

**Paynesville & District
Financial Services Limited**



2nd May 2006

Mr I Craig
Companies Manager
Bendigo Stock Exchange
P.O. Box 191
Flinders Lane Vic 8009

Dear Ian,

**Paynesville and District Financial Services Ltd (PDFS Ltd)
Half Yearly Financial Disclosures**

Attached are the following half yearly financial documents in respect of PDFS Ltd:

- Needham Ashley Independent Review Report to the Members of PDFS Ltd.
- Needham Ashley Auditors Independence Declaration under Section 307C of the Corporations Act 2001.
- PDFS Ltd Condensed Income Statement for the six months ended 31 December 2005.
- PDFS Ltd Director's Report, and
- PDFS Ltd Director's Declaration

Also attached is a statement highlighting variations in the unaudited/audited half year financials.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'J.C. Smellin', written over a circular scribble.

J.C. SMELLIN
Company Secretary
PDFS Ltd

Paynesville & District Financial Services Limited



PAYNESVILLE AND DISTRICT FINANCIAL SERVICES LTD
ABN 80115308015
VARIATIONS IN UNAUDITED/AUDITED
HALF YEARLY FINANCIALS FOR PERIOD ENDED 31 DECEMBER 2005

The Directors of Paynesville and District Financial Services Ltd advise the following changes in previously submitted unaudited Half Yearly financials for period ended 31 December 2005 and the audited financials attached. The company's auditor, Needham Ashley and Associates required these changes consequent on his audit.

Page 1 Condensed Income Statement

<u>Item</u>	<u>Change From</u>	<u>Change To</u>
Revenues from ordinary activities	9,910	12,244
Profit from ordinary activities before income tax	(28,699)	(26,365)
Income tax expenses relating to ordinary activities	(8,610)	(7,910)
Profit from ordinary activities after related income tax	(20,089)	(18,455)
Profit attributable to members of the entity	(20,089)	(18,455)

Page 2 Condensed Balance Sheet

<u>Item</u>	<u>Change From</u>	<u>Change To</u>
Current Assets		
Cash	510,258	512,592
Receivables	4,271	35,673
Current Tax Benefit	32,836	7,910
TOTAL CURRENT ASSETS	558,175	547,365
Non Current Assets		
Property, plant and equipment	189,820	182,644
TOTAL NON CURRENT ASSETS	199,718	192,542
TOTAL ASSETS	747,083	748,717
Current Liabilities		
Payables	725	5,266
Provisions	4,541	---
NET ASSETS	741,817	743,451
Equity		
Retained Profits	(20,089)	(18,455)
TOTAL EQUITY	741,817	743,451

Paynesville & District Financial Services Limited



Page 3 Condensed statement of changes in equity

<u>Item</u>	<u>Change From</u>	<u>Change To</u>
Retained Earnings		
Net profit/(loss) attributable to members of the parent entity	(20,089)	(18,455)
Earnings		
Net profit/(loss) attributable to members of the parent entity	(20,089)	(18,455)
Total recognised income and expense for The period	(20,089)	(18,455)

Page 4 Condensed Cash Flow Statement

<u>Item</u>	<u>Change From</u>	<u>Change To</u>
Cash flows from operating activities	(31,947)	(39,840)
Interest Received	4,024	6,358
GST Paid	(23,539)	(22,821)
Net Cash used by Operating Activities	(50,559)	(55,401)
Cash From Investing Activities		
Payments for Property, Plant & Equipment	(191,814)	(184,638)
Net Cash used in Investing Activities	(201,089)	(193,913)
Net Increase in Cash Held	510,258	512,592
Cash at the end of the half year	510,258	512,592

Yours faithfully,

J.C. SMELLIN
Company Secretary
Paynesville & District Financial Services Ltd
1 May 2006

**NEEDHAM
ASHLEY**
& ASSOCIATES PTY LTD

ACCOUNTANTS & ADVISORS

ABN 61 103 920 921

54 SERVICE STREET
BAIRNSDALE VIC 3075
AUSTRALIA
PHONE 61 3 5163 1600
FAX 61 3 5163 1612PO BOX 1300
BAIRNSDALE VIC 3075

admin@needhamashley.com.au

INDEPENDENT REVIEW REPORT**TO THE MEMBERS OF
PAYNESVILLE & DISTRICT FINANCIAL SERVICES LTD****Scope**

We have reviewed the financial report of Paynesville & District Financial Services Ltd for the half year ended 31 December 2005 as set out on pages 1 – 4. The company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard ASSB 134: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to enquires of personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly do no express and audit opinion.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Paynesville & District Financial Services Ltd is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 31 December 2005 and of its performance for the half year ended on that date; and
 - (ii) company with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Needham Ashley & Associates Pty Ltd
Needham Ashley & Associates Pty Ltd

R L Needham
Partner

Dated this 19th day of April 2006.
Bairnsdale

**NEEDHAM
ASHLEY**
& ASSOCIATES PTY LTD

ACCOUNTANTS & ADVISORS

ABN 51 103 820 821

54 SERVICE STREET
BAIRNSDALE VIC 3875
AUSTRALIA
PHONE 61 3 5153 1000
FAX 61 3 5153 1012PO BOX 1300
BAIRNSDALE VIC 3875

admin@needhamashley.com.au

PAYNESVILLE & DISTRICT FINANCIAL SERVICES LTD
ABN 80 115 308 015**Auditor's Independence Declaration under Section 307C**
of the Corporations Act 2001

To the Directors of Paynesville & District Financial Services Ltd

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2005 there have been:

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


Needham Ashley & Associates Pty LtdR L Needham
PartnerDated this 19th day of April 2006.
Bairnsdale

-/-

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	12,244
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	(26,365)
Income tax expense relating to ordinary activities	(7,910)
Profit from ordinary activities after related income tax	(18,455)
Profit attributable to members of the entity	(18,455)

The accompanying notes form part of these financial statements.

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

	31-Dec 2005 \$
CURRENT ASSETS	
Cash	512,592
Receivables	35,673
Current tax benefit	7,910
Other	-
TOTAL CURRENT ASSETS	<u>556,175</u>
NON-CURRENT ASSETS	
Property, plant and equipment	182,644
Intangible assets	9,898
TOTAL NON-CURRENT ASSETS	<u>192,542</u>
TOTAL ASSETS	<u>748,717</u>
CURRENT LIABILITIES	
Payables	5,266
Interest-bearing liabilities	-
Current tax liabilities	-
Provisions	-
TOTAL CURRENT LIABILITIES	<u>5,266</u>
NON-CURRENT LIABILITIES	
Interest-bearing liabilities	-
TOTAL NON-CURRENT LIABILITIES	<u>-</u>
TOTAL LIABILITIES	<u>5,266</u>
NET ASSETS	<u>743,451</u>
EQUITY	
Contributed Equity	761,906
Retained Profits	(18,455)
TOTAL EQUITY	<u>743,451</u>

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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	(18,455)
Dividends	0
	(18,455)
Retained earnings at the end of the period	
<u>Earnings</u>	
Net profit/(loss) attributable to members of the parent entity	(18,455)
Net income/expense recognised directly in equity	0
	(18,455)
Total recognised income & expense for the period	
<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)
	761,906
Share capital at the end of the period (793,513 shares)	

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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	(39,840)
Interest received	6,358
Interest paid	(26)
GST paid	(22,821)
Net Cash used by Operating Activities	(55,401)
CASH FROM INVESTING ACTIVITIES	
Payments for Property, Plant & Equipment	(184,638)
Payments for Intangibles	(10,000)
Loans received	725
Net Cash used in Investing Activities	(193,913)
CASH FROM FINANCING ACTIVITIES	
Equity raised	761,906
Net Cash provided in Financing Activities	761,906
Net Increase in Cash Held	612,592
Cash at the beginning of the financial year	0
Cash at the end of the half year	612,592

Paynesville & District Financial Services Ltd
ABN 80 115 308 015

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 1 - 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.

Paynesville & District Financial Services Ltd

ABN 80 115 308 015

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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.

2. Events Subsequent to Reporting Date

There have been no events subsequent to reporting date that would materially affect the financial statements at the reporting date.

3. Segment Reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Paynesville & District.

PAYNESVILLE & DISTRICT FINANCIAL SERVICES LTD
80 115 308 015

DIRECTORS' REPORT

Your directors present their report on the company for the financial period ended 31 December 2005.
The names of the directors in office at any time during or since the end of the period are:

Geoffrey Douglas Brooks
Mervyn John Wiggs
David Stephen Bowman
Ellen Ruth Wilson
Stephen Joseph Hall
Robert Emerson Graham Rees
Gerard Squire Veitch
John Charles Smellin
Andrew Charles Quirke
Mark Anthony Kenney
Rhonda Miriam Fisher
Meaghan Elizabeth Quinn
Donald William Blainey

The directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

The loss of the company for the financial period after providing for income tax amounted to \$18,455.

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

The principal activities of the company during the financial period were in providing community banking services under management rights to operate a franchised branch of Bendigo Bank Ltd..

No significant change in the nature of these activities occurred during the period.

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the entity, the result of those operations, or the state of affairs of the entity in future financial periods.

Likely developments in the operations of the entity and the expected results of those operations in future financial periods have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the entity.

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

No dividends were paid during the period and no recommendation is made as to the dividends.

The directors do not recommend the payment of a dividend.

No options over issued shares or interests in the company were granted during or since the end of the financial period and there were no options outstanding at the date of this report.

No indemnities have been given or insurance premiums paid, during or since the end of the financial period, for any person who is or has been an officer or auditor of the company.

Signed in accordance with a resolution of the Board of Directors:

Director:



Geoffrey Douglas Brooks

Director:



~~Mervyn John Wiggs~~ DAVID S. BOWMAN

Dated this 19th day of April 2006

**PAYNESVILLE & DISTRICT FINANCIAL SERVICES LTD
80 115 308 015**

DIRECTORS' DECLARATION

The directors of the company declare that:

- 1. The financial statements and notes present fairly the company's financial position as at 31 December 2005 and its performance for the period ended on that date in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;
- 2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director:



Geoffrey Douglas Brooks

Director:



Mervyn John Wiggs

DAVID S BOWMAN -

Dated this 19th day of April 2006