 cents per share (2009: 5 cents)	52,817	66,266
	52,817	66,266

(b) Franking credit balance

The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	86,333	28,924
- Franking credits that will arise from the payment / (refund) of income tax payable as at the end of the financial year	17,070	34,988
	103,403	63,912

The tax rate at which dividends have been franked is 30%.

Notes to the financial statements continued

Note 22. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is assisted in the area of risk management by an internal audit function.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2010	2009
	\$	\$
Cash assets	372,121	354,742
Receivables	152,913	120,347
	525,034	475,089

The Company's exposure to credit risk is limited to Australia by geographic area. The entire balance of receivables is due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2009: 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 Ltd.

(b) Liquidity risk

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

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

Notes to the financial statements continued

Note 22. Financial risk management (continued)

(b) Liquidity risk (continued)

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$
30 June 2010					
Payables	68,939	(68,939)	(68,939)	-	-
Loans and borrowings	184	(184)	(184)	-	-
	69,123	(69,123)	(69,123)	-	-
30 June 2009					
Payables	44,107	(44,107)	(44,107)	-	-
Loans and borrowings	292	(292)	(292)	-	-
	44,399	(44,399)	(44,399)	-	-

(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.

Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount	
	2010 \$	2009 \$
Fixed rate instruments		
Financial assets	315,549	263,326
Financial liabilities	-	-
	315,549	263,326

Notes to the financial statements continued

Note 22. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

	Carrying amount	
	2010	2009
	\$	\$
Variable rate instruments		
Financial assets	56,572	91,416
Financial liabilities	(184)	(448)
	56,388	90,968

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2009 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The Company does not have any unrecognised financial instruments at year end.

(e) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

- (i) the Distribution Limit is the greater of:
 - (a) 20% of the profit or funds of the Franchisee 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%.

Notes to the financial statements continued

Note 22. Financial risk management (continued)

(e) Capital management (continued)

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 for the year ended 30 June 2010 can be seen in the Statement of Comprehensive Income.

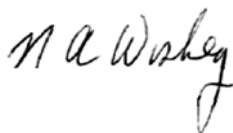
There were no changes in the Company's approach to capital management during the year.

Directors' declaration

In accordance with a resolution of the Directors of Palerang Financial Services Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are 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 2010 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



Noel Arthur Wisbey
Chairman

Signed at Braidwood on 6 September 2010.

Independent audit report

Richmond Sinnott & Delahunty Chartered Accountants



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF PALERANG FINANCIAL SERVICES LIMITED

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

SCOPE

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Palerang Financial Services Limited, for the year ended 30 June 2010.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independent audit report continued

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Palerang Financial Services Limited is in accordance with:

- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 6 September 2010



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