



Palerang Financial Services Limited

ABN 83 097 801 100

ANNUAL REPORT 2013

Braidwood **Community Bank**[®] Branch
Bungendore **Community Bank**[®] Branch

Contents

Chairman's report	2
Senior Manager's report	4
Investment in our community	5
Corporate Governance Statement	9
Directors' report	10
Auditor's independence declaration	15
Financial statements	16
Notes to the financial statements	20
Directors' declaration	43
Independent audit report	44
Centre feature	
Braidwood	23
Braidwood 10th Birthday	24
Bundgendore	26

Chairman's report

For year ending 30 June 2013

The 2012/13 financial year has seen another very satisfactory result for Palerang Financial Services Ltd (PFSL). The business has performed well and achieved its performance targets in a tough economy. With our maturity, our investments back into the Community have grown significantly.

PFSL has achieved some significant milestones this year:

1. For the first time our revenue exceeded \$2 million (\$2,075,469),
2. We put aside \$485,860 to support our communities, and
3. Profit before income tax is \$179,179.

The company has now provided over \$969,274 back to community projects since inception.

The company is in a strong and healthy position from which it can capitalize and build into the future. We will declare a franked dividend of 6.5 cents as at 1 November 2013, to be paid to shareholders in December. This is in line with last year's dividend.

From the amount set aside (\$448,912) this year we distributed \$349,111 to support our communities.

The outcomes from PFSL sponsorships are a very important element of your **Community Bank**[®] branch. The Directors and staff have been very pleased to assist right across the communities whether it be for jerseys for a sporting team, community seating in our towns, an outdoor gym, renovated aged care areas or a play shade for young families.

This year the company continued its sponsorship of the Snowy Hydro SouthCare rescue helicopter. Whilst it is a modest sponsorship, it is important to support those who provide emergency retrieval and transportation services to our communities.

Operationally, we provide banking services to our community through our staff in Braidwood and Bungendore. We consider our staff to be outstanding ambassadors and contributors to the community and I congratulate all of them on their significant contribution to the success of the company.

Our staff are local and wherever possible we utilise local services as well. This is another way that your **Community Bank**[®] company adds value to our communities.

Governance of the company is vested in a Board of volunteer Directors who donate their time and expertise. The Sponsorship subcommittees work tirelessly with our communities to ensure that branch sponsorships get to the right community initiative. I commend and thank all of our Directors for their great contribution.

Our Senior Manager Craig Pettit and his management team and staff have achieved an excellent result in a tough business climate. For this the Board sincerely thanks them.

I am optimistic about our future and looking forward into the next year the company has planned for:

- Moderate business growth during 2013/14.
- A focus upon improving market share within the region.
- A provisional allocation of \$408,000 for sponsorship and grants during the 2013/14 financial year.
- A forecast of maintaining at least a 6.5-cent franked dividend, if business conditions do not deteriorate in 2014.

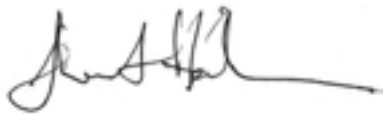
Chairman's report (continued)

The Board and I remain committed to the **Community Bank**[®] concept and its ability to continue to deliver positive and rewarding outcomes for customers, shareholders and the community. Braidwood and Bungendore **Community Bank**[®] branches are part of an Australia-wide network that has now returned more than \$100 million to support and strengthen local communities.

This enormous achievement comes as the **Community Bank**[®] network celebrated 15 years of operation. The network has grown to include 298 branches across Australia.

On behalf of the Board and staff, I thank you all for your continued support as we continue to deliver excellent banking services and invaluable community outcomes to our communities.

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



Shane Holness
Chairman

Senior Manager's report

For year ending 30 June 2013

It is with pleasure I provide a report for the 11th year of operation of Palerang Financial Services Limited. We are seeing the results of our community funding and involvement grow, especially over the past few years with us being involved in many local projects. The last financial year has seen over \$448,912 allocated for local grants, sponsorship and donation.

Although the past financial year was tough in many sectors with general growth in banking business subdued, we were able to increase our banking business by \$15.4 million or 8% to \$206.6 million.

Revenue was \$2,075,469 up 7.8% from \$1.925 million the previous year. Resulting in a profit before tax and sponsorship of \$644,816, this was up from \$627,287 the previous year. The net profit was \$48,595 lower than the previous year however this was due to sponsorship and donations being increased by \$99,535.

The profit figure was also affected by a once in five years cost of \$51,924 for the franchise renewal for Braidwood **Community Bank**® Branch and a higher depreciation figure due to the purchase of the premises for our Bungendore **Community Bank**® Branch. There was also a margin reduction from April 2013 onwards reducing the trailing commissions on some products. We were however able to offset these through overall growth of the business.

We have a strong balance sheet with \$1.58 million in assets against \$185,203 in liabilities and no debt. This is achieved after \$448,912 in charitable donations and sponsorship for the year. Although not all expended at this time the donations and sponsorship combined with \$838,722 in staff costs and other local expenditure means that we have injected well over \$1.2 million into the local economies of Braidwood and Bungendore for the financial year.

Although times are uncertain with the overall growth in personal and small business lending being flat at present and people looking for better returns than bank deposits for their investments we are aiming for similar growth next year resulting in a slightly improved revenue and profit in the coming year. The increase in business will be partly negatively offset by reduction in margins. We are however constantly looking at wealth, insurance and other financial products to diversify our income stream.

We are paying a 6.5 cent fully franked dividend again this year, which is a strong return in current low interest rate environment. There are shares currently available for sale and if you wish to invest please contact your local branch.

After more than a decade with the company it is with great pride that we can now see the large community projects that where an integral part of the reason for our establishment coming to fruition.

I would finally like to thank the Directors for the time and effort they put into the company on a voluntary basis and the staff whose efforts often beyond the requirements of the job have made this all possible.



Craig Pettit
Senior Manager

Investment in our community

Braidwood		
Organization	Purpose	Amount
Palerang Council	DA for Gym in Bicentennial park	\$285.00
Braidwood Life Centre	Christmas Hamper (\$4,000), General (\$3,000)	\$7,000.00
Nerriga Progress & Sporting Association	Restoration of Nerriga Community Hall	\$2,727.27
Braidwood Servicemen's Club	Invitation 2 Bowls Triples & Pairs Tournaments	\$909.00
Braidwood Golf Club	Trophies	\$580.00
Braidwood Heritage Festival Committee	Braidwood Heritage Cricket Day	\$2,000.00
Two Fires Festival of Arts & Activism	Two Fires Festival	\$2,500.00
Braidwood Women's Bowling Club	Women's Open Fours Tournament	\$500.00
Goulburn Trophies & Sportswear	Heritage Cricket Day Medals	\$454.55
Goulburn Trophies & Sportswear	Barefoot Bowls trophies	\$150.00
Braidwood Central School	Dracula Spectacular Stage Production	\$1,364.00
Braidwood Swimming Club	2012-2013 Swimming Club Awards	\$470.00
Braidwood FM Inc.	10th Birthday Celebrations	\$250.00
Braidwood Hospital Auxiliary	Men's Health Brochures	\$600.00
Country Women's Association	Repairs to Kitchen in CWA Rooms	\$2,506.00
Braidwood Jockey Club Inc.	Fashion on the Field, Face Painting	\$1,136.00
UHA Doug Smith Appeal	Dementia Unit	\$1,500.00
Braidwood Bowling Club	2013 Barefoot Bowls Comp	\$364.00
The Lions Club of Braidwood Inc.	Billycart Derby 2013	\$3,000.00
Braidwood Golf Club	2013 Championships Awards + Perpetual Trophies	\$580.00
Braidwood Rugby Union Club	2013 Rugby Season	\$3,000.00
Braidwood Junior Soccer Club	2013 Season	\$5,000.00
Braidwood Central School	Sponsorship Outward Bound Project	\$2,400.00
Braidwood Heritage Festival Committee	Sponsorship Braidwood Heritage Festival	\$3,000.00
Braidwood Bowling Club	Seating for Bowling Club	\$3,100.00
Snowy Hydro Southcare	2014 Sponsorship	\$7,500.00
Special Child Xmas	Charity Donation	\$70.00
Braidwood Volunteer Rural Fire Brigade	Brigade Station Kitchen fit out	\$13,600.00
St Bedes Primary School	End of Year Presentation	\$50.00
Braidwood Central School	End of Year Presentation	\$100.00
Community Enterprise Foundation (CEF)	Bicheno Bushfire Appeal	\$500.00
Community Enterprise Foundation (CEF)	Bundaberg Flood Appeal	\$500.00
Community Enterprise Foundation (CEF)	Carngham Bushfire Appeal	\$500.00
Community Enterprise Foundation (CEF)	Discovery Coast Flood Appeal	\$500.00
Community Enterprise Foundation (CEF)	FNQ Bushfire Appeal	\$500.00
Community Enterprise Foundation (CEF)	Heyfield District Bushfire Appeal	\$500.00
Community Enterprise Foundation (CEF)	Laidley Flood Appeal	\$500.00
Community Enterprise Foundation (CEF)	North Burnett Flood Appeal	\$500.00
Community Enterprise Foundation (CEF)	South East Tasmania Bushfire Appeal	\$500.00

Investment in our community (continued)

Organization	Purpose	Amount
Lodge of Truth - Braidwood	Purchase of Print for Snowy Hydro Southcare	\$350.00
Braidwood Men's Shed	Opening Day	\$1,000.00
Goulburn Country & Workwear	Branding Clothing	\$150.00
Corporate Edge Marketing	Coasters	\$924.00
Apple iStore	Apple ipods Giveaway	\$517.27
Various Recipients	University Marketing Plans Prizes	\$2,000.00
Braidwood Central School	Scarves and Beanies	\$77.00
Dint Australia	Flags for Golf Course	\$317.95
Sign Flair	Signage	\$340.00
Braidwood Services Club- Bwd Men's Bowls	Bowling Club Shirts	\$1,364.00
Braidwood Services Club- Bwd Ladies Bowls	Bowling Club Shirts, Flyers Open 4s tournament	\$1,364.00
Coastal Coasters	Braidwood Servicemen's Club Coasters	\$581.65
Rugby Jersey Auction	Fundraiser	\$500.00
Corporate Edge Marketing	Soccer and AFL Stress Reliever balls branded	\$1,210.00
Colouring in Competition Prizes - Various Recipients	School Competition	\$110.00
Goulburn Country & Workwear	Staff promotional uniforms	\$1,034.77
Various Recipients	Colouring in Competition	\$35.00
Sign Flair	Signage	\$214.00
Sign Flair	Signage	\$70.00
Goulpress Printers	Posters & Flyers	\$309.09
Braidwood Butchery	Barefoot Bowls Catering	\$380.00
Sign Flair	Barefoot Bowls Signage	\$814.00
Corporate Edge Marketing	Merchandise	\$1,655.00
Braidwood Redbacks Rugby Union Club	Rugby Jerseys	\$1,000.00
Two Fires Festival of Arts & Activism	Two Fires Festival	\$1,000.00
Sign Flair	Signage	\$80.00
Corporate Edge Marketing	Pens	\$1,254.50
Adpro Promotional Products	Caps	\$1,640.00
Sign Flair	Coffee Mugs and logos	\$240.00
Goulburn Country & Workwear	Jackets	\$378.82
Bunyip Jungle	Helium Gas for Balloons for Heritage Day and Billy Cart Derby	\$327.27
Len Mutton & Co	Aprons with Logo	\$795.45
Lions Club of Braidwood Inc	10th Birthday Celebrations Gift (via CEF)	\$39,240.00
Scholarship Recipient via CEF	BBL Scholarship	\$10,000.00
St Bedes Primary School via CEF	ipad 2 Technology Update	\$11,000.00
Braidwood Central School	Community Gymnasium Kitchen Project	\$70,000.00
		\$223,469.59

Investment in our community (continued)

Bungendore		
Organization	Purpose	Amount
Betta Canvas & Shade Solutions	Shade Sail Engineering Cert and Drawings	\$1,000.00
Bungendore Mudhooks	Ladies day Sponsorship	\$75.00
The Pony Club Assoc of NSW	State Mounted Games Championships	\$1,818.18
Rotary Club of Bungendore	Model Railway Exhibition	\$2,500.00
Bungendore CWA	Morning Tea for Abbeyfield Meeting	\$100.00
Bungendore Senior Citizens Assoc	Mothers day Luncheon	\$500.00
Queanbeyan Golf Club	Pennant Series Sponsorship	\$2,000.00
Rotary Club of Bungendore	Purchase of Food Van	\$8,000.00
Kmart	Toy Hamper	\$452.28
Taylors Creek Fire Brigade	Hose Reel	\$3,500.00
Geary's Gap Pony Club	Trailer and R&M Costs	\$5,700.00
Bungendore Playgroup	Toys	\$1,000.00
Hoskingtown-Rossi Rural Fire Brigade	Sponsorship towards new bathroom etc inside Fire shed	\$4,000.00
Queanbeyan Rugby Union - Whites	Sponsorship Junior Whites	\$500.00
Bungendore Rugby League Football Club	Sponsorship Bungendore Tigers 2013 Season	\$2,000.00
Captains Flat Community Assoc	Restoration of Captains Flat Cricket Pitch	\$6,440.00
Weereewa - A Festival of Lake George Committee Ass	Sponsorship of the 2013 Festival of Lake George	\$5,000.00
Bungendore Rugby League Football Club	Ladies day Sponsorship	\$1,320.00
Snowy Hydro Southcare	2014 Sponsorship	\$7,500.00
Pro Sport Shop	Bungendore Soccer Club, equipment	\$1,016.95
Bungendore Primary School	Presentation Day	\$50.00
Community Enterprise Foundation (CEF)	Bicheno Bushfire Appeal	\$500.00
Community Enterprise Foundation (CEF)	Bundaberg Flood Appeal	\$500.00
Community Enterprise Foundation (CEF)	Carngham Bushfire Appeal	\$500.00
Community Enterprise Foundation (CEF)	Discovery Coast Flood Appeal	\$500.00
Community Enterprise Foundation (CEF)	FNQ Bushfire Appeal	\$500.00
Community Enterprise Foundation (CEF)	Heyfield District Bushfire Appeal	\$500.00
Community Enterprise Foundation (CEF)	Laidley Flood Appeal	\$500.00
Community Enterprise Foundation (CEF)	North Burnett Flood Appeal	\$500.00
Community Enterprise Foundation (CEF)	South East Tasmania Bushfire Appeal	\$500.00
Apple iStore	Apple ipods Giveaway	\$517.27
Various Recipients	University Marketing Plans Prizes	\$2,000.00
Braidwood Central School	Scarves and Beanies	\$77.00
Bohie Palacek	Deposit for Sponsorship Sign	\$88.00
Bungendore Carriage Driving Championships	Prize money for Championships	\$500.00
Bungendore Square Dancing Convention	Convention Costs	\$500.00
Sign Flair	signage	\$130.00

Investment in our community (continued)

Organization	Purpose	Amount
Bungendore Junior Rugby League	Training Shirts	\$5,454.55
The Pony Club Association NSW	Championship Naming Rights for State Show riding Ch'ship	\$1,818.18
Bungendore Netball Club	Training Hall Rental	\$2,500.00
Bungendore War Memorial Committee	War Memorial Dinner`	\$500.00
Spotlight	Supplies for Opening Of Shade Structure/ {playground	\$195.25
Bungendore Rotary	BBQ Supplies for Opening Of Shade Structure Playground	\$500.00
Wild Rose Organics	Staff promotional uniforms	\$387.93
Christmas Club Competition	Product promotion	\$300.00
Len Mutton & Co	Aprons with Logo	\$795.46
Scholarship Recipient via CEF	BBL Scholarship	\$5,000.00
Bungendore Preschool via CEF	Play Equipment	\$12,497.00
Bungendore Rotary Club via CEF	Bungendore Oval Shade Sail	\$33,000.00
		\$124,716.10

Braidwood **Community Bank**[®] Branch sponsorship comes of age

15 February 2013 saw the Official Opening of the Dementia Friendly Aged Care Area of the Braidwood Multi Purpose Service. The Doug Smith Appeal Committee launched the project in 2000 with a \$100,000 Grant from the Braidwood **Community Bank**[®] Branch.

This Grant is the largest provided to date by Palerang Financial Services and signified the faith of the Staff and Board of the Bank in its community. It marked the beginning of the growing influence the Bank would play in the life of Braidwood.

Directors Noel Wisbey and Mary Mathias represented the Bank as members of the Doug Smith Appeal Committee, which was the prime driver behind the project. The Smith family kindly allowed the name of a much loved former Director of the **Community Bank**[®] company, Doug Smith, to be adopted for the Appeal.

Through the generosity of the community combined with Government support, Southern Area Health funding and a grant from Violea Mulwaree Trust, our \$100,000 grew to \$1,000,043 over three years and provided our residents with a spacious, comfortable and secure home.

An electronic Nurse Call System allows the staff to know where residents are, a sliding glass wall supplies immediate security for the area and the extension of the living space provides a spacious and light filled day room with access to a large covered deck overlooking Braidwood Wilson Hill. In the next few months the outdoor project will be completed and will allow resident to enjoy the garden, via the new ramp, generously fenced by the Braidwood Lions Club.

This was truly a major Community Project supported by our **Community Bank**[®] branch.

Corporate Governance Statement

For year ending 30 June 2013

The Board is comprised entirely of non-executive independent Directors. The skills experience and composition of the Board is detailed in the Directors report.

The Board has committed to a high standard of corporate governance, financial reporting and integrity throughout the company's operations. The following portfolios have been established as subcommittees to assist and advise the Board:

Governance Sub Committee

Finance & HR Sub Committee

Sponsorship Sub Committee

Independent professional advice

Directors have the right to seek independent professional advice in the furtherance of their duties as Directors at the company's expense. Written approval must be obtained from the Senior Branch Manager prior to incurring any expense on behalf of the company.

Identifying and managing business risks.

The Board monitors the operational and financial performance of the company against budget and other key performance measures. The Board also receives advice on areas of operational and financial risks, and develops strategies in conjunction with management, to mitigate those risks.

The Board undertakes a review of its Strategic Risk Register each quarter.

Communication with shareholders

The Board aims to ensure that shareholders, on behalf of whom they act, are informed of all major developments affecting the company's activities and its state of affairs, including information necessary to assess the performance of the Directors.

Communication with shareholders is achieved through the distribution of the following information.

- The Annual Report distributed to all shareholders
- The Annual General Meeting
- Newsletters
- Announcements distributed via the press or direct to shareholders.

Directors' report

For the financial year ended 30 June 2013

Your Directors submit their report of the company for the financial year ended 30 June 2013.

Directors

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

Name and position held	Qualifications	Experience and other Directorships
Shane Holness Chairman Board member since June 2008	AIMM MAICD	Currently Finance and HR Committee. Shane operates a family owned consulting and IT management business, since 1999. He is a former Director in the Australian Public Service and a former member of the Royal Australian Navy.
Michael Andrew Director Board member since June 2005	Graduate Cert in Corporate Governance	Mick is an Executive Manager within the Australian Public Service and acted as the Company Secretary for the year. He is involved with the Scout Group, Lake George Men's Shed and the working party to establish an Abbeyfield House in Bungendore.
Gemma Toleman Director Board member since September 2009	Cert II Public Administration, Dept of Defence Quality Assurance, QMSG. Advanced Quality Management Knowledge Management, QMSG Cert, Business resilience specialist, Sentryx. Cert, Business resilience Auditor, Sentryx. Neuro-Linguistic Programming Practitioner, impact learning & development. Cert iv training and assessment, impact learning and development.	Gemma is the Director of Wyn Management for Solutions which began operating in 2005, and is a former Director of Octo Consulting - both management consultancy companies. Gemma is also a Sponsorship Committee Member (Bungendore)
Allan Donnelly Director Board member since March 2005		Resigned November 2012

Directors' report (continued)

Directors (continued)

<p>Michael Wall Director Board member since November 2009</p>	<p>B App Science (Agriculture) Dip Ed</p>	<p>Mick teaches Agriculture at the local school and is very passionate about the community. He is involved in a number of local groups and coaches the junior Redbacks Rugby team. He is currently a member of the Sponsorship Committee (Braidwood).</p>
<p>Mary Anne Mathias Director Board member since January 2009</p>		<p>Mary is a retired Primary School Principal with forty yrs experience in Executive & Educational roles. She has been a member of the MPS Consultative Committee for the past 7 yrs and chaired the Doug Smith Appeal Committee responsible for the Aged Care Renovation completed in Feb 2012. Mary was named Monaro Women of the Year in 2012. She is currently a Sponsorship Committee Member (Braidwood).</p>
<p>Noel Wisbey Director Board member since August 2001</p>		<p>Noel is a retired Orchardist and has extensive business and financial experience across a number of areas. He is a proud grandparent and lives locally on a rural property. Noel is a former Company Chairman and is on Finance & HR Committee.</p>
<p>Kylie Coe Director Board member since January 2009</p>	<p>Bachelor of Arts - Double Major Sociology and Natural Resource Management. Masters Natural Resource Management</p>	<p>Kylie is employed by Palerang Council as the Coordinator of Development Services. She is a passionate Board member and supports youth and sport in the community.</p>
<p>Michael Fay Director Board member since September 2005</p>		<p>Mick is a local businessman and Sales Manager. He is involved in many local groups and associations. Currently a member on the Finance & HR Committee as well as Sponsorship (Bungendore).</p>
<p>Ian Cargill Director Board member since July 2011</p>	<p>Plant Mechanic Green Keeper</p>	<p>Ian owns and operates a productive rural property on the outskirts of Braidwood producing quality beef and sheep. He is involved with many other organisations in the community including NSW Farmers Association.</p>

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

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

Directors' report (continued)

Principal activities

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

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

Review of operations

The profit of the company for the financial year after providing for income tax was \$138,434 (2012: \$187,029), which is a 26% decrease as compared with the previous year.

The net assets of the company have increased to \$1,395,565 (2012: \$1,342,956). The increase is largely due to increase in cash held and franchise fee renewal resulting in increased intangible assets.

Dividends

	Year ended 30 June 2013	
	Cents per share	\$
Dividends paid in the year (final dividend):	6.5	85,827

Significant changes in the state of affairs

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

Events subsequent to reporting date

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

Remuneration report

Remuneration policy

There has been no remuneration policy developed as Director positions are held on a voluntary basis and Directors are not remunerated for their services.

Remuneration benefits and payments

Other than detailed below, no 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.

Indemnifying Officers or Auditor

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

Directors' report (continued)

Indemnifying Officers or Auditor (continued)

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.

Directors' meetings

The number of Directors' meetings held during the year were 11. Attendances by each Director during the year were as follows:

Director	Board meetings#
Shane Holness	10 (11)
Michael Andrew	8 (11)
Gemma Toleman	8 (11)
Allan Donnelly	4 (5)
Michael Wall	11 (11)
Mary Anne Mathias	9 (11)
Noel Wisbey	10 (11)
Kylie Coe	9 (11)
Michael Fay	9 (11)
Ian Cargill	8 (11)

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.
N/A - not a member of that Committee.

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation. However, the Board believes that the company has adequate systems in place for the management of its environment requirements and is not aware of any breach of these environmental requirements as they apply to the company.

Proceedings on behalf of company

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

Company Secretary

Michael (Mick) Andrews was appointed company Secretary of Palerang Financial Services Limited in March 2007. Mick has undertaken Corporate Governance training with Chartered Secretaries Institute of Australia.

Directors' report (continued)

Non audit services

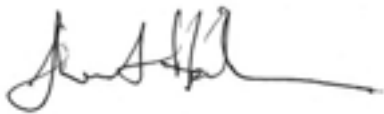
The Directors in accordance with advice from the audit committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 15 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Braidwood, New South Wales on 18 September 2013.



Shane Holness
Director

Auditor's independence declaration



Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

Telephone: (03) 5445 4200
Fax: (03) 5444 4344
Email: rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

18th September 2013

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

Dear Directors

To the Directors of Palerang Financial Services Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2013 there has been:

- (i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) No contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read "W Sinnott".

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Richmond Sinnott & Delahunty
ABN 60 676 244 309

Liability limited by a scheme
approved under Professional
Standards Legislation

Partners:
Warren Sinnott
Cara Hall
Brett Andrews
Philip Delahunty
Kathie Teasdale
David Richmond

Financial statements

Statement of profit or loss and other comprehensive income for the year ended 30 June 2013

	Notes	2013 \$	2012 \$
Revenue	2	2,075,469	1,925,263
Employee benefits expense	3	(838,722)	(839,273)
Depreciation and amortisation expense	3	(100,238)	(44,712)
Bad and doubtful debts expense	3	(2,699)	(2,900)
Other expenses		(505,719)	(411,091)
Operating profit before charitable donations & sponsorships		628,091	627,287
Charitable donations and sponsorships		(448,912)	(349,377)
Profit before income tax expense		179,179	277,910
Tax expense	4	52,452	90,881
Profit for the year		126,727	187,029
Other comprehensive income		-	-
Total comprehensive income		126,727	187,029
Profit attributable to:			
Members of the company		-	-
Total		126,727	187,029
Earnings per share (cents per share)			
- basic for profit for the year	20	9.60	14.16
- diluted for profit for the year	20	9.60	14.16

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of financial position as at 30 June 2013

	Notes	2013 \$	2012 \$
Assets			
Current assets			
Cash and cash equivalents	6	155,252	82,842
Trade and other receivables	7	189,389	188,459
Current tax receivable	4	13,580	-
Total current assets		358,221	271,301
Non-current assets			
Property, plant and equipment	8	1,194,667	1,281,809
Intangible assets	9	16,171	9,256
Total non-current assets		1,210,838	1,291,065
Total assets		1,569,059	1,562,366
Liabilities			
Current liabilities			
Trade and other payables	10	64,216	68,421
Current tax liabilities	4	-	35,970
Provisions	11	83,321	77,353
Total current liabilities		147,537	181,744
Non current liabilities			
Deferred tax liability	4	37,666	37,666
Total non current liabilities		37,666	37,666
Total liabilities		185,203	219,410
Net assets		1,383,856	1,342,956
Equity			
Issued capital	12	1,062,849	1,062,849
Retained earnings	13	233,120	192,220
Asset revaluation reserve		87,887	87,887
Total equity		1,383,856	1,342,956

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of changes in equity for the year ended 30 June 2013

	Notes	Issued Capital \$	Retained Earnings \$	Asset Revaluation \$	Total Equity \$
Balance at 1 July 2011		1,062,849	84,416	87,887	1,235,152
Total comprehensive income for the year		-	187,029	-	187,029
Transactions with owners, in their capacity as owners					
Shares issued during the year		-	-	-	-
Dividends paid or provided	21	-	(79,225)	-	(79,225)
Balance at 30 June 2012		1,062,849	192,220	87,887	1,342,956
Balance at 1 July 2012		1,062,849	192,220	87,887	1,342,956
Total comprehensive income for the year		-	126,727	-	126,727
Transactions with owners, in their capacity as owners					
Shares issued during the year		-	-	-	-
Dividends paid or provided	21	-	(85,827)	-	(85,827)
Balance at 30 June 2013		1,062,849	233,120	87,887	1,383,856

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of cash flows for the year ended 30 June 2013

	Notes	2013 \$	2012 \$
Cash flows from operating activities			
Receipts from clients		2,280,023	2,090,813
Payments to suppliers and employees		(2,002,368)	(1,763,441)
Income tax paid		(102,002)	(87,653)
Interest received		2,595	7,808
Net cash flows from/(used in) operating activities	14b	178,248	247,527
Cash flows from investing activities			
Purchase of property, plant & equipment		(8,474)	(526,058)
Purchase of intangible assets		(11,537)	-
Net cash flows from/(used in) investing activities		(20,011)	(526,058)
Cash flows from financing activities			
Dividends paid		(85,827)	(79,225)
Net cash flows from/(used in) financing activities		(85,827)	(79,225)
Net increase/(decrease) in cash held		72,410	(357,756)
Cash and cash equivalents at start of year		82,842	440,598
Cash and cash equivalents at end of year	14a	155,252	82,842

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2013

The financial statements and notes represent those of Palerang Financial Services Limited.

Palerang Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 18 September 2013.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

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

(b) 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.

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.

(c) 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

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	3%

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.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

(d) Impairment 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.

(e) 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 Australian Taxation Office (ATO). 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 inclusive of the amount of GST receivable or payable.

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

The GST components of investing and financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(f) Employee benefits

Provision is made for the company's liability for employee benefits arising from the services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to the employee benefits.

(g) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

(h) Cash

Cash on hand and in banks are stated at nominal value. Bank overdrafts are shown as short term borrowings in current liabilities in the statement of financial position.

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.

(i) Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

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

(j) Receivables and payables

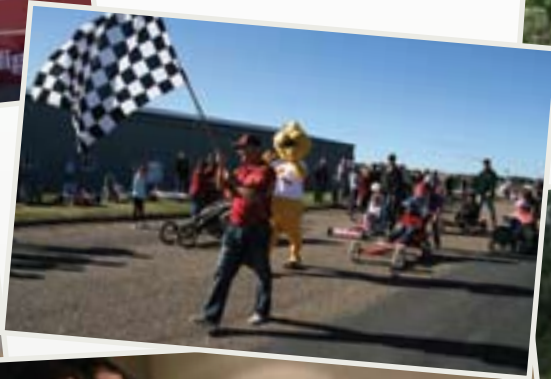
Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables expected to be collected within 12 months at the end of the reporting period are classified as current assets. Receivables are recognised and carried at original invoice amount less 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 and are recognised as a current liability.

(k) New accounting standards and interpretations not yet adopted

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

Braidwood sponsorships



Braidwood 10th Birthday





Bungendore sponsorships



Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(k) New accounting standards and interpretations not yet adopted (continued)

(i) AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is not expected to have an impact on the company's financial assets or financial liabilities.

(ii) AASB 13 Fair Value Measurement (2011)

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The company is currently reviewing its methodologies in determining fair values. AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(iii) AASB 119 Employee Benefits (2011)

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the company. However, the company may need to assess the impact of the change in measurement principles of expected return on plan assets. AASB 119 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(l) Loans and borrowings

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

(m) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which is probable that the outflow of economic benefits will result and the outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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.

(n) 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.

(o) Comparative figures

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(p) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

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

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset or the provision for income tax liability. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment

The company assesses impairment at the end of each reporting period by calculating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(q) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

Fair value represents the amount for which an asset would be exchanged or a liability settled, between knowledgeable willing parties. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are applied to determine the fair value.

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Classification and subsequent measurement (continued)

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in payments, indications that they will enter bankruptcy or other financial reorganisation and changes in arrears or economic conditions that correlate with defaults.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

	2013 \$	2012 \$
Note 2. Revenue and other income		
Revenue		
- services commissions	2,072,874	1,917,455
- other revenue	-	-
	2,072,874	1,917,455
Other revenue		
- interest received	2,595	7,808
- other revenue	-	-
	2,595	7,808
Total revenue	2,075,469	1,925,263

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 3. Expenses		
Employee benefits expense		
- wages and salaries	709,183	670,658
- superannuation costs	69,942	62,131
- other costs	59,597	106,484
	838,722	839,273
Depreciation of non-current assets:		
- plant and equipment	36,390	10,862
- leasehold improvements - Braidwood	10,418	10,418
- leasehold improvements - Bungendore	16,725	-
- building	19,027	6,060
- motor vehicles	13,056	13,058
Amortisation of non-current assets:		
- intangible assets	4,622	4,314
	100,238	44,712
Bad debts	2,699	2,900

Note 4. Tax expense

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

Prima facie tax on profit before income tax at 30% (2012: 30%)	53,754	83,591
Add tax effect of:		
- Prior year (over)/ under provision for tax	(3,170)	1,575
- Non-deductible expenses	1,868	5,715
Current income tax expense	52,452	90,881
Income tax attributable to the entity	52,452	90,881
The applicable weighted average effective tax rate is	29.27%	32.70%
Deferred tax asset		
Current tax receivable	13,580	35,970
Deferred tax payable	37,666	37,666

Notes to the financial statements (continued)

	2013 \$	2012 \$
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Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report	4,430	3,900
- Share registry services	4,462	3,623
	8,892	7,523

Note 6. Cash and cash equivalents

Cash at bank and on hand	155,252	82,842
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Note 7. Trade and other receivables

Current

Trade debtors	189,389	188,459
	189,389	188,459

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

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

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

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
2013						
Trade receivables	189,389	-	-	-	-	189,389
Total	189,389	-	-	-	-	189,389
2012						
Trade receivables	188,459	-	-	-	-	188,459
Total	188,459	-	-	-	-	188,459

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 8. Property, plant and equipment		
Land		
At cost	252,021	180,621
	252,021	180,621
Buildings		
At cost	356,453	488,832
At valuation	319,379	319,379
Less accumulated depreciation	(31,147)	(12,120)
	644,685	796,091
Leasehold fit out - Braidwood		
At cost	126,410	126,410
Less accumulated depreciation	(105,959)	(95,541)
	20,451	30,869
Leasehold fit out - Bungendore		
At cost	222,994	222,994
Less accumulated depreciation	(81,944)	(65,219)
	141,050	157,775
Plant and equipment		
At cost	187,489	118,036
Less accumulated depreciation	(62,808)	(26,418)
	124,681	91,618
Motor vehicles		
At cost	58,019	58,019
Less accumulated depreciation	(46,240)	(33,184)
	11,779	24,835
Total written down amount	1,194,667	1,281,809
Movements in carrying amounts		
Land		
Balance at the beginning of the reporting period	180,621	180,621
Additions	-	-
Disposals	-	-
Transfers In from buildings	71,400	-
Balance at the end of the reporting period	252,021	180,621

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 8. Property, plant and equipment (continued)		
Buildings		
Balance at the beginning of the reporting period	796,091	313,319
Additions	-	488,832
Disposals	-	-
Transfers to land	(71,400)	-
Transfers to plant and equipment	(60,979)	-
Depreciation expense	(19,027)	(6,060)
Balance at the end of the reporting period	644,685	796,091
Leasehold fit out - Braidwood		
Balance at the beginning of the reporting period	30,869	41,287
Additions	-	-
Disposals	-	-
Depreciation expense	(10,418)	(10,418)
Balance at the end of the reporting period	20,451	30,869
Leasehold fit out - Bungendore		
Balance at the beginning of the reporting period	157,775	157,775
Additions	-	-
Disposals	-	-
Depreciation expense	(16,725)	-
Balance at the end of the reporting period	141,050	157,775
Plant and Equipment		
Balance at the beginning of the reporting period	91,618	65,254
Additions	8,474	37,226
Disposals	-	-
Transfers In from Buildings	60,979	-
Depreciation expense	(36,390)	(10,862)
Balance at the end of the reporting period	124,681	91,618
Motor vehicles		
Balance at the beginning of the reporting period	24,835	37,893
Additions	-	-
Disposals	-	-
Depreciation expense	(13,056)	(13,058)
Balance at the end of the reporting period	11,779	24,835

Notes to the financial statements (continued)

	2013 \$	2012 \$
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Note 9. Intangible assets

Franchise

At cost	93,107	81,570
Less accumulated amortisation	(76,936)	(72,314)
	16,171	9,256

Movements in carrying amounts

Franchise

Balance at the beginning of the reporting period	9,256	13,570
Additions	11,537	-
Disposals	-	-
Amortisation expense	(4,622)	(4,314)
Balance at the end of the reporting period	16,171	9,256

Note 10. Trade and other payables

Current

Unsecured liabilities:

Trade creditors	64,216	68,421
	64,216	68,421

Note 11. Provisions

Employee benefits	83,321	77,353
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Movement in employee benefits

Opening balance	77,353	62,683
Additional provisions recognised	54,556	51,589
Amounts utilised during the year	(48,588)	(36,919)

Closing balance	83,321	77,353
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Current

Annual Leave	32,219	41,785
	32,219	41,785

Current

Long-service leave	51,102	35,568
	51,102	35,568

Total provisions	83,321	77,353
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Notes to the financial statements (continued)

Note 11. Provisions (continued)

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave. The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

	2013 \$	2012 \$
Note 12. Share capital		
1,062,849 Ordinary Shares fully paid of \$1 each	1,062,849	1,062,849
	1,062,849	1,062,849
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	1,062,849	1,062,849
Shares issued during the year	-	-
257,570 fully paid bonus shares issued for no consideration		
At the end of the reporting period	1,062,849	1,062,849

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands.

The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

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.

Notes to the financial statements (continued)

Note 12. Share capital (continued)

Capital management (continued)

- (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 2013 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

	2013 \$	2012 \$
Note 13. Accumulated Surpluses		
Balance at the beginning of the reporting period	192,220	84,416
Dividends payable	(85,827)	(79,225)
Profit after income tax	126,727	187,029
Balance at the end of the reporting period	233,120	192,220

Note 14. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the statement of financial position can be reconciled to that shown in the statement of cash flows as follows

As per the statement of financial position	155,252	82,842
As per the statement of cash flow	155,252	82,842

(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities

Profit after income tax	126,727	187,029
Non cash items		
- Depreciation	95,616	40,398
- Amortisation	4,622	4,314

Notes to the financial statements (continued)

	2013	2012
	\$	\$
Note 14. Statement of cash flows (continued)		
Changes in assets and liabilities		
- (Increase) decrease in receivables	(930)	(19,897)
- (Increase) decrease in income tax payable	(44,532)	3,228
- Increase (decrease) in payables	(4,205)	17,785
- Increase (decrease) in provisions	5,968	14,670
Net cash flows from/(used in) operating activities	183,266	247,527

(c) Credit standby arrangement and loan facilities

The company has a bank overdraft facility amounting to \$200,000 (2012: \$0). This may be terminated at any time at the option of the bank. At 30 June 2013, \$0 of this facility was used (2012: \$0). Variable interest rates apply to these overdraft and bill facilities.

Note 15. Related party transactions

The company's main related parties are as follows:

(a) Key management personnel

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

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

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

Notes to the financial statements (continued)

Note 15. Related party transactions (continued)

(d) Key management personnel shareholdings

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

	2013	2012
Shane Holness	2,000	2,000
Michael Andrew	200	200
Gemma Toleman	-	-
Allan Donnelly	5,000	5,000
Michael Wall	-	-
Mary Anne Mathias	-	-
Noel Wisbey	6,001	6,001
Kylie Coe	-	-
Michael Fay	1,000	1,000
Ian Cargill	-	-

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

(e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

Note 16. Events after the reporting period

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

Note 17. Contingent liabilities and assets

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

Note 18. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Palerang Shire (incorporating Braidwood and Bungendore) New South Wales. The company has a franchise agreement in place with Bendigo & Adelaide Bank Limited who account for 100% of the revenue (2012: 100%).

Notes to the financial statements (continued)

	2013	2012
	\$	\$

Note 19. Company details

The registered office & principle place of business is:

95 Wallace Street,
Braidwood NSW 2622

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	126,727	187,029
Weighted average number of ordinary shares for basic and diluted earnings per share	1,320,419	1,320,419

Note 21. Dividends paid or provided for on ordinary shares

(a) Dividends paid during the year

(i) Previous year final

Franked dividends - 6.5 cents per share (2012: 6 cents)	85,827	79,225
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(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	271,195	166,837
- Franking credits that will arise from the payment / (refund) of income tax payable as at the end of the financial year	(8,562)	35,970
	262,633	202,807

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

Notes to the financial statements (continued)

Note 22. Financial risk management

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

	Note	2013 \$	2012 \$
Financial assets			
Cash & cash equivalents	6	155,252	82,842
Trade and other receivables	7	189,389	188,459
Total financial assets		344,641	271,301
Financial liabilities			
Trade and other payables	10	64,216	68,421
Total financial liabilities		64,216	68,421

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Specific financial risk exposure and management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(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.

Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness and their financial stability is monitored and assessed on a regular basis. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice.

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

The company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables are due from Bendigo and Adelaide Bank Limited.

None of the assets of the company are past due (2012: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

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

Notes to the financial statements (continued)

	2013 \$	2012 \$
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Note 22. Financial risk management (continued)

(a) Credit risk (continued)

Cash and cash equivalents:

A rated	155,252	82,842
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(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.

In addition the company has established an overdraft facility of \$200,000 with Bendigo and Adelaide Bank Limited.

Financial liability and financial asset maturity analysis:

	Note	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
30 June 2013					
Financial liabilities due					
Trade and other payables	10	64,216	64,216	–	–
Total expected outflows		64,216	64,216	–	–
Financial assets - realisable					
Cash & cash equivalents	6	155,252	155,252	–	–
Trade and other receivables	7	189,389	189,389	–	–
Total anticipated inflows		344,641	344,641	–	–
Net (outflow)/inflow financial instruments		280,425	280,425	–	–

Notes to the financial statements (continued)

Note 22. Financial risk management (continued)

(b) Liquidity risk (continued)

	Note	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
30 June 2012					
Financial liabilities due					
Trade and other payables	10	68,421	68,421	–	–
Total expected outflows		68,421	68,421	–	–
Financial assets - realisable					
Cash & cash equivalents	6	82,842	82,842	–	–
Trade and other receivables	7	188,459	188,459	–	–
Total anticipated inflows		271,301	271,301	–	–
Net (outflow)/inflow financial instruments		202,880	202,880	–	–

(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 is the risk 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.

The weighted average interest rates of the company's interest-bearing financial assets are as follows:

Financial assets	2013 %	2012 %
Cash and cash equivalents (net of bank overdrafts)	1.95%	1.95%

Sensitivity analysis

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

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

Notes to the financial statements (continued)

Note 22. Financial risk management (continued)

(c) Market risk (continued)

	Profit \$	Equity \$
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	1,553	1,553
	1,553	1,553
Year ended 30 June 2012		
+/- 1% in interest rates (interest income)	828	828
	828	828

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

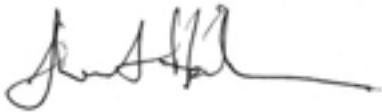
The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

Directors' declaration

In accordance with a resolution of the Directors of Palerang Financial Services Limited, the Directors of the company declare that:

- 1 the financial statements and notes of the company as set out on pages 16 to 42 are in accordance with the Corporations Act 2001 and:
 - (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (ii) give a true and fair view of the company's financial position as at 30 June 2013 and of the performance for the year ended on that date;
- 2 in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Shane Holness
Director

Signed at Braidwood on 18 September 2013.

Independent audit report



Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

Telephone: (03) 5445 4200
Fax: (03) 5444 4344
Email: rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

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

Report on the Financial Report

We have audited the accompanying financial report of Palerang Financial Services Limited, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company at the year's end.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Richmond Sinnott & Delahunty
ABN 60 616 244 309

Liability limited by a scheme
approved under Professional
Standards Legislation

Partners:
Walter Sinnott
Cara Hill
Beth Andrews

Philip Delahunty
Kylie Teasdale
David Richmond

Independent audit report (continued)

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Palerang Financial Services Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

- (a) the financial report of Palerang Financial Services Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Richmond Sinnott & Delahanty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott

W. J. SINNOTT
Partner

Dated at Bendigo, 18th September 2013



Braidwood **Community Bank**[®] Branch
95 Wallace Street, Braidwood NSW 2622
Phone: (02) 4842 1700

Bungendore **Community Bank**[®] Branch
1/33 Ellendon Street, Bungendore NSW 2621
Phone: (02) 6238 0547

Franchisee: Palerang Financial Services Limited
95 Wallace Street, Braidwood NSW 2622
Phone: (02) 4842 1700
ABN: 83 097 801 100

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