

Paynesville & District Financial Services Ltd
ABN 80 115 308 015
Condensed Income Statement
For the Six Months ended 31 December 2005

| | 31 December 2005 \$ |
|---|------------------------------------|
| Revenues from ordinary activities | 9,910 |
| Salaries and employee benefits expense | (29,429) |
| Occupancy and associated costs | (28) |
| Depreciation and amortisation expense | (2,096) |
| Other expenses from ordinary activities | (7,056) |
| Profit from ordinary activities before income tax | (28,699) |
| Income tax expense relating to ordinary activities | (8,610) |
| Profit from ordinary activities after related income tax | (20,089) |
| Profit attributable to members of the entity | (20,089) |

The accompanying notes form part of these financial statements

Paynesville & District Financial Services Ltd
ABN 80 115 308 015
Condensed Balance Sheet
As at December 2005

| | 31-Dec 2005 \$ |
|--------------------------------------|-------------------------------|
| CURRENT ASSETS | |
| Cash | 510,258 |
| Receivables | 4,271 |
| Current tax benefit | 32,836 |
| Other | - |
| TOTAL CURRENT ASSETS | 547,365 |
| NON-CURRENT ASSETS | |
| Property, plant and equipment | 189,820 |
| Intangible assets | 9,898 |
| TOTAL NON-CURRENT ASSETS | 199,718 |
| TOTAL ASSETS | 747,083 |
| CURRENT LIABILITIES | |
| Payables | 725 |
| Interest-bearing liabilities | - |
| Current tax liabilities | - |
| Provisions | 4,541 |
| TOTAL CURRENT LIABILITIES | 5,266 |
| NON-CURRENT LIABILITIES | |
| Interest-bearing liabilities | - |
| TOTAL NON-CURRENT LIABILITIES | - |
| TOTAL LIABILITIES | 5,266 |
| NET ASSETS | 741,817 |
| EQUITY | |
| Contributed Equity | 761,906 |
| Retained Profits | (20,089) |
| TOTAL EQUITY | 741,817 |

The accompanying notes form part of these financial statements

Paynesville & District Financial Services Ltd
ABN 80 115 308 015
Condensed Statement of Changes in Equity
For the Six Months ended 31 December 2005

| | 31 December 2005 \$ |
|--|---------------------------|
| <u>Retained Earnings</u> | |
| Retained Earnings at the beginning of the period | 0 |
| Net profit/(loss) attributable to members of the parent entity | (20,089) |
| Dividends | 0 |
| Retained earnings at the end of the period | (20,089) |
| <u>Earnings</u> | |
| Net profit/(loss) attributable to members of the parent entity | (20,089) |
| Net income/expense recognised directly in equity | 0 |
| Total recognised income & expense for the period | (20,089) |
| <u>Share Capital</u> | |
| Share capital at the beginning of the period | 0 |
| Shares issued during the period (793,513 shares) | 793,513 |
| Less Equity raising costs | (31,607) |
| Share capital at the end of the period (793,513 shares) | 761,906 |

The accompanying notes form part of these financial statements.

Paynesville & District Financial Services Ltd
ABN 80 115 308 015
Condensed Cash Flow Statements
For the Six Months ended 31 December 2005

| | 31-Dec 2005 |
|--|-------------------------|
| | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers | 929 |
| Cash paid to suppliers and employees | (31,947) |
| Interest received | 4,024 |
| Interest paid | (26) |
| GST paid | (23,539) |
| Net Cash used by Operating Activities | <u>(50,559)</u> |
| CASH FROM INVESTING ACTIVITIES | |
| Payments for Property, Plant & Equipment | (191,814) |
| Payments for Intangibles | (10,000) |
| Loans received | 725 |
| Net Cash used In Investing Activities | <u>(201,089)</u> |
| CASH FROM FINANCING ACTIVITIES | |
| Equity raised | 761,906 |
| Net Cash provided in Financing Activities | <u>761,906</u> |
| Net Increase in Cash Held | 510,258 |
| Cash at the beginning of the financial year | 0 |
| Cash at the end of the half year | <u>510,258</u> |

The accompanying notes form part of these financial statements.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the company of Paynesville & District Financial Services Ltd. Paynesville & District Financial Services Ltd is a company limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Income Tax

The company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Impact of Adoption of Australian Equivalents to International Financial Reporting Standards

The company is preparing and managing the transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) effective for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the economic entity's financial statements for the year ending 30th June, 2006.

The company's management, along with its auditors, have assessed the significance of the expected changes and have prepared for their implementation.

The impact of the alternative treatments and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been considered where applicable.

- Impairment of Assets

Under AASB 136: Impairment of Assets, the recoverable amount of an asset is determined as the higher of fair value less costs to sell, and value in use. In determining value in use, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for the individual asset or at the 'cash generating unit' level. A 'cash generating unit' is determined as the smallest group of assets that generates cash flows, which are largely independent of the cash inflows from other assets or group of assets. The current policy is to determine the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. It is likely that this change in accounting policy will lead to impairments being recognised more often.

- Income Tax

Currently, Paynesville & District Financial Services Ltd adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred tax or future income tax benefit. Under AASB 112: Income Taxes, the entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

COMPILATION REPORT TO Paynesville & District Financial Services Ltd

Scope

On the basis of information provided by the Directors, we have compiled in accordance with APS 9 "Statement on Compilation of Financial Reports" the general purpose financial report of the client for the period ended 31st December, 2005.

The Directors are solely responsible for the information contained in the general purpose financial report.

Our procedures use accounting expertise to collect, classify and summarise the financial information, which the Directors provided, into a financial report. Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.

To the extent permitted by law, we do not accept liability for any loss or damage which any person, other than the company, may suffer arising from any negligence on our part. No person should rely on the general purpose financial report without having an audit or review conducted.

The general purpose financial report was prepared for the benefit of the company. We do not accept responsibility to any other person for the contents of the general purpose financial report.

Signed *BM* Date *20/3/06*

Brian McKail FCPA
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