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Chairman's report

For year ending 30 June 2006

It is with great pride and pleasure that I submit this first Chairman's Report to the Shareholders of Paynesville and District Financial Services Ltd.

Our first twelve months as an organisation has achieved many positives for the local community and given our business a great platform on which to build.

Back in September 2005 it took just 6 short weeks to fill our share offer and meet our Capital target of \$800,000. We congratulate all Shareholders on their decision, and thank them for trust and faith they have placed in the Directors.

During this time, with the significant support of our landlords Riviera Properties Pty Ltd, the Facilities Dept. of the Bendigo Bank and local builders N.M. Brooker and Sons P/L we were achieving "the impossible," by completing a building from scratch to occupancy within a period of 20 weeks.

Also at this time we were recruiting staff from a strong field of contenders. Perhaps, testimony to the quality of applications that were received is the fact that three of our unsuccessful candidates are now employed elsewhere in the Bendigo network.

The large crowd at Opening Day on 12 December 2005 was a great acknowledgement to the fourteen months of dedication and hard work by a wonderful steering committee.

Since that Opening Day our business has grown at a rate of approximately \$2 million per calendar month, bringing our total book to one of just over \$20 million as at the 30 June 2006.

If we can continue to grow at this rate we could justifiably expect to be operating in profit before the end of the 2006/2007 financial year. This would indeed be a remarkable achievement.

As you are aware the major focus of our business is community benefit. Initially we achieve this by providing a convenient local facility, which through our business partner Bendigo Bank Pty Ltd provides real banking alternatives in a pleasant, professional environment.

Once profitable, we will further reward our community with the provision of grants, sponsorships, community programs, and in some instances even with tangible assets. We also reward our Shareholders with attractive dividends on their investment.

The process is simple, the bigger our business, the larger the profit, the greater the rewards for our Shareholders and our community.

It is important for us to all understand that as Shareholders and supporters of a community enterprise we must all actively contribute to the ongoing growth of our business, just being a Shareholder it is simply not enough.

You can help yourself, your family and your community by ensuring that you transfer all or part of your banking to us, by continually and actively acting as an advocate for our bank, by supporting those local businesses who proudly support us, by ensuring that the local clubs or associations that you are a member

Chairman's report continued

of bank with us (after all they are likely to be among our greatest benefactors in the future), and finally by offering yourself as a participant in some of our community programs at the appropriate time.

Your support in these ways will ensure a better bank and a better Paynesville.

To our Manager David Pearce and all staff, I offer my congratulations on the positive and organised way in which you have approached what has been a difficult but extremely rewarding 8 months in the office.

A special mention is extended to those Directors who resigned during the year. To Rhondda Fisher (Pledge and Share Registry Management), Meaghan Quinn (Minute Secretary) and David Bowman (Finance and Due Diligence) may I, on behalf of your fellow Directors and all Shareholders thank each of you for your significant contribution to what has so far, been a very successful journey.

Finally, I thank the remaining Directors for their untiring service and dedication over the past 20 months.



Geoff Brooks
Chairman

Manager's report

For year ending 30 June 2006

It is with great pleasure to submit the first Managers Report to the Shareholders.

Our first trading period has seen the Business grow steadily reflecting an increase in our customer base from 358 at opening on 12 December 2005 to 1062 customers as at 30 June 2006.

The growth in our Customer base & Business written to date is extremely pleasing.

This is a testament to the commitment of the Community to support their local bank and a reward for the hard work that has been put in by the Directors & founding members of the **Community Bank**[®] branch in Paynesville.

During our initial months of business we have formed relationships with several local Community Groups and Organisations, with some key achievements being: -

- The establishment of a School Banking Program for the students of the Paynesville & Eagle Point Primary Schools.
- Sponsorship of the Paynesville Football Netball Club Inc.

Ongoing discussions are also being conducted with Other Groups in the local area on how the Bank can support & be involved with their organisations.

To my team at the branch, I would like to take this opportunity to recognise the contribution of our Staff :- Tari Mills, Sue Sutton, Karen Cheswick, Geraldine Boswell & Jennifer Strahan.

During the past 8 months their commitment to completing extensive training and providing friendly & outstanding service to our customers has been a key factor in the growth of the Business.

I would also like congratulate "Tari Mills" on her promotion from Customer Service Officer to Customer Relationship Officer during this period.

This role is critical to the operation of the branch & Tari is committed to ensuring that our customers needs are met and a superior level of personalised service is provided at all times.

The **Community Bank**[®] branch has full access to the broad range of Financial Services & Products that the Bendigo Bank offers which includes Home Loans, Business Loans Home/Contents & Car Insurance, Financial Planning and Superannuation.

In the future we will also be offering you the opportunity to attend Seminars on matters such as Retirement Planning & Investing, so please take advantage of what your local **Community Bank**[®] branch can offer.

To Chairman "Geoff Brooks" & members of the Board, their support and encouragement to deal with the challenges presented over our first trading period is to be commended and we look forward to continuing on with our close working relationship.

Manager's report continued

We also look forward to the coming 12 months with confidence that the Business will continue grow, however this will be reliant upon the ongoing support of the local community.

So, as an owner of the business, please continue to lend your support as an advocate for the branch & encourage family, friends and neighbours to support the Bank.



David Pearce
Manager

Bendigo Bank Ltd report

For year ending 30 June 2006

What a brilliant year for our **Community Bank**[®] network.

During 2005/06, we increased the number of **Community Bank**[®] branches across Australia by 27 and continued to inject vital funds back into local communities.

And demand for the **Community Bank**[®] model across all states and territories across Australia has not wavered – we are currently working with dozens of rural, regional and suburban communities to bring the success of **Community Bank**[®] to their towns.

It is just over eight years since the **Community Bank**[®] network began as a pilot in the Victorian towns of Rupanyup and Minyip, and we now have 182 **Community Bank**[®] branches.

Those branches have:

- Returned more than \$6 million to local communities and projects;
- Paid almost \$4.5 million in dividends to more than 14,000 local shareholders;
- Received more than \$220 million from Bendigo Bank, including \$76 million in the past year;
- Spent almost \$36 million in their local communities on salaries, rent, cleaning and other operating costs;
- Service more than 480,000 accounts; and
- Have almost \$8 billion of banking business

A renewed focus on community engagement has also played a huge part in the **Community Bank**[®] network during the past year.

As part of an internal Bendigo Bank re-structure, thirteen regions became 27 and, more importantly to your community, our **Community Bank**[®] branches were brought in under our regional managers, who now have total responsibility for staff, sales and service for the Bank's complete suite of products.

It means we are having more conversations about adding value for customers and we are becoming even more closely aligned with the aspirations of the communities we serve.

Many **Community Bank**[®] boards are looking to implement community telco solutions to retain even more local capital in their own regions for local projects.

And, in Victoria, two communities that have already succeeded by opening and operating **Community Bank**[®] branches, have now formed Community Enterprise™ steering committees to pilot bio-diesel distribution models, with the ultimate view of operating local bio-diesel production plants.

Eight years after the inception of **Community Bank**[®], Bendigo Bank is still as proud as ever to partner local communities just like yours.

Bendigo Bank Ltd report continued

Congratulations go to the Paynesville & District community board for their hard work and dedication over the past year; and also to your dedicated team of branch staff for providing the highest level of customer service.

Thanks also go to you, the hundreds of shareholders and customers of the Paynesville & District **Community Bank**[®] Branch, for making this exciting community partnership possible.



Russell Carrick

Gippsland Regional Manager

Bendigo Bank

Directors' report

For year ending 30 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

Form Directorship 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

Form Directorship in last 3 years: NIL

Special responsibilities: Deputy Chairman

Interests in shares: 501 Ordinary shares

David Stephen Bowman

Director (resigned 20 May 2006)

Age: 69

Occupation: Retired business owner.

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

Founding Director.

Other current Directorships: NIL

Form Directorship in last 3 years: NIL

Interests in shares: 2,501 Ordinary Shares

Directors' report continued

Rhonda Miriam Fisher

Director (resigned 1 May 2006)

Age: 58

Occupation: Business Proprietor

Experience and expertise: Recently commenced her own business. Previously employed as a Travel Agent and has wide experience in the travel industry.

Founding Director

Other current Directorships: Nil

Form Directorship in last 3 years: NIL

Interests in shares: 5,001 Ordinary Shares

Mark Anthony Kenney

Director

Age: 40

Occupation: Business Proprietor

Experience and expertise: Owner/operator of Joinery business for the past 17 years.

Founding Director

Other current Directorships: Director of Paynesville Joinery Pty Ltd

Form Directorship 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

Form Directorship 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

Form Directorship in last 3 years: NIL

Interests in shares: 1 Ordinary Share

Directors' report continued

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

Form Directorship in last 3 years: NIL

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

Form 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

Form Directorship 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

Form Directorship in last 3 years: NIL

Special responsibilities: Member of Finance committee

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

Directors' report continued

Ellen Ruth Wilson

Age: 63

Occupation: Caterer

Experience and expertise: A caterer by profession and tireless community worker involved in many voluntary activities for the Paynesville community

Founding Director

Other current Directorships: NIL

Former Directorship in last 3 years: NIL

Special responsibilities: Member of Human Resource committee

Interests in shares: 501 Ordinary shares

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.

Founding Director

Other current Directorships: NIL

Form Directorship in 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)

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 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.

Directors' report continued

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

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 continued its policy of providing banking services to the community.

Environmental regulation

The Company is not subject to any significant environmental regulation.

Directors 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 continued

Directors meetings

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

	Number of Board meeting	
	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 the Auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audits services have been reviewed to ensure they do not impact on the impartiality and objectivity of the Auditor;
- non of the services undermines the general principles relating to Auditor independence as set out in Professional Statement F1, including reviewing or auditing the Auditor's own work, acting in a management or decision-making capacity for the Company or jointly sharing economic risk 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

Financial statements

Income statement

For year ending 30 June 2006

	Note	2006 \$	2005 \$
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		(73,649)	-
Profit/(loss) before income tax expense		(177,610)	-
Income tax expense	4	40,168	-
Profit/(loss) attributable to members of the entity		(137,442)	-

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet

As at 30 June 2006

	Note	2006 \$	2005 \$
Current assets			
Cash and cash equivalents	6	440,268	-
Trade and other receivables	7	19,637	-
Deferred tax asset	4	40,168	-
Total current assets		500,073	-
Non-current assets			
Property, plant and equipment	8	218,136	-
Intangible assets	9	8,899	-
Total non current assets		227,035	-
Total assets		727,108	-
Current liabilities			
Trade and other payables	10	59,869	-
Short term borrowings	11	159	-
Current tax liabilities	4	-	-
Short term provisions	12	11,009	-
Total current liabilities		71,037	-
Net assets		656,071	-
Equity			
Issued capital	13	793,513	-
Retained profits/ (accumulated losses)	14	(137,442)	-
Total equity		656,071	-

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows

As at 30 June 2006

	Note	2006 \$	2005 \$
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	(68,922)	-
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		(284,323)	-
Cash flows from financing activities			
Proceeds from issue of shares		793,513	-
Net cash flows from/(used in) financing activities		793,513	-
Net increase/(decrease) in cash held		440,268	-
Cash at the beginning of the financial year		-	-
Cash at end of the financial year	15a	440,268	-

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 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.

(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.

Notes to financial statements continued

Note 1: Statement of significant accounting policies continued

(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).

(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.

Notes to financial statements continued

Note 1: Statement of significant accounting policies continued

(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.

	2006	2005
	\$	\$

Note 2: Revenue from ordinary activities

Operating activities

- services commissions	83,335	-
- other revenue	436	-
Non-operating activities:		
- interest received	17,962	-
- rental revenue	-	-
	101,733	-

Note 3: Expenses

Borrowing expenses:

- interest paid	-	-
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	31,607	-
	57,288	-

Notes to financial statements continued

	2006 \$	2005 \$
Note 4: Income tax expenses		
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)	(40,168)	-
Tax liabilities		
Current tax payable	-	-
Deferred tax assets		
Future income tax benefit carried forward is:	40,168	-

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	830	-
	830	-

Note 6: Cash and cash equivalents

Cash at bank and on hand	440,268	-
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Note 7: Trade and other receivables

GST receivables	-	-
Trade debtors	19,637	-
	19,637	-

Notes to financial statements continued

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

Notes to financial statements continued

	2006	2005
	\$	\$

Note 9: Intangible assets

Franchise fee

At cost	10,000	-
Less accumulated amortisation	(1,101)	-
	8,899	-

Preliminary expenses

At cost	31,607	-
Less accumulated amortisation	(31,607)	-
	-	-

Note 10: Trade and other payables

Trade creditors	8,367	-
Other creditors and accruals	51,502	-
Other	-	-
	59,869	-

Note 11: Short term liabilities

Bank overdraft	-	-
Bank loan – secured	-	-
Business credit card	159	-
	159	-

Note 12: Short term provisions

Employee benefits	11,009	-
Number of employees at year end	6	

Note 13: Issued capital

793,513 ordinary shares fully paid of \$1 each	793,513	-
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Notes to financial statements continued

	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	(137,442)	-

Note 15: Statement of cashflows

(a) Reconciliation of cash

Cash assets	440,268	-
Bank overdraft	-	-
	440,268	-

(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	(40,168)	-
Net cashflows from/ (used in) operating activities	68,922	-

Notes to financial statements continued

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)

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

Rhondda Miriam Fisher

Age: 57

Retired

(Resigned 1 May 2006)

Notes to financial statements continued

Note 16: Related party disclosures continued

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.

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.

Directors' declaration

The Directors of the Company declare that:

- 1 The financial statements and note as set out on that attached pages present fairly the Company's financial position as at 30 June 2006 and its performance for the year ended on that date in accordance with 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 the resolution of the Board of Directors.



Geoffrey Douglas Brooks
Chairman



John Charles Smellin
Company Secretary

Dated 19 September 2006

Independent audit report

**NEEDHAM
ASHLEY**
& ASSOCIATES  

ACCOUNTANTS & ADVISORS

ABN 51 103 920 921
54 SERVICE STREET
BAIRNSDALE VIC 3875
AUSTRALIA
PHONE 61 3 5153 1600
FAX 61 3 5153 1612

PO BOX 1300
BAIRNSDALE VIC 3875

admin@needhamashley.com.au

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.

Independent audit report continued

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.

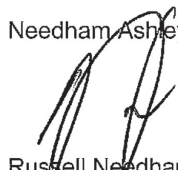
In accordance with ASIC Class Order 05/83 we declare to the best of our knowledge and belief that the auditor's independence declaration has not changed as at the date of providing our audit opinion.

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.

Auditor's independence declaration

**NEEDHAM
ASHLEY**
& ASSOCIATES PTY LTD

ACCOUNTANTS & ADVISORS

ABN 51 103 920 921

54 SERVICE STREET
BAIRNSDALE VIC 3875
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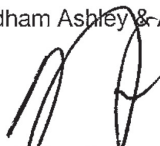
PAYNESVILLE & DISTRICT FINANCIAL SERVICES LIMITED
ACN 115 308 015

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

BSX report

Additional information required by the Bendigo Stock Exchange and not shown elsewhere in this report is as follows.

(a) Currency of information

The information is current as at 30 September 2006.

(b) Details of material differences

There are no material differences between the information in the entity's Annexure 3A and the information in the financial documents in its Annual Report.

(c) Corporate governance practices

The Board guides and monitors the business of the Company to ensure compliance with the Corporations Act, Bendigo Stock Exchange requirements and its franchise agreement with the Bendigo Bank. The Board carries out its functions on behalf of the Shareholders to whom they are accountable. There is no separate Audit committee. The Secretarial and Governance committee oversees the audit process.

(d) Distribution of equity securities

The number of Shareholders by size of holding are:

Shares	No. of holders
1 – 1000	153
1,001 - 5,000	163
5,001 - 10,000	4
Total Shareholders	320

There are no holders holding less than a marketable parcel of the entity's main class of securities, based on the current share price of \$1.00

There are no substantial Shareholders.

BSX report continued

(e) Ten largest Shareholders

The names of the ten largest Shareholders of quoted shares are:

		Listed ordinary Shares	
Mrs Rhondda Miriam Fisher		5001	.63%
Mr Stephen Joseph Hall		5001	.63%
Mr Robert Emerson Graham Rees		5001	.63%
Mr Gerard Squire Veitch		5001	.63%
Mr Russell John Allan	Mrs Annie Allan	5000	.63%
Debra Ann Andreassen	Keitil Systed Andreassen	5000	.63%
Ms Sally Anne Bailey		5000	.63%
Frances Charles Baston	Beverley May Baston	5000	.63%
Michael Richard Beazer	Margaret Anne Beazer Beazer Super Fund A/C	5000	.63%
Ms Maryanne Bennet		5000	.63%

(f) Voting rights

Each Shareholder has one vote

(g) Name of Company Secretary

John Charles Smellin

(h) Address and telephone number of registered office and principal place of business

61 The Esplanade,
Paynesville, VIC 3880

Phone: 03 51566655

Fax: 03 51566100

(i) Address and telephone number of office at which securities register is kept

Bendigo Bank Share Registry,
Fountain Court,
Bendigo, VIC 3550

Phone: 03 54339549

(j) Number of restricted and unquoted securities

There are no restricted securities on issue, nor are there any unquoted securities.

