

INDEPENDENT AUDIT REPORT

To the Members of Paynesville & District Financial Services Ltd

Scope

The Financial Report and Director's Responsibility

The financial report comprises the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, Notes to the Financial Report and the Directors' Declaration for Paynesville & District Financial Services Ltd (the company) for the year ended 30 June 2006.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material aspects, the financial report is presented fairly in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional reporting requirements in Australia, so as to present a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- (a) examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- (b) assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

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

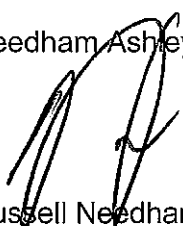
In accordance with ASIC Class Order 05/83 we declare to the best of our knowledge and belief that the auditor's independence declaration has not changed as at the date of providing our audit opinion.

Audit Opinion

In our opinion, the financial report of Paynesville & District Financial Services Ltd

- gives a true and fair view of the financial position of Paynesville & District Financial Services Ltd as at 30 June 2006, and of its performance for the year ended on that date; and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia.

Needham Ashley & Associates Pty Ltd



Russell Needham
Partner

Bairnsdale

27 September 2006.

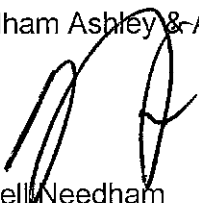
PAYNESVILLE & DISTRICT FINANCIAL SERVICES LIMITED
ACN 115 308 015

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 2006 there have been:

- (i) no contraventions of the auditor's 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.

Needham Ashley & Associates Pty Ltd


Russell Needham
Partner

Dated this 27th day of September 2006.
Bairnsdale

PAYNESVILLE & DISTRICT FINANCIAL SERVICES LTD
ACN: 115 308 015

INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2006

		2006 \$	2005 \$
	<u>Notes</u>		
Revenues from ordinary activities	2	101,733	-
Salaries and employee benefits expense		(148,406)	-
Depreciation and amortisation expense	3	(57,288)	-
Borrowing costs expense		-	-
Other expenses from ordinary activities		<u>(73,649)</u>	<u>-</u>
Profit/(Loss) before income tax expense		(177,610)	-
Income tax expense	4	<u>40,168</u>	<u>-</u>
Profit/(Loss) attributable to members of the entity		<u>(137,442)</u>	<u>-</u>

PAYNESVILLE & DISTRICT FINANCIAL SERVICES LTD
ACN: 115 308 015

BALANCE SHEET AS AT 30 JUNE 2006

	<u>Notes</u>	2006 \$	2005 \$
Current Assets			
Cash and cash equivalents	6	440,268	-
Trade and other receivables	7	19,637	-
Deferred tax asset	4	40,168	-
		<hr/>	<hr/>
Total Current Assets		500,073	-
Non-Current Assets			
Property, plant and equipment	8	218,136	-
Intangible assets	9	8,899	-
		<hr/>	<hr/>
Total Non Current Assets		227,035	--
Total Assets		727,108	-
		<hr/>	<hr/>
Current Liabilities			
Trade and other payables	10	59,869	-
Short term borrowings	11	159	-
Current Tax Liabilities	4	-	-
Short term provisions	12	11,009	-
		<hr/>	<hr/>
Total Current Liabilities		71,037	-
Net Assets		656,071	-
		<hr/> <hr/>	<hr/> <hr/>
Equity			
Issued capital	13	793,513	-
Retained Profits/ (Accumulated Losses)	14	(137,442)	-
		<hr/>	<hr/>
Total Equity		656,071	-
		<hr/>	<hr/>

PAYNESVILLE & DISTRICT FINANCIAL SERVICES LTD
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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$	2005 \$
	<u>Notes</u>	
Cash Flows From Operating Activities		
Cash receipts in the course of operations	72,310	-
Cash payments in the course of operations	(159,194)	-
Interest paid	-	-
Interest received	17,962	-
Income tax paid	-	-
Net cash flows from/(used in) operating activities	15b <u>(68,922)</u>	<u>-</u>
Cash Flows From Investing Activities		
Payment for Intangible assets	(41,607)	-
Payments for Property, Plant and Equipment	(242,716)	-
Net cash flows from/(used in) investing activities	<u>(284,323)</u>	<u>-</u>
Cash Flows From Financing Activities		
Proceeds from issue of shares	793,513	-
Net cash flows from/(used in) financing activities	<u>793,513</u>	<u>-</u>
Net increase/(decrease) in cash held	<u>440,268</u>	<u>-</u>
Cash at the beginning of the financial year	-	-
Cash at end of the financial year	15a <u>440,268</u>	<u>-</u>

PAYNESVILLE & DISTRICT FINANCIAL SERVICES LTD
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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

Paynesville & District Financial Services Ltd has prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

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.

(a) Income Tax

Income tax has been brought to account using the liability method of tax effect accounting whereby 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 expenses 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.

(b) Goods and Services Tax

Revenues, expenses and assets are recognized net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognized as part of the cost of acquisition of the asset or as part of the expenses.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis.

The GST components of cash flows arising from investing and financial activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

PAYNESVILLE & DISTRICT FINANCIAL SERVICES LTD
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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2006

(c) Employee Benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charges against income as incurred.

(d) Property, Plant and Equipment

Property, plant and equipment are brought to account at cost or at independent directors' valuation, less, where applicable, any accumulated depreciation or amortization. Items of property, plant and equipment, including buildings but excluding freehold land, are depreciated over their useful life to the entity commencing from the date of acquisition/revaluation.

Class of Asset	Depreciation Rate
Computers	40%
Plant & Equipment	20%

(e) Intangibles

Franchise costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. Equity raising costs have been amortised in the first full period of operation.

(f) Cash

Cash on hand and in banks are stated at nominal value.

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.

(g) Comparative Figures

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

(h) Revenue

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

PAYNESVILLE & DISTRICT FINANCIAL SERVICES LTD
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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2006

(i) Receivables and Payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognized and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

(j) Interest Bearing Liabilities

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

(k) Provisions

Provisions are recognized when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognized as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

NOTE 2 – REVENUE FROM ORDINARY ACTIVITIES	2006	2005
	\$	\$
<u>Operating activities</u>		
- services commissions	83,335	-
- other revenue	436	-
<u>Non-operating activities:</u>		
- interest received	17,962	-
- rental revenue	-	-
	<u>101,733</u>	<u>-</u>

NOTE 3 - EXPENSES

Borrowing expenses:

- interest paid

	-	-
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Depreciation of non-current assets:

- plant and equipment	10,557	-
- buildings	14,023	-

Amortisation of non-current assets:

- intangibles - franchise fees	1,101	-
- intangibles - equity raising	<u>31,607</u>	<u>-</u>
	<u>57,288</u>	<u>-</u>

PAYNESVILLE & DISTRICT FINANCIAL SERVICES LTD
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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2006

NOTE 4 – INCOME TAX EXPENSES	2006	2005
	\$	\$
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) from ordinary activities at 30%	(53,283)	-
Add tax effect of:		
- Non-deductible expenses	13,115	-
- Prior year tax losses not previously brought to account	-	-
- Future income tax benefit not brought to account	(53,283)	-
Income tax expense on operating profit/(loss)	<u>(40,168)</u>	<u>-</u>
Tax liabilities		
Current tax payable	<u>-</u>	<u>-</u>
Deferred Tax Assets		
Future income tax benefit carried forward is:	<u>40,168</u>	<u>-</u>
 NOTE 5 - AUDITOR'S REMUNERATION		
Amounts received or due and receivable by Needham Ashley & Associates for:		
- audit or review of the financial report of the company	<u>830</u>	<u>-</u>
	<u>830</u>	<u>-</u>
 NOTE 6 – CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	<u>440,268</u>	<u>-</u>
 NOTE 7 – TRADE AND OTHER RECEIVABLES		
GST receivables	-	-
Trade debtors	<u>19,637</u>	<u>-</u>
	<u>19,637</u>	<u>-</u>

PAYNESVILLE & DISTRICT FINANCIAL SERVICES LTD
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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$	2005 \$
NOTE 8 - PROPERTY, PLANT AND EQUIPMENT		
<i>Land</i>		
Freehold land at cost	-	-
<i>Buildings</i>		
At cost	136,363	-
Less accumulated depreciation	(14,023)	-
	122,340	-
<i>Plant and equipment</i>		
At cost	106,353	-
Less accumulated depreciation	(10,557)	-
	95,796	-
Total written down amount	218,136	-
Movements in carrying amounts		
<i>Building</i>		
Carrying amount at beginning of year	-	-
Additions	136,363	-
Disposals	-	-
Depreciation expense	(14,023)	-
Carrying amount at end of year	122,340	-
<i>Plant and equipment</i>		
Carrying amount at beginning of year	-	-
Additions	106,353	-
Disposals	-	-
Depreciation expense	(10,557)	-
Carrying amount at end of year	95,796	-

PAYNESVILLE & DISTRICT FINANCIAL SERVICES LTD
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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2006

	2006	2005
	\$	\$
NOTE 9 - INTANGIBLE ASSETS		
<i>Franchise Fee</i>		
At cost	10,000	-
Less accumulated amortisation	<u>(1,101)</u>	<u>-</u>
	<u>8,899</u>	<u>-</u>
 <i>Preliminary Expenses</i>		
At cost	31,607	-
Less accumulated amortisation	<u>(31,607)</u>	<u>-</u>
	<u>-</u>	<u>-</u>
 NOTE 10 – TRADE AND OTHER PAYABLES		
Trade creditors	8,367	-
Other creditors and accruals	51,502	-
Other	<u>-</u>	<u>-</u>
	<u>59,869</u>	<u>-</u>
 NOTE 11 – SHORT TERM LIABILITIES		
Bank overdraft	-	-
Bank loan – secured	-	-
Business credit card	<u>159</u>	<u>-</u>
	<u>159</u>	<u>-</u>
 NOTE 12 – SHORT TERM PROVISIONS		
Employee benefits	<u>11,009</u>	<u>-</u>
Number of employees at year end	6	
 NOTE 13 – ISSUED CAPITAL		
793,513 ordinary shares fully paid of \$1 each	<u>793,513</u>	<u>-</u>

PAYNESVILLE & DISTRICT FINANCIAL SERVICES LTD
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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$	2005 \$
NOTE 14 – RETAINED PROFITS/(ACCUMULATED LOSSES)		
Balance at the beginning of the financial year	-	-
Net profit/(loss) from ordinary activities after income tax	(137,442)	-
Dividends	-	-
Balance at the end of the financial year	<u>(137,442)</u>	<u>-</u>
NOTE 15 – STATEMENT OF CASHFLOWS		
(a) Reconciliation of cash		
Cash assets	440,268	-
Bank overdraft	-	-
	<u>440,268</u>	<u>-</u>
(b) Reconciliation of profit from ordinary activities after tax to net cash provided from/(used in) operating activities		
Profit from ordinary activities after income tax	(137,442)	-
Non cash items	-	-
- Depreciation	24,580	-
- Amortisation	32,708	-
Changes in assets and liabilities	-	-
- (Increase) decrease in receivables	(19,637)	-
- Increase (decrease) in payables	60,028	-
- Increase (decrease) in employee benefits	11,009	-
- (Increase) decrease in deferred tax asset	<u>(40,168)</u>	<u>-</u>
Net cashflows from/ (used in) operating activities	<u>68,922</u>	<u>-</u>

NOTE 16 – RELATED PARTY DISCLOSURES

The names of directors who have held office during the Financial year are:

John Smellin
Company Secretary
Age: 58
Business Proprietor

David Stephen Bowman
Age: 69
Retired
(Resigned 29 May 2006)

PAYNESVILLE & DISTRICT FINANCIAL SERVICES LTD
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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2006

Ellen Ruth Wilson
Age: 63
Caterer

Mervyn John Wigg
Age: 69
Retired

Robert Emerson Graham Rees
Age: 69
Retired

Gerard Squire Veitch
Age: 55
Business Proprietor

Mark Anthony Kenney
Age: 40
Business Proprietor

Geoffrey Douglas Brooks
Age: 58
Sales & Marketing Director

Andrew Charles Quirke
Age: 45
Business Proprietor

Rhonda Miriam Fisher
Age: 57
Retired
(Resigned 1 May 2006)

Stephen Joseph Hall
Age: 57
Businessman

Donald William Blainey
Age: 63
Retired

Meaghan Elizabeth Quinn
Age: 26
Secretary Receptionist
(Resigned 9 June 2006)

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

**PAYNESVILLE & DISTRICT FINANCIAL SERVICES LTD
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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2006

NOTE 17 – SUBSEQUENT EVENTS

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

NOTE 18 – CONTINGENT LIABILITIES

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

NOTE 19 – 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 and District.

NOTE 20 – REGISTERED OFFICE/PRINCIPAL PLACE OF BUSINESS

The registered office and principal place of business is:
61 The Esplanade, Paynesville, Vic, 3880.

PAYNESVILLE & DISTRICT FINANCIAL SERVICES LTD
ACN: 115 308 015

Directors' report 30¹ June 2006

Your Directors submit the financial report of the Company for the financial year ended 30 June 2006.

Directors

Geoffrey Douglas Brooks

Chairman

Age: 58

Occupation: Sales and Marketing

Experience and expertise: Director of local manufacturing and design business.

Previously, 25 years in the golf industry as a club manager, consultant and franchise owner.

Founding Director.

Other current Directorships: Director of Ferngully Investments Pty Ltd

Former directorships in last 3 years: NIL

Special responsibilities: Chairman of the Board

Interests in shares: 5,001 Ordinary Shares (5,000 held with related parties)

Donald William Blainey

Director

Age: 64

Occupation: Retired solicitor.

Experience and expertise:

Retired solicitor who ran the insurance law department in a large city firm.

Founding Director

Other current Directorships: Don Blainey

Superannuation Fund Pty Ltd

Former Directorships in the last 3 years: NIL

Special responsibilities: Deputy Chairman

Interests in shares: 501 Ordinary shares

David Stephen Bowman

Director (resigned 29 May 2006)

Age: 69

Occupation: Retired business owner

From 1984 until retiring in 2000 was owner of a wool handling business. Prior to this, was State Manager for a rural corporation based in Melbourne.

Founding Director.

Other Current Directorships: NIL

Former Directorships in last 3 years: NIL

Interests in Shares: 2,501 Ordinary Shares

Rhonda Miriam Fisher

Director: (resigned 1 May 2006)

Age: 58

Occupation: Business Proprietor

Experience and expertise: Recently commenced her own business. Previously

Directors' report 30 June² 2006

employed as a Travel Agent and has wide experience in the travel industry.

Founding Director

Other Current Directorships: NIL

Former Directorships in last 3 years: NIL

Interests in Shares: 5,001 Ordinary Shares

Mark Anthony Kenney

Director

Age: 40

Occupation: Business Proprietor

Owner/operator of Joinery business for the past 17 years.

Founding Director

Other Current Directorships: Director of Paynesville Joinery Pty Ltd

Former Directorships in last 3 years: NIL

Special responsibilities: Member of Properties & Facilities, Business and Development, and Marketing & Sponsorship committees

Interests in Shares: 10,001 Ordinary shares (10,000 held with related parties)

Stephen Joseph Hall

Director.

Age: 58

Occupation: Business Proprietor

Experience and expertise: Formerly a Primary school teacher and education consultant. Currently a business proprietor and member of the VACC.

Founding Director:

Other Current Directorships: NIL

Former Directorships in last 3 years: NIL

Special Responsibilities: Member of Business Development & Marketing and Sponsorship and Property and Facilities committees.

Interests in Shares: 15,001 Ordinary shares (10,000 held with related parties)

Meaghan Elizabeth Quinn

Director (resigned 9 June 2006)

Age: 26

Occupation: Secretary Receptionist

Experience and expertise: Employed for the past five and a half years by a real estate company as Secretary Receptionist.

Founding Director

Other Current Directorships: NIL

Former Directorships in last 3 years: NIL

Interests in Shares: 1 Ordinary Share

Andrew Charles Quirke

Director

Age: 45

Occupation: Business Proprietor

Experience and expertise: Co-owns and operates a local computer sales and service business.

Founding Director

Other current Directorships: NIL

Former Directorships in last 3 years: NIL

Directors' report 30 June³ 2006

Special responsibilities: Member of Secretarial and Governance committee
Interests in Shares: 3,001 Ordinary shares

John Charles Smellin

Director

Age: 58

Occupation: Business Proprietor

Experience and Expertise:

Substantial administrative experience in public and private sector. For past 17 years held positions as CEO and PEO of licensed clubs. Presently, the licensee of a hotel.

Founding Director

Other current Directorships:

Director of Mashjo Pty Ltd

Former Directorship in last 3 years: NIL

Special responsibilities: Company Secretary and Co-Ordinator of Secretarial and Governance committee.

Interests in Shares: 6,001 Ordinary shares (6,000 held with related parties)

Robert Emerson Graham Rees

Director

Age: 69

Occupation: Retired Merchant Banker and Management Consultant.

Experience and expertise:

Merchant Banker and Management Consultant with over 30 years experience.

Founding Director

Other current Directorships: NIL

Former Directorships in last 3 years: NIL

Special Responsibilities: Formerly the Company Secretary, now member of Secretarial and

Governance Committee. Member of

Marketing and Development, and Human Resources committees.

Interests in Shares: 5,001 Ordinary Shares

Gerard Squire Veitch

Age: 55

Occupation: Business Proprietor.

Experience and expertise:

Marine Engineer by profession and owns/operates a marine contracting and construction business.

Founding Director

Other current Directorships: Director of Gippsland Lakes Jetties Pty Ltd

Special Responsibilities: Member of Finance committee

Interests in Shares: 10,001 Ordinary shares (5,000 held with related parties)

Ellen Ruth Wilson

Age: 63

Occupation: Caterer

Experience and expertise:

A caterer by profession and tireless community worker involved in many

Directors' report 30 June⁴ 2006

voluntary activities for the Paynesville community.

Founding Director

Other current Directorships: NIL

Special Responsibilities: Member of Human Resource committee

Interests in Shares: 501 Ordinary shares

Founding Director

Other current Directorships: NIL

Former Directorships in the last 3 years: NIL

Special Responsibilities:

Treasurer and Co-ordinator Finance Committee.

Interests in shares: 5,001 Ordinary shares (5,000 held with related parties)

Mervyn John Wigg

Age: 69

Occupation: Retired

Experience and expertise:

Employed for 23 years in the retail furniture trade before serving 15 years at Traralgon City Council.

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

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

Company Secretary

The Company Secretary is John Charles Smellin. John was appointed to the position of Company Secretary on 27 February 2006. John is a founding Director and accepted appointment as Company Secretary following the resignation of Robert Rees. He is also a Director of Mashjo Pty Ltd, his business company.

Principal Activities

The principal activities of the Company during the course of the financial year were in providing community banking services under management rights to operate a franchised

Directors' report 30⁵ June 2006

Branch of Bendigo Bank Limited. There has been no significant changes in the nature of these activities during the year.

Operating Results

The bank branch opened and commenced trading on 12 December 2005. Operations have continued to perform in line with expectations. The loss of the Company for the financial year after provision for income tax was \$137,442.

Remuneration Report

No Director of the Company receives remuneration for services as a Company Director or Committee member. The Manager of the Bank receives a gross remuneration of \$60,000. Performance incentives do not form any part of the Manager's remuneration. He also receives employee superannuation support.

Dividends

The Directors recommend that no dividend be paid for the current year.

Significant changes in the state of affairs.

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report or the financial report.

Significant events after the balance date.

Directors' report 30⁶ June 2006

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

Likely developments

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

Environmental regulation

The Company is not subject to any significant environmental regulation.

Director's benefits

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 interests. This statement excludes a benefit included in the aggregate amount of enrolments received or due and received by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and Insurance of Directors and Officers

The Company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company related body corporate) that may arise from their position as Directors or Managers of the Company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an auditor of the Company or a related body corporate.

Directors' report 30⁷ June 2006

Directors Meetings

The number of Board meetings attended by each of the Directors of the Company during the year were:

	Number of Board Meetings Eligible to attend.	Number Attended
Geoffrey Douglas Brooks	26	15
Donald William Blainey	26	25
David Stephen Bowman (Resigned 29 May 2006)	24	10
Rhondda Miriam Fisher (Resigned 1 May 2006)	24	15
Stephen Joseph Hall	26	21
Mark Anthony Kenney	26	23
Meaghan Elizabeth Quinn (Resigned 9 June 2006)	24	15
Andrew Charles Quirke	26	25
Robert Emerson Graham Rees	26	20
John Charles Smellin	26	21
Gerard Squire Veitch	26	19
Mervyn John Wigg	26	23
Ellen Ruth Wilson	26	18

Non Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the Company are important. Details of the amounts paid or payable to the Auditor (Needham Ashley and Associates Pty Ltd) for audit and non audit services provided during the year are set out in the notes to the accounts.

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes, did not compromise

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the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed to ensure they do not impact on the impartiality and objectivity of the auditor;
- none of the services undermines the general principles relating to auditor independence as set out in Professional Statement FI, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the auditor's independence declaration as required under section 307E of the Corporations Act 2001 is included in the Company's Financial Statements for the year ended 30 June 2006. .

Signed in accordance with a resolution of the Board of Directors at Paynesville on 24th September 2006.



Geoffrey Douglas Brooks
Chairman



John Charles Smellin
Company Secretary