

annual report 2009



Palerang Financial
Services Limited
ABN 83 097 801 100

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

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Chairman's report

For year ending 30 June 2009

Dear shareholders,

The growth in Palerang Financial Services Ltd's (PFSL) business throughout the year has been very encouraging for our Company, despite the downturn in the world economy. This growth enhances the ability of our **Community Bank**® branches in supporting community organisations and allows us to focus on future development and sponsorship.

The profit achieved by PFSL in the 2008/09 year is in line with Company projections. The Board continues to be proud of the fact that the staff members of PFSL are able to achieve the Company's goals with the positive support of customers.

PFSL will pay a franked four cent per share dividend to shareholders in November 2009. It is anticipated that all future dividends will be fully franked.

Contributions to community groups, again, have been pleasing with in excess of \$76,000 being placed back into the communities. The most notable being the support for the purchase of a new school bus for Braidwood Central School, an upgrade to the Majors Creek tennis courts and assistance for the replacement of the kitchen and roof at the Braidwood Pre-school. The Company has also placed \$25,000 into an established account for future projects.

The staff at Braidwood and Bungendore **Community Bank**® branches continue with their dedicated service to customers. This is appreciated and enjoyed by all. We wish Leona Vendenega who resigned from the Braidwood branch to further her travel overseas, a safe journey. This position has been filled by Penny Poore. The newly created position of Branch Manager at the Bungendore branch will be filled by John Blue, from Tasmania, in October 2009.

I would like to acknowledge our great loss with the passing of Doug Smith. Doug had been a Director of PFSL for a period of six years and brought knowledge, wit, humour and a passion for improving community facilities and activities, to our Board. We hope to be able to achieve some of his visions, and support them to reality. Doug will be sadly missed by all who interacted with him.

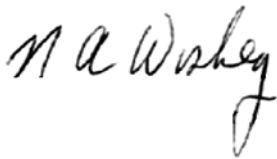
Thank you to all the PFSL Board members for the effort and time they have given willingly, throughout the year. It is with great pleasure that I welcome new Directors Mary Mathias and Gemma Toleman. I also wish retiring Directors Michelle Robison and Jenifer Frederick all the best for the future and thank them for their valued contribution to the Company.

Chairman's report continued

PFSL outlook:

- PFSL is budgeting on a 12% business growth over the next 12 months, anticipating that confidence will gradually increase in the Australian economy.
- Provisionally, \$120,000 will be made available for sponsorship and grants during the 2009/10 financial year.
- A forecast of paying a 5 cent franked dividend, if business continues as planned, in 2010.

Again, I continue to reiterate my belief in the **Community Bank®** concept in delivering positive outcomes for customers, shareholders and the community.



Noel Wisbey
Chairman

Manager's report

For year ending 30 June 2009

In the past year the world and the especially the finance sector has experienced the greatest instability in decades. The talk was predominately centered on financial crisis and the need for the government to guarantee bank deposits and stimulate the economy.

I am pleased to say that Palerang Financial Services Limited has come through this period with the only major effect on business being a six month period of reduced interest margin (the difference between interest received on loans and that paid on the deposits). This has since returned to be in line with long term returns. The positive from this is that we, along with the rest of the **Community Bank**® branch network, have experienced strong growth in deposits as people left riskier investments for the safety of bank deposits.

Some of the highlights of the year were:

- Profit before tax, donations and sponsorship was more than \$180,000
- Over \$100,000 in donations and sponsorship allocated for the year
- Business under management of \$147 million.
- 36.45% growth in business over the year.

Although it will be a challenge to hold the deposit growth we obtained over the last 12 months, we can look forward to exploring future opportunities for growth knowing that we have a sound and profitable base to work from.

As always we should not forget to thank the people that make this possible - the staff which I would like to publically thank for their efforts over the year. I would also like to thank the Directors of the Company for all the work behind the scenes. I would also like to personal acknowledge the loss with the passing of Doug Smith who was a great Director and a friend, he will be greatly missed.



Craig Pettit
Branch Manager

2008/09 Sponsorship and grants

2008/09 Sponsorship and grants to community organizations

Amount	Recipient	Purpose
\$200	Braidwood Quilters Inc	Community Quilts for Hospital/Nursing Home
\$2,000	Braidwood Central School	Project "Our school-our future"
\$550	Braidwood Film Club	Pensioner Movies
\$2,500	Gundillion Recreation Reserve Trust	Installation and Purchase Gas Heaters
\$1,000	Braidwood Care	Xmas hampers
\$420	APEX	Ongoing sponsorship for Driver Training Courses
\$550	Braidwood Film Club	Pensioner movies
\$250	Bungendore Carriage Driving	Naming rights on obstacle in Marathon Course
\$100	Bungendore Seniors Club	Tea Trolley
\$200	Braidwood Central School P&C	Catering Costs
\$15,000	Braidwood Central School P&C	School Bus Purchase
\$50	St Bedes Primary School	Books
\$100	Braidwood Central School	Books
\$100	Bungendore Primary School	Books
\$1,000	BugendoreScouts	Scout Extreme Venture
\$600	Braidwood Film Club	Movie Sponsorship - The Year my voice broke
\$85	Bungendore Rotary	Sponsorship of Country Muster Weekend
\$1,364	Australian Business Arts Foundation	Two Fires Festival Sponsorship
\$3,200	Wamboin Community Assoc	Fuel Heater
\$4,000	Farrington RFS	Quick Reel and GPS
\$7,000	Braidwood Hospital Auxillary	Narbethong Beautification, pergola, etc
\$12,000	Majors Creek Progress Assoc	Tennis Courts
\$11,300	Braidwood Preschool Assoc Inc	New Kitchen
\$250	The Combined Polocrosse Club	Championship event sponsorship
\$5,000	St Bedes Primary School P&F	Playground Equipment and Mulch
\$250	Collector Village Pumpkin Festival	Festival Sponsorship
\$250	Rotary Club Bungendore	BBQ Youth Precinct
\$500	Braidwood Junior Rugby Club	Jerseys
\$200	Us on Monday	Quilters
\$2,000	Victorian Bushfire Appeal	Donation
\$4,800	Braidwood Museum	Dr Braidwood Wilson's desk
\$76,819	Total	

Directors' report

For year ending 30 June 2009

Your Directors submit the financial report of the Company for the financial year ended 30 June 2009.

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

Douglas William Smith

Director
Chemist

Jenifer Frederick (resigned 28 May 2009)

Director
Certified Practising Accountant

Frank David Judge

Director
Retired Accountant

Michael Andrews

Director
Marriage Celebrant

Michelle Robison (resigned 27 March 2009)

Director
Teacher

Shane Holness (appointed 24 July 2008)

Director
IT Consultant

Allan Donnelly

Director
Publishing Company Manager

Michael Fay

Director
Sales Manager

Mary Anne Mathias (appointed 21 January 2009)

Director
Retired Principal

Gemma Toleman (appointed 24 September 2009)

Director
Consultant

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.

Directors' report continued

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 \$52,409 (2008: \$79,324).

Dividends	Year ended 30 June 2009	
	Cents per share	\$
Dividends paid in the year:		
- Final dividend for the year ended 30 June 2008	5	66,266

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 2009 being \$22,044 (2008: \$21,815). 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 indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Managers of the Company except where the liability arises out of conduct involving the lack of good faith.

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 by each of the Directors of the Company during the year were:

Number of meetings held: 11

Number of meetings attended:

Noel Arthur Wisbey	10
Jenifer Frederick (resigned 28 May 2009)	6
Frank David Judge	7
Michelle Robison (resigned 27 March 2009)	6
Douglas William Smith	9
Allan Donnelly	8
Michael Andrews	11
Michael Fay	7
Shane Holness (appointed 24 July 2008)	11
Mary Anne Mathias (appointed 21 January 2009)	6
Gemma Toleman (appointed 24 September 2009)	0

Company Secretary

Mick Andrews was appointed Company Secretary of Palerang Financial Services Ltd 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.

Auditor independence declaration

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

Richmond Sinnott & Delahunty

Chartered Accountants

Directors' report continued

Richmond Sinnott & Delahunty Chartered Accountants



172 McIvor Road
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsd advisors.com.au

Auditor's independence declaration

In relation to our audit of the financial report of Palerang Financial Services Ltd for the financial year ended 30 June 2009, 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

25 September 2009

Signed in accordance with a resolution of the Board of Directors at Braidwood, New South Wales on 25 September 2009.

Noel Arthur Wisbey

Chairman

Financial statements

Income statement For year ending 30 June 2009

	Note	2009 \$	2008 \$
Revenues from ordinary activities	2	1,158,599	1,034,282
Employee benefits expense	3	(603,618)	(543,198)
Charitable donations and sponsorship		(103,739)	(11,862)
Depreciation and amortisation expense	3	(47,780)	(49,221)
Administration and other expenses from ordinary activities		(313,940)	(313,911)
Profit before income tax expense		89,522	116,090
Income tax expense	4	37,113	36,766
Profit after income tax expense		52,409	79,324
Earnings per share (cents per share)			
- basic for profit for the year	20	3.95	5.99
- diluted for profit for the year	20	3.95	5.99
- dividends paid per share	21	5.00	-

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet As at 30 June 2009

	Note	2009 \$	2008 \$
Current assets			
Cash assets	6	354,742	308,463
Receivables	7	120,347	101,202
Total current assets		475,089	409,665
Non-current assets			
Property, plant and equipment	8	632,347	668,176
Intangible assets	9	12,506	20,942
Total non-current assets		644,853	689,118
Total assets		1,119,942	1,098,783
Current liabilities			
Current tax liability	4	34,988 -	23,584
Payables	10	44,107	47,431
Provisions	11	52,695	25,915
Total current liabilities		131,790	96,930
Non-current liabilities			
Bank loan	10	448	292
Total non-current liabilities		448	292
Total liabilities		132,238	97,222
Net assets		987,704	1,001,561
Equity			
Share capital	12	1,067,752	1,067,752
Accumulated losses	13	(80,048)	(66,191)
Total equity		987,704	1,001,561

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2009

	Note	2009 \$	2008 \$
Cash flows from operating activities			
Cash receipts in the course of operations		1,240,596	1,109,335
Cash payments in the course of operations		(1,113,572)	(969,701)
Interest received		14,589	7,306
Income tax paid		(25,709)	-
Net cash flows from operating activities	14b	115,904	146,940
Cash flows from investing activities			
Payment for property, plant and equipment		(3,515)	(5,980)
Purchase of intangible assets		-	(10,000)
Net cash flows used in investing activities		(3,515)	(15,980)
Cash flows from financing activities			
Dividend paid		(66,266)	-
Proceeds from borrowings		156	142
Net cash flows used in financing activities		(66,110)	142
Net increase/(decrease) in cash held		46,279	131,102
Add opening cash brought forward		308,463	177,361
Closing cash carried forward	14a	354,742	308,463

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity As at 30 June 2009

	Note	2009 \$	2008 \$
Share capital			
Ordinary shares			
Balance at start of year		1,067,752	1,067,752
Issue of share capital		-	-
Balance at end of year		1,067,752	1,067,752
Retained earnings / (accumulated losses)			
Balance at start of year		(66,191)	(145,515)
Profit after income tax expense		52,409	79,324
Dividends paid		(66,266)	-
Balance at end of year		(80,048)	(66,191)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2009

Note 1. Basis of preparation of the financial report

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 25 September 2009.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). 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 2008 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet 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 balance sheet 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.

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.

Notes to the financial statements continued

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

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.

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.

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 balance sheet. Cash flows are included in the cash flow statement 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.

Notes to the financial statements continued

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

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 balance 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 cash flow statement, 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.

Interest bearing liabilities

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

Notes to the financial statements continued

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

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.

Contributed 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.

	2009 \$	2008 \$
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Note 2. Revenue from ordinary activities

Operating activities:

- services commissions	1,144,010	1,026,976
Total revenue from operating activities	1,144,010	1,026,976

Non-operating activities:

- interest received	14,589	7,306
Total revenue from non-operating activities	14,589	7,306
Total revenue from ordinary activities	1,158,599	1,034,282

Note 3. Expenses

Employee benefits expense

- wages and salaries	509,416	463,987
- superannuation costs	41,887	38,655
- other costs	52,315	40,556
	603,618	543,198

Notes to the financial statements continued

	2009 \$	2008 \$
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- plant and equipment	6,764	8,598
- leasehold improvements	9,720	9,730
- building	22,860	29,722
Amortisation of non-current assets:		
- intangibles	8,436	1,171
	47,780	49,221
Bad debts	2,427	173

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%	26,857	34,827
Add / (less) tax effect of:		
- Non-deductible expenses	10,564	1,939
- Over provision of tax in prior year	(308)	-
Current income tax expense	37,113	36,766
Income tax expense	37,113	36,766
Tax liabilities		
Current tax payable	34,988	23,584

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	3,650	3,650
- share registry services	2,369	-
	6,019	3,650

Notes to the financial statements continued

	2009 \$	2008 \$
Note 6. Cash assets		
Cash at bank and on hand	354,742	308,463
Note 7. Receivables		
Trade debtors	120,347	101,202
Note 8. Property, plant and equipment		
Land		
At cost	180,621	180,621
Buildings		
At cost	446,494	446,494
Less accumulated depreciation	(72,033)	(49,173)
	374,461	397,321
Leasehold fit out		
At cost	121,758	121,758
Less accumulated depreciation	(65,509)	(55,789)
	56,249	65,969
Plant and equipment		
At cost	39,851	36,336
Less accumulated depreciation	(18,835)	(12,071)
	21,016	24,265
Total written down amount	632,347	668,176
Movements in carrying amounts		
Land		
Carrying amount at beginning of year	180,621	180,621
Additions	-	-
Carrying amount at end of year	180,621	180,621

Notes to the financial statements continued

	2009 \$	2008 \$
Note 8. Property, plant and equipment (continued)		
Buildings		
Carrying amount at beginning of year	397,321	427,043
Additions	-	-
Depreciation expense	(22,860)	(29,722)
Carrying amount at end of year	374,461	397,321
Leasehold fit out		
Carrying amount at beginning of year	65,969	75,699
Depreciation expense	(9,720)	(9,730)
Carrying amount at end of year	56,249	65,969
Plant and equipment		
Carrying amount at beginning of year	24,265	26,883
Additions	3,515	5,980
Depreciation expense	(6,764)	(8,598)
Carrying amount at end of year	21,016	24,265

Note 9. Intangible assets

Franchise fee		
At cost	70,000	70,000
Less accumulated amortisation	(61,165)	(55,609)
	8,835	14,391
Preliminary expenses		
At cost	43,718	43,718
Less accumulated amortisation	(40,047)	(37,167)
	3,671	6,551
	12,506	20,942

Notes to the financial statements continued

	2009 \$	2008 \$
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Note 10. Payables

Current

Trade creditors	44,107	47,431
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Non current

Bank loan	448	292
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Note 11. Provisions

Employee benefits	52,695	25,915
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Number of employees at year end	10	13
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Note 12. Share capital

1,067,752 Ordinary shares fully paid of \$1 each	1,067,752	1,067,752
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257,570 fully paid bonus shares issued for no consideration	-	-
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	1,067,752	1,067,752
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Movement in ordinary shares

Balance at beginning of year	1,067,752	1,067,752
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Issued during the year	-	-
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Balance at end of year	1,067,752	1,067,752
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Note 13. Accumulated losses

Balance at the beginning of the financial year	(66,191)	(145,515)
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Profit after income tax	52,409	79,324
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Dividend paid	(66,266)	-
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Balance at the end of the financial year	(80,048)	(66,191)
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Notes to the financial statements continued

	2009 \$	2008 \$
Note 14. Cash flow statement		
(a) Reconciliation of cash		
Cash assets	354,742	308,463
(b) Reconciliation of profit after tax to net cash provided from operating activities		
Profit after income tax	52,409	79,324
Non cash items		
- Depreciation	39,344	48,050
- Amortisation	8,436	1,171
Changes in assets and liabilities		
- (Increase) decrease in receivables	(19,145)	(20,290)
- Increase (decrease) in payables	(3,324)	(3,372)
- Increase (decrease) in provisions	26,780	5,291
- Increase (decrease) in income tax payable	11,404	23,584
- (Increase) decrease in deferred tax asset	-	13,182
Net cash flows from operating activities	115,904	146,940

Note 15. Director and related party disclosures

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

Noel Arthur Wisbey

Jenifer Frederick (resigned 28 May 2009)

Frank David Judge

Michelle Robison (resigned 27 March 2009)

Douglas William Smith

Allan Donnelly

Michael Andrews

Michael Fay

Shane Holness (appointed 24 July 2008)

Mary Anne Mathias (appointed 21 January 2009)

Gemma Toleman (appointed 24 September 2009)

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 2009 being \$22,044 (2008: \$21,815). 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	2009	2008
Noel Arthur Wisbey	6,001	6,001
Jenifer Frederick (resigned 28 May 2009)	-	-
Frank David Judge	750	750
Michelle Robison (resigned 27 March 2009)	1,500	1,500
Douglas William Smith	3,750	3,750
Allan Donnelly	5,000	5,000
Michael Andrews	200	200
Michael Fay	1,000	1,000
Shane Holness (appointed 24 July 2008)	2,000	2,000
Mary Anne Mathias (appointed 21 January 2009)	-	-
Gemma Toleman (appointed 24 September 2009)	-	-

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 Ltd is a Company limited by shares incorporated in Australia.

The registered office and principal place of business is:

95 Wallace Street,
Braidwood NSW 2622

	2009 \$	2008 \$
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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	52,409	79,324
Weighted average number of ordinary shares for basic and diluted earnings per share	1,325,322	1,325,322

Note 21. Dividends paid or provided for on ordinary shares

(a) Dividends paid during the year

(i) Previous year final		
Unfranked dividends - 5 cents per share (2008: Nil)	66,266	-
	66,266	-

Notes to the financial statements continued

	2009 \$	2008 \$
Note 21. Dividends paid or provided for on ordinary shares (continued)		
(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	28,924	-
• Franking credits that will arise from the payment / (refund) of income tax payable as at the end of the financial year	34,988	23,584
	63,912	23,584

The tax rate at which dividends have been franked is 0%.

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

	Carrying amount	
	2009 \$	2008 \$
Cash assets	354,742	308,463
Receivables	120,347	101,202
	475,089	409,665

Notes to the financial statements continued

Note 22. Financial risk management (continued)

(a) Credit risk (continued)

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 (2008: 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.

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 2009					
Payables	44,107	(44,107)	(44,107)	–	–
Interest bearing liabilities	448	(448)	(448)	–	–
	44,555	(44,555)	(44,555)	–	–
30 June 2008					
Payables	47,431	(47,431)	(47,431)	–	–
Interest bearing liabilities	292	(292)	(292)	–	–
	47,723	(47,723)	(47,723)	–	–

Notes to the financial statements continued

Note 22. Financial risk management (continued)

(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	
	2009	2008
	\$	\$
Fixed rate instruments		
Financial assets	263,326	220,000
Financial liabilities	-	-
	263,326	220,000
Variable rate instruments		
Financial assets	91,416	88,463
Financial liabilities	(448)	(292)
	90,968	88,171

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 2008 there was also no impact. As at both dates this assumes all other variables remain constant.

Notes to the financial statements continued

Note 22. Financial risk management (continued)

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Balance Sheet. 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 Balance Sheet. 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%.

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 2009 can be seen in the Income Statement.

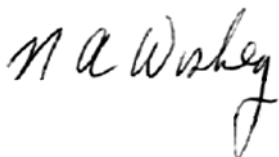
There were no changes in the Company's approach to capital management during the year.

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 2009 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 25 September 2009.

Independent audit report

Richmond Sinnott & Delahunty Chartered Accountants



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

25 September 2009

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

Dear Directors

We have now completed our audit of the financial report of Palerang Financial Services Limited for year ended 30 June 2009. Subject to the Board of Directors adopting the financial report, we are in a position to issue an unqualified audit opinion on the company's financial report.

1. Overview of Audit Approach

Our audit was designed in accordance with Australian Auditing Standards (AUS), which provides for reasonable, rather than absolute, assurance that the financial report is free of material misstatement. The nature and scope of the audit work performed was designed to achieve our primary goal of supporting the audit opinion on the financial report.

2. Operations

2.1 Income Statement

	30 June 2009 \$	30 June 2008 \$
Revenue from ordinary activities	1,158,599	1,034,282
Salaries & employee benefits expense	(603,618)	(543,198)
Charitable donations & sponsorship	(103,739)	(11,862)
Depreciation & amortisation expenses	(47,780)	(49,221)
Administration and other operating expenses	(313,940)	(313,911)
Operating profit before income tax	89,522	116,090
Income tax expense	37,113	36,766
Operating profit after income tax	52,409	79,324

2.2 Balance Sheet

	30 June 2009 \$	30 June 2008 \$
Current assets	475,089	409,665
Non current assets	644,853	689,118
Total assets	1,119,942	1,098,783
Total liabilities	132,238	97,222
Shareholders' equity	987,704	1,001,561

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Independent audit report continued

3. Auditing/Accounting Issues

During our audit we noted the following matters that we recommend the directors review prior to future audits being completed.

3.1 Audit Completion

As has been the case for prior audits, we have again completed a significant amount of accounting work to finalise the financial statements, including various adjusting journal entries and preparation of the financial statements. This additional work is usually completed by Community Banks accountants or treasurers. As part of this audit we have provided some adjustments that need to be completed. It is important that the opening retained earnings at as 1 July 2009 match the financial statements figure.

In the interest of continuing to build our relationship we will not charge an additional fee for this work we have completed, however we encourage you to complete this in the future.

3.2 Share Registry

As highlighted last year as part of our audit we were unable to reconcile shares held per the share register and the number of shares per the financial records. The variances are not material for the purposes of the financial statements, but for example the number of bonus shares issued per the register is 252,070, but we understand this should be 257,570.

A full reconciliation should be completed before the next audit is completed.

Ultimately, the share register is the basis for any return of capital to shareholders and we recommend the financial statements are adjusted to match the register in future years.

3.3 Minor Variances

During the audit we noted other small errors that were not material for the purpose of the financial statements and hence not adjusted.

4. Summary of Audit Differences

There are no material audit differences that have not been included in the financial report for Palerang Financial Services Limited.

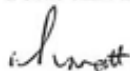
Independent audit report continued

5. Other Matters

Our work is not primarily directed towards the discovery of weaknesses or the detection of fraud or other irregularities, other than those that would influence us in forming our audit opinion.

Should you have any queries in relation to any other matter please do not hesitate to contact us.

Yours sincerely



Warren Sinnott

Partner
Richmond Sinnott & Delahunty

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