Annual Report 2014

Palerang Financial Services Limited

ABN 83 097 801 100

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

Contents

Chairman's report

For year ending 30 June 2014

I am pleased to provide you with this 2013/14 Annual Report for Palerang Financial Services Limited. This report outlines another satisfactory result for the company and the business has performed well in a tough economy. The economic climate has been made harder with a reduction in margin income within the holistic banking sector. This year has seen:

1. Revenue once again exceeded $2 million ($2,072,603),
2. We put aside $422,678 to support our communities in sponsorships and donations, and
3. Profit before income tax is $271,448.

The company remains in a strong and healthy position that allows us to weather the pressures of the economy and reduced margins. Growth will only come from significant new business and we are keen to see our existing and new customers talk to us so that we are not only assisting them in their aspirations and endeavours but we are also growing the community worth of your **Community Bank**® branches.

This year, the company declares a franked dividend of 6.5 cents ($0.065) as at 1 November 2014, to be paid to shareholders in December. This is in line with last year's dividend.

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.

We return significant benefits back to the local area through employment, acquisition of services, charitable donations and sponsorships. This year we distributed $422,678 to support our communities.

Governance of the company is vested in a Board of Directors who are all volunteers, undertaking their responsibilities without any form of remuneration. The subcommittees of the Board include governance & risk, finance & HR and sponsorships. The sponsorship teams 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, his management team and staff have once again 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:

- A continued low margin environment
- A focus upon improving market share within the region
- A provisional allocation of $408,000 for sponsorship and grants during the 2014/15 financial year
- A forecast of maintaining at least a 6.5-cent franked dividend, if business conditions do not deteriorate in the 2014/15 financial year.

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 2014

Once again, it is a great pleasure to present this report on the 12th year of operations for the Palerang Financial Services Limited. The past financial year saw solid growth in the business of 8.4% or $17.4 million to $224 million business under management, which was marginally better growth than the previous year.

Revenue of $2.072 million however was flat in comparison to the previous year due mainly to reduced margin income. Profit before tax and sponsorship increased to $677,402 due to lower expenses than the previous year as no franchise fee was paid. The net profit was therefore $75,545 higher based on the lower expenses and slightly less funds going to sponsorships than the previous year.

The revenue was affected by a reduction of the margin paid by Bendigo and Adelaide Bank from April 2013 on the trailing commissions on some products as well as general tightening of margins in what has become a competitive home loan market. This is expected to become worse over the coming 12 months.

The balance sheet remains strong with $1.68 million in assets against $206,571 in liabilities and no debt. The allocation for charitable donations and sponsorship for the year remained strong at $422,678.

The environment for lending growth remains challenging in a competitive environment and growth in the coming year will be a challenge. Although overall growth is likely, an increase in profit is expected to prove difficult. We will continually look at wealth, insurance and other financial products to complement our income stream.

We are paying a 6.5 cent fully franked dividend again this year, which remains a strong return in current low interest rate environment.

The past year has seen Mick Andrews leave the Board and I would personally like to thank Mick for all the hard work he has provided over the years as Company Secretary. I would also like to thank Renee Bunn for her efforts in the role during the year and welcome Janene Collins to the role.

As always I would like to thank all the people who make this possible; the Directors for the time and effort they put into the company on a voluntary basis, our shareholders and customers and especially to the staff whose efforts are often beyond the requirements of the job, working for the benefit of the company and communities we serve.

Craig Pettit
Senior Manager

Directors' report

For the financial year ended 30 June 2014

Your Directors present their report of the company for the financial year ended 30 June 2014. The information in the preceding operating and financial review forms part of this Directors' report for the financial year ended 30 June 2014 and is to be read in conjunction with the following information:

Directors

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

Name and position held	Qualifications	Experience and other Directorships
Shane Holness Chairman Board member since June 2008	AIMM GAICD	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		Resigned November 2013
Gemma Toleman Director Board member since September 2009" Director	Cert II Public Administration, Dept of Defence Quality Assurance, QMSG. Advanced Quality Mgmt Knowledge Mgmt, 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)
Karen Leshinskas Director Board member since July 2013	MBBS MPH&TM	Currently a Medical Officer with the RAAF. Karen has a MBBS, MPH&TM (master of Public Health and Tropical Medicine) and FAFPHM. Karen is also a member of the Chief Executive Women (CEW) group

Directors (continued)

Name and position held	Qualifications	Experience and other Directorships
Michael Wall Director Board member since November 2009	B App Science (Agriculture) Dip Ed	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).
Mary Anne Mathias Director Board member since January 2009		Currently Sponsorship Committee Member. Mary is a retired School Principal and is a respected community resident who is involved in many local groups and associations.
Noel Wisbey Director Board member since August 2001		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.Noel is also the Treasurer
Kylie Coe Director Board member since January 2009	Bachelor of Arts - Double Major Sociology and Natural Resource Management. Masters Natural Resource Management	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.Kylie is a member of the Finance and HR Committee.
Michael Fay Director Board member since September 2005		Mick is a local businessman and Sales Manager. He is involved in many local groups and associations. Mick is currently a member on the Finance & HR Committee as well as Sponsorship (Bungendore).
Ian Cargill Director Board member since July 2011	Plant Mechanic Green Keeper	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.

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 year were in providing **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Review of operations

The profit of the company for the financial year after provision for income tax was $177,021 (2013 profit: $126,727), which is a 33% increase as compared with the previous year.

The net assets of the company have increased to $1,475,050 (2013: $1,383,856).

Dividends

	Year ended 30 June 2014	
	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 occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an Auditor of the company.

Directors' report (continued)

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 Holnes	10 (11)
Michael Andrews	4 (5)
Gemma Toleman	6 (11)
Karen Lenshinskas	9 (10)
Michael Wall	9 (11)
Mary Anne Mathias	9 (11)
Noel Wisbey	11 (11)
Kylie Coe	8 (11)
Michael Fay	9 (11)
Ian Cargill	7 (11)

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

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

Mr Michael Andrews was the Company Secretary until February 2013.

Ms Renee Bunn was the Company Secretary from March 2013 to April 2014.

Mr Shane Holness is the Company Secretary since April 2014.

Directors' report (continued)

Non audit services

The Board of Directors 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 Board of Directors 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 9 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 25 September 2014.

Shane Holness
Director

Auditor's independence declaration

Richmond
Sinnott &
Delahunty

Chartered Accountants

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25th September 2014

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 2014 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.

P. P. Delahunty
Partner
Richmond Sinnott & Delahunty

Financial statements

Statement of profit or loss and Other Comprehensive Income for the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue	2	2,072,603	2,075,469
Employee benefits expense	3	(853,485)	(838,722)
Depreciation and amortisation expense	3	(76,120)	(100,238)
Bad and doubtful debts expense	3	(407)	(2,699)
Other expenses		(465,190)	(505,719)
Operating profit before charitable donations & sponsorships		**677,402**	**628,091**
Charitable donations and sponsorships		(422,678)	(448,912)
Profit before income tax expense		**254,724**	**179,179**
Tax expense	4	77,703	52,452
Profit for the year		**177,021**	**126,727**
Other comprehensive income		-	-
Total comprehensive income		**177,021**	**126,727**
Profit attributable to members of the company		177,021	126,727
Total comprehensive income attributable to members of the company		**177,021**	**126,727**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	20	13.41	9.60
- diluted for profit / (loss) for the year	20	13.41	9.60

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of financial position as at 30 June 2014

	Note	2014 $	2013 $
Assets			
Current assets			
Cash and cash equivalents	6	335,680	155,252
Trade and other receivables	7	204,362	189,389
Current tax asset	4	-	13,580
Total current assets		**540,042**	**358,221**
Non-current assets			
Property, plant and equipment	8	1,130,028	1,194,667
Intangible assets	9	11,550	16,171
Total non-current assets		**1,141,579**	**1,210,838**
Total assets		**1,681,621**	**1,569,059**
Liabilities			
Current liabilities			
Trade and other payables	10	70,706	64,216
Provisions	11	89,131	83,321
Current tax payable	4	9,067	-
Total current liabilities		**168,904**	**147,537**
Non current liabilities			
Deferred tax liability	4	37,666	37,666
Total non current liabilities		**37,666**	**37,666**
Total liabilities		**206,571**	**185,203**
Net assets		**1,475,050**	**1,383,856**
Equity			
Issued capital	12	1,062,849	1,062,849
Retained earnings	13	324,314	233,120
Asset revaluation reserve		87,887	87,887
Total equity		**1,475,050**	**1,383,856**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2014

	Notes	Issued capital $	Retained earnings $	Revaluation reserve $	Total equity $
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**
Balance at 1 July 2013		**1,062,849**	**233,120**	**87,887**	**1,383,856**
Total comprehensive income for the year		-	177,021	-	177,021
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 2014		**1,062,849**	**324,314**	**87,887**	**1,475,050**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		2,260,880	2,280,023
Payments to suppliers and employees		(1,936,517)	(2,002,368)
Interest received		3,806	2,595
Income tax paid		(55,056)	(102,002)
Net cash provided by/(used in) operating activities	**14**	**273,113**	**178,248**
Cash flows from investing activities			
Purchase of property, plant & equipment		(6,859)	(8,474)
Purchase of intangible assets		-	(11,537)
Net cash flows from/(used in) investing activities		**(6,859)**	**(20,011)**
Cash flows from financing activities			
Dividends paid		(85,827)	(85,827)
Net cash provided by/(used in) financing activities		**(85,827)**	**(85,827)**
Net increase/(decrease) in cash held		**180,427**	**72,410**
Cash and cash equivalents at beginning of financial year		155,252	82,842
Cash and cash equivalents at end of financial year	**6**	**335,680**	**155,252**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2014

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

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

The financial statements were authorised for issue by the Directors on 25 September 2014.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

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

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

Economic dependency

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

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

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank®** branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency (continued)

- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

(b) Income tax

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

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

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

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

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

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

(c) Fair value of assets and liabilities

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

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

(c) Fair value of assets and liabilities (continued)

The fair value of the liabilities and the entity's own equity instruments may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted, and where significant, are detailed in the respective note to the financial statements.

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

Freehold land and buildings are carried at their fair value (being the amount for which an asset could be exchanged between knowledgably, willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss. 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.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Freehold land and buildings are measured at cost and therefore are carried at cost less accumulated depreciation and any accumulated impairment. In the even the carrying amount of land and buildings is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

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

<u>Plant and equipment</u>

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses related to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

<u>Depreciation</u>

The depreciable amount of all fixed assets, is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Note 1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Depreciation (continued)

The depreciation rates used for each class of depreciable asset are:

Class of asset	Depreciation rate
Buildings	3%
Leasehold improvements	8%
Plant & equipment	33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An assets' carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount.

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

(e) Impairment of assets

At each reporting period, the company assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(f) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

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

(g) Employee benefits

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

Note 1. Summary of significant accounting policies (continued)

(g) Employee benefits (continued)

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations.

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

(h) 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 Profit or Loss and Other Comprehensive Income.

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within 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.

(j) 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, dividend and fee revenue is recognised when earned.

All revenue is stated net of the amount of goods and services tax (GST).

(k) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Note 1. Summary of significant accounting policies (continued)

(l) Trade and other payables

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

(m) New accounting standards for application in future periods

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

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

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

This Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impractical at this stage to provide a reasonable estimate of such impact.

(ii) AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the company's financial statements.

(iii) AASB 2013-3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the company's financial statements.

(n) New and amended accounting policies adopted by the company

Employee benefits

The company adopted AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) from the mandatory application date of 1 January 2013. The company has applied these Standards retrospectively in accordance with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors and the transitional provisions of AASB 119 (September 2011).

For the purpose of measurement, AASB 119 (September 2011) defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. In accordance with AASB 119 (September 2011), provisions for short-term employee benefits are measured at the (undiscounted) amounts expected to be paid to employees when the obligation is settled, whereas provisions that do not meet the criteria for classification as short-term (other long-term employee benefits) are measured at the present value of the expected future payments to be made to employees.

Note 1. Summary of significant accounting policies (continued)

(n) New and amended accounting policies adopted by the company (continued)

Employee benefits (continued)

As the company expects that all of its employees would use all of their annual leave entitlements earned during a reporting period before 12 months after the end of the reporting period, adoption of AASB 119 (September 2011) did not have a material impact on the amounts recognised in respect of the company's employee provisions. Note also that adoption of AASB 119 (September 2011) did not impact the classification of leave entitlements between current and non-current liabilities in the company's financial statements.

AASB 119 (September 2011) also introduced changes to the recognition and measurement requirements applicable to termination benefits and defined benefit plans. As the company did not have any of these types of obligations in the current or previous reporting periods, these changes did not impact the company's financial statements.

Fair value measurement

The company has applied AASB 13: Fair Value Measurement and the relevant consequential amendments arising from the related Amending Standards prospectively from the mandatory application date of 1 January 2013 and in accordance with AASB 108 and the specific transitional requirements in AASB 13.

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

No material adjustments to the carrying amounts of any of the company's assets or liabilities were required as a consequence of applying AASB 13. Nevertheless, AASB 13 requires enhanced disclosures regarding assets and liabilities that are measured at fair value and fair values disclosed in the company's financial statements.

(o) Loans and borrowings

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

(p) 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.

(q) 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.

(r) 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)

(s) 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:

<u>Estimation of useful lives of assets</u>

The company determines the estimated useful lives and related depreciation and amortisation changes 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.

<u>Fair value assessment of non-current physical assets</u>

The new AASB 13 Fair Value standard requires fair value assessments that may involved both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

<u>Employee benefits provision</u>

Assumptions required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. Treatment of leave under updated AASB 119 standard.

<u>Income tax</u>

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.

<u>Impairment</u>

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

(t) Financial instruments

<u>Initial recognition and measurement</u>

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.

<u>Classification and subsequent measurement</u>

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

Note 1. Summary of significant accounting policies (continued)

(t) Financial instruments (continued)

Classification and subsequent measurement (continued)

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

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability.

(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

A financial asset (or group of financial assets) 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(s).

In the case of financial assets carried at amortised cost loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency on interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial asset is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

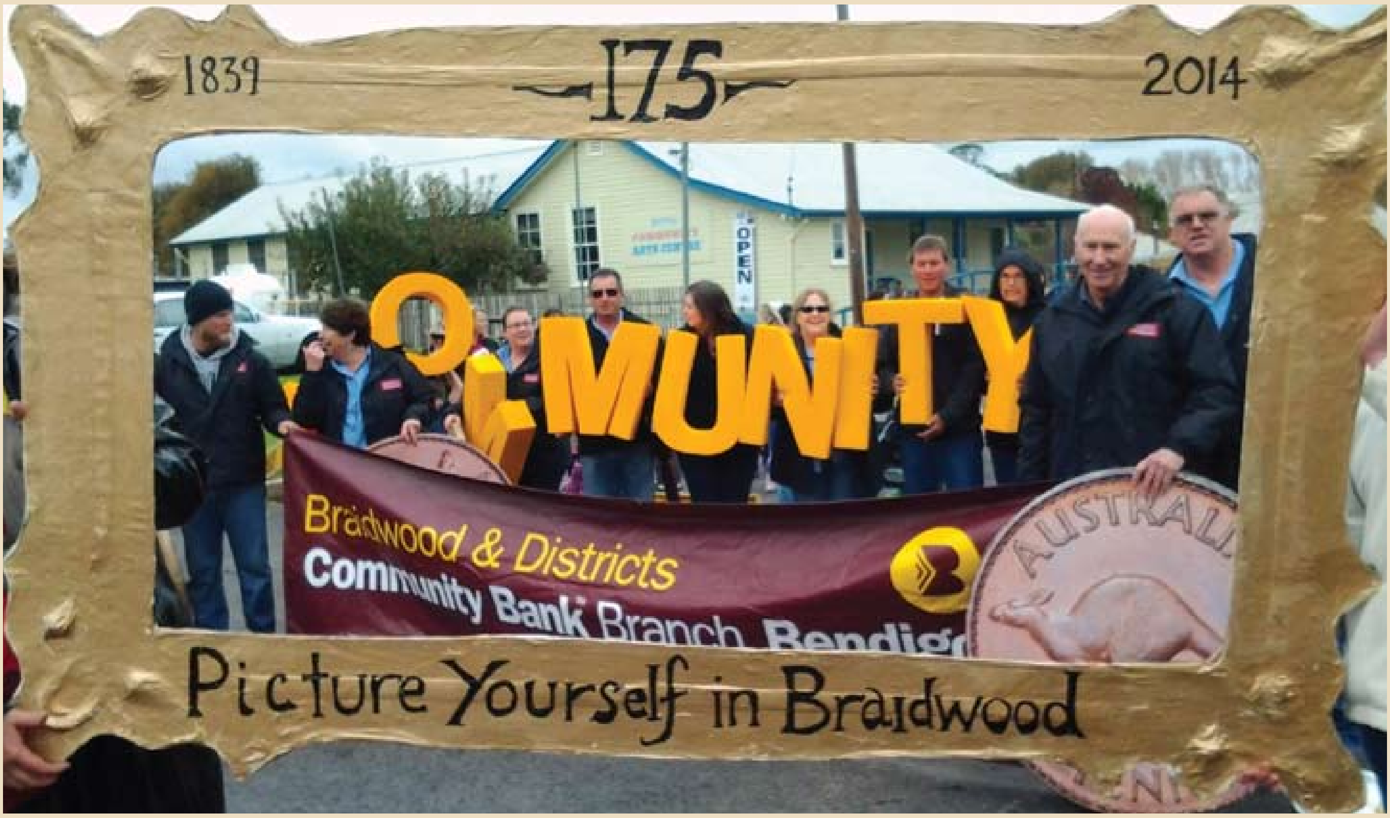
Derecognition of financial instruments

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.

Braidwood sponsorships

Clockwise from above: A sea of marquees proudly donated by Braidwood **Community Bank**® Branch; Foot races at the annual Braidwood Show; Combined horse extravaganza weekend; Youth Week in Ryrie Park; Ballalaba to Badja Launch; The Lions Club Braidwood **Community Bank**® Branch Annual Billy Cart Derby; Snowy Hydro SouthCare visit following large corporate sponsorship.

Celebrating the 175th Anniversary of the fou



ndation of Braidwood

Opposite page clockwise from top left: Heritage Paver project, Ryrie Park Braidwood; Heritage Parade lines up; Braidwood Historical Society joins in the celebrations; The 2014 Braidwood Heritage Parade; NSW Governor, Marie Bashir with Palerang Financial Services Chairman, Shane Holness.

This page clockwise from below: Braidwood Heritage Parade, the Bullock team; The Braidwood Men's Shed Restoration and Display; Clarke Brothers Bushrangers making a 'withdrawal'; The Braidwood Folk Club Heritage Parade Float; Maypole Dance, Heritage Fair 2014.

Bungendore sponsorships

Clockwise from above: Donation to the Bungendore Country Women's Association; Bungendore Community Gardens; Wamboin Shade Sail Project; War Memorial plaque map; Bike Racks at Bungendore Public School; Bungendore **Community Bank**® Branch staff; The Palerang United Soccer Club.

	2014 $	2013 $

Note 2. Revenue and other income

	2014 $	2013 $
Revenue		
- services commissions	2,068,797	2,072,874
	2,068,797	**2,072,874**
Other revenue		
- interest received	3,806	2,595
	3,806	**2,595**
Total revenue	**2,072,603**	**2,075,469**

Note 3. Expenses

	2014 $	2013 $
Employee benefits expense		
- wages and salaries	748,929	709,183
- superannuation costs	82,423	69,942
- other costs	22,132	59,597
	853,485	**838,722**
Depreciation of non-current assets:		
- Depreciation	71,498	95,616
Amortisation of non-current assets:		
- intangible assets	4,621	4,622
	76,120	**100,238**
Bad debts	407	2,699

Note 4. Tax expense

	2014 $	2013 $
a. The components of tax expense/(income) comprise		
- current tax expense/(income)	78,160	52,452
- deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-
- adjustments for under/(over)-provision of current income tax of previous years	(457)	-
	77,703	**52,452**

	2014 $	2013 $

Note 4. Tax expense (continued)

b. The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:

Prima facie tax on profit/(loss) before income tax at 30% (2013: 30%)	76,417	53,754
Add tax effect of:		
- Adjustments in respect of current income tax of previous year	(457)	-
- Utilisation of previously unrecognised carried forward tax losses	-	(3,170)
- Non-deductible expenses	1,743	1,868
Current income tax expense	**77,703**	**52,452**
Income tax attributable to the entity	**77,703**	**52,452**
The applicable weighted average effective tax rate is	30.50%	29.27%
Current tax asset / (liability)		
Current tax receivable / (payable)	**(9,067)**	**13,580**
Deferred tax liability		
Relating to asset revaluation	**37,666**	**37,666**

The applicable income tax rate is the Australian Federal tax rate of 30% (2013: 30%) applicable to Australian resident companies.

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report	4,450	4,430
- Share registry services	5,473	4,462
	9,923	**8,892**

Note 6. Cash and cash equivalents

Cash at bank and on hand	335,680	155,252
	335,680	**155,252**

Note 7. Trade and other receivables

Current		
Trade debtors	204,362	189,389
	204,362	**189,389**

Note 7. Trade and other receivables (continued)

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 7. The main sources of credit risk to the company are considered to relate to the classes of assets described as trade and other receivables and "loans".

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	
2014						
Trade receivables	204,362	-	-	-	-	204,362
Total	**204,362**	**-**	**-**	**-**	**-**	**204,362**
2013						
Trade receivables	189,389	-	-	-	-	189,389
Total	**189,389**	**-**	**-**	**-**	**-**	**189,389**

Note 8. Property, plant and equipment

	2014 $	2013 $
Land		
At valuation	252,021	252,021
	252,021	**252,021**
Buildings		
At valuation	675,833	675,833
Less accumulated depreciation	(43,408)	(31,147)
	632,425	**644,686**
Leasehold improvements - Braidwood		
At cost	133,270	126,410
Less accumulated depreciation	(116,377)	(105,959)
	16,892	**20,451**

	2014 $	2013 $
Note 8. Property, plant and equipment (continued)		
Leasehold improvements - Bungendore		
At cost	222,994	222,994
Less accumulated depreciation	(98,669)	(81,944)
	124,325	**141,050**
Total leasehold improvements	**141,217**	**161,501**
Plant and equipment		
At cost	187,490	187,489
Less accumulated depreciation	(83,126)	(62,808)
	104,365	**124,681**
Motor vehicles		
At cost	58,019	58,019
Less accumulated depreciation	(58,019)	(46,240)
	-	**11,779**
Total written down amount	**1,130,028**	**1,194,667**
Movements in carrying amounts		
Land		
Balance at the beginning of the reporting period	252,021	180,621
Additions	-	-
Disposals	-	-
Transfers in from Buildings	-	71,400
Balance at the end of the reporting period	**252,021**	**252,021**
Buildings		
Balance at the beginning of the reporting period	644,685	796,091
Additions	-	-
Disposals	-	-
Transfer to Land		(71,400)
Transfer to Plant And Equipment		(60,979)
Depreciation expense	(12,261)	(19,027)
Balance at the end of the reporting period	**632,424**	**644,685**

	2014 $	2013 $

Note 8. Property, plant and equipment (continued)

Leasehold improvements - Braidwood		
Balance at the beginning of the reporting period	20,451	30,869
Additions	6,859	-
Disposals	-	-
Depreciation expense	(10,418)	(10,418)
Balance at the end of the reporting period	**16,892**	**20,451**
Leasehold improvements - Bungendore		
Balance at the beginning of the reporting period	141,050	157,775
Additions	-	-
Disposals	-	-
Depreciation expense	(16,725)	(16,725)
Balance at the end of the reporting period	**124,325**	**141,050**
Plant and equipment		
Balance at the beginning of the reporting period	124,681	91,618
Additions	-	8,474
Disposals	-	-
Transfers In from Building		60,979
Depreciation expense	(20,316)	(36,390)
Balance at the end of the reporting period	**104,365**	**124,681**
Motor vehicles		
Balance at the beginning of the reporting period	11,777	24,835
Additions	-	-
Disposals	-	-
Depreciation expense	(11,777)	(13,058)
Balance at the end of the reporting period	**-**	**11,777**

Note 9. Intangible assets

Franchise fee		
At cost	93,107	93,107
Less accumulated amortisation	(81,557)	(76,936)
	11,550	**16,171**

	2014 $	2013 $

Note 9. Intangible assets (continued)

Movements in carrying amounts

Franchise fee		
Balance at the beginning of the reporting period	16,171	9,256
Additions	-	11,537
Disposals	-	-
Amortisation expense	(4,621)	(4,622)
Balance at the end of the reporting period	**11,550**	**16,171**

Note 10. Trade and other payables

Current

Unsecured liabilities:		
Trade creditors	70,706	64,216
	70,706	**64,216**

Note 11. Provisions

Employee benefits	**89,131**	**83,321**
Movement in employee benefits		
Opening balance	83,321	77,353
Additional provisions recognised	56,876	54,556
Amounts utilised during the year	(51,066)	(48,588)
Closing balance	**89,131**	**83,321**
Current		
Annual leave	34,105	32,219
Long Service Leave	55,026	51,102
Total provisions	**89,131**	**83,321**

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.

Note 11. Provisions (continued)

Provision for employee benefits (continued)

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.

	2014 $	2013 $
Note 12. Share capital		
1,062849 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.

(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 2014 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.

	2014 $	2013 $

Note 13. Retained earnings

	2014 $	2013 $
Balance at the beginning of the reporting period	233,120	192,220
Dividends payable	(85,827)	(85,827)
Profit/(loss) after income tax	177,021	126,727
Balance at the end of the reporting period	**324,314**	**233,120**

Note 14. Statement of cash flows

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

	2014 $	2013 $
Profit / (loss) after income tax	177,021	126,727
Non cash items		
- Depreciation	71,498	95,616
- Amortisation	4,621	4,622
Changes in assets and liabilities		
- (Increase) decrease in receivables	(1,393)	(930)
- Increase (decrease) in payables	15,557	(53,755)
- Increase (decrease) in provisions	5,810	5,968
Net cash flows from/(used in) operating activities	**273,113**	**178,248**

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.

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:

	2014	2013
Shane Holnes	2,000	2,000
Michael Andrews	200	200
Gemma Toleman	-	-
Karen Lenshinskas	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	-	-
	14,201	**14,201**

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), NSW. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2013: 100%).

Note 19. Company details

The registered office and 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 / (loss) 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 / (loss) 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:

	2014 $	2013 $
Profit/(loss) after income tax expense	**177,021**	**126,727**
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 (2013: 6.5 cents)	**85,827**	**85,827**
(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	273,876	271,195
- Franking credits that will arise from the payment / (refund) of income tax payable as at the end of the financial year	9,067	(8,562)
	282,943	**262,633**

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

Note 22. Fair value measurements

The company measures and recognises the following assets at fair value on a recurring basis after initial recognition:

- freehold land and buildings

The company subsequently measures some items of freehold land and buildings at fair value on a non-recurring basis.

The company does not subsequently measure any liabilities at fair value on a non-recurring basis.

Note 22. Fair value measurements (continued)

a. Fair value hierarchy

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

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

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

Valuation techniques

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

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

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

The following tables provide the fair values of the company's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

Note 22. Fair value measurements (continued)

a. Fair value hierarchy (continued)

Valuation techniques (continued)

	Note	30 June 2014			
		Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements					
Non-financial assets					
Freehold land and buildings		-	884,446	-	884,446
Freehold buildings		-	-	-	-
Total non-financial assets recognised at fair value on a recurring basis		**-**	**884,446**	**-**	**884,446**
Non-recurring fair value measurements		**-**	**-**	**-**	**-**

	Note	30 June 2014			
		Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements					
Non-financial assets					
Freehold land and buildings		-	896,707	-	896,707
Freehold buildings		-	-	-	-
Total non-financial assets recognised at fair value on a recurring basis		**-**	**896,707**	**-**	**896,707**
Non-recurring fair value measurements		**-**	**-**	**-**	**-**

There were no transfers between Level 1 and Level 2 for assets measured at fair value on a recurring basis during the reporting period (2013: no transfers).

b. Valuation techniques and inputs used to measure Level 2 fair values

Description	Fair value at 30 June 2014 $	Description of valuation techniques	Inputs used
93-95 Wallace Street, Braidwood	477,116	Market value approach using valuation of land and buildings at 30 June 2011	Registered valuer
1/33 Ellendon Street, Bugendore	407,330	Market value at purchase price 31 October 2011.	Real estate contact

Note 22. Fair value measurements (continued)

b. Valuation techniques and inputs used to measure Level 2 fair values (continued)

(i) The fair value of freehold land and buildings is determined at least every three years based on valuations by an independent valuer. At the end of each intervening period, the Directors review the independent valuation and, when appropriate, update the fair value measurement to reflect current market conditions using a range of valuation techniques, including recent observable market data and discounted cash flow methodologies.

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

Note 23. 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	2014 $	2013 $
Financial assets			
Cash and cash equivalents	6	335,680	155,252
Trade and other receivables	7	204,362	189,389
Total financial assets		**540,042**	**344,641**
Financial liabilities			
Trade and other payables	10	70,706	64,216
Total financial liabilities		**70,706**	**64,216**

<u>Financial risk management policies</u>

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

<u>Specific financial risk exposure and management</u>

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(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. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

Note 23. Financial risk management (continued)

(a) Credit risk (continued)

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 (2013: 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.

	2014 $	2013 $
Cash and cash equivalents:		
A rated	**335,680**	**155,252**

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

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

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis:

30 June 2014	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due					
Trade and other payables	10	70,706	70,706	-	-
Total expected outflows		**70,706**	**70,706**	**-**	**-**
Financial assets - realisable					
Cash & cash equivalents	6	335,680	335,680	-	-
Trade and other receivables	7	204,362	204,362	-	-
Total anticipated inflows		**540,042**	**540,042**	**-**	**-**
Net (outflow)inflow on financial instruments		**469,336**	**469,336**	**-**	**-**

30 June 2013	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
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 on financial instruments		**280,425**	**280,425**	**-**	**-**

(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.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

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

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis

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

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

	Profit $	Equity $
Year ended 30 June 2014		
+/- 1% in interest rates (interest income)	3,357	3,357
	3,357	**3,357**
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	1,553	1,553
	1,553	**1,553**

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, as set out on pages 10 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 2014 and of the performance for the year ended on that date;

2 in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Shane Holness
Director

Signed at Braidwood on 25 September 2014.

Independent audit report

Richmond Sinnott & Delahunty
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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 2014, 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.

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 2014 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 & DELAHUNTY
Chartered Accountants

P. P. Delahunty

P. P. Delahunty
Partner

Dated at Bendigo, 25th September 2014

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