

PAYNESVILLE AND DISTRICT FINANCIAL SERVICES LTD
ACN: 115 308 015

INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2007

		2007	2006
		\$	\$
	<u>Notes</u>		
Revenues from ordinary activities	2	323,677	101,733
Salaries and employee benefits expense		(250,767)	(148,406)
Depreciation and amortisation expense	3	(49,223)	(57,288)
Borrowing costs expense		-	-
Other expenses from ordinary activities		<u>(171,361)</u>	<u>(73,649)</u>
Profit/(Loss) before income tax expense		(147,674)	(177,610)
Income tax credit	4	<u>42,445</u>	<u>40,168</u>
Profit/(Loss) attributable to members of the entity		<u>(105,229)</u>	<u>(137,442)</u>

The accompanying notes form part of these financial statements

PAYNESVILLE AND DISTRICT FINANCIAL SERVICES LTD
ACN: 115 308 015

BALANCE SHEET AS AT 30 JUNE 2007

	<u>Notes</u>	2007 \$	2006 \$
Current Assets			
Cash and cash equivalents	6	303,830	440,268
Trade and other receivables	7	38,469	19,637
Deferred tax asset	12	<u>82,612</u>	<u>40,168</u>
Total Current Assets		<u>424,911</u>	<u>500,073</u>
Non-Current Assets			
Property, plant and equipment	8	174,204	218,136
Intangible assets	9	<u>6,901</u>	<u>8,899</u>
Total Non Current Assets		<u>181,105</u>	<u>227,035</u>
Total Assets		<u>606,016</u>	<u>727,108</u>
Current Liabilities			
Trade and other payables	10	39,688	59,869
Short term borrowings	11	286	159
Current Tax Liabilities	12	-	-
Short term provisions	13	15,200	11,009
Total Current Liabilities		<u>55,174</u>	<u>71,037</u>
Net Assets		<u>550,842</u>	<u>656,071</u>
Equity			
Issued capital	14	793,513	793,513
Retained Profits/ (Accumulated Losses)	15	<u>(242,671)</u>	<u>(137,442)</u>
Total Equity		<u>550,842</u>	<u>656,071</u>

The accompanying notes form part of these financial statements

PAYNESVILLE AND DISTRICT FINANCIAL SERVICES LTD
ACN: 115 308 015

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2007

	2007	2006
	\$	\$
<u>Notes</u>		
Total equity at the beginning of the financial year	656,071	-
Net income/expense recognised directly in equity	-	-
Net loss for the year	(105,229)	(137,442)
Total recognised income & expenses for the year	<u>550,842</u>	<u>(137,442)</u>
Shares issued during the period	-	793,513
Equity raising costs during the period	-	-
Dividends provided for or paid	-	-
Total equity at the end of the financial year	<u>550,842</u>	<u>656,071</u>

The accompanying notes form part of these financial statements

PAYNESVILLE AND DISTRICT FINANCIAL SERVICES LTD
ACN: 115 308 015

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	<u>Notes</u>	2007 \$	2006 \$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		316,025	72,310
Cash payments in the course of operations		(473,173)	(159,194)
Interest paid		-	-
Interest received		24,001	17,962
Income tax paid		-	-
Net cash flows from/(used in) operating activities	16b	<u>(133,147)</u>	<u>(88,922)</u>
Cash Flows From Investing Activities			
Payment for Intangible assets		-	(41,607)
Payments for Property, Plant and Equipment		(3,291)	(242,716)
Net cash flows from/(used in) Investing activities		<u>(3,291)</u>	<u>(284,323)</u>
Cash Flows From Financing Activities			
Proceeds from issue of shares		-	793,513
Net cash flows from/(used in) financing activities		<u>-</u>	<u>793,513</u>
Net increase/(decrease) in cash held		<u>(136,438)</u>	<u>440,268</u>
Cash at the beginning of the financial year		440,268	-
Cash at end of the financial year	16a	<u>303,830</u>	<u>440,268</u>

The accompanying notes form part of these financial statements

PAYNESVILLE & DISTRICT FINANCIAL SERVICES LTD
ACN: 115 308 015

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

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.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS). These financial statements and notes comply with IFRS.

Historical cost convention

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.

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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

(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
Buildings	2.5%
Computers	40%
Plant & Equipment	3.75% - 22.5%

(e) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

(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 2007

(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.

PAYNESVILLE AND DISTRICT FINANCIAL SERVICES LTD
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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

NOTE 2 - REVENUE FROM ORDINARY ACTIVITIES

	2007	2006
	\$	\$
<u>Operating activities:</u>		
- services commissions	299,676	83,335
- other revenue	-	436
<u>Non-operating activities:</u>		
- interest received	24,001	17,962
- rental revenue	-	-
	<u>323,677</u>	<u>101,733</u>

NOTE 3 - EXPENSESBorrowing expenses:

- interest paid	133	28
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Depreciation of non-current assets:

- plant and equipment	19,950	10,557
- buildings	27,273	14,023

Amortisation of non-current assets:

- intangibles - equity raising	-	31,607
- intangibles - franchise fees	2,000	1,101
	<u>49,223</u>	<u>57,288</u>

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%	(44,303)	(53,283)
Add tax effect of:		
- Non-deductible expenses	1,858	13,115
- Prior year tax losses not previously brought to account	-	-
- Future income tax benefit not brought to account	<u>(44,303)</u>	<u>(53,283)</u>
Income tax expense on operating profit/(loss)	<u>(42,445)</u>	<u>(40,168)</u>

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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

NOTE 5 - AUDITOR'S REMUNERATION

	2007 \$	2006 \$
Amounts received or due and receivable by Needham Ashley & Associates for:		
- audit or review of the financial report of the company	<u>2,340</u>	<u>830</u>
	<u>2,340</u>	<u>830</u>
Amounts received or due and receivable by East Gippsland Financial Services for:		
- audit or review of the financial report of the company	<u>2,800</u>	<u>-</u>
	<u>2,800</u>	<u>-</u>

NOTE 6 - CASH & CASH EQUIVALENTS

Cash at bank and on hand	<u>303,830</u>	<u>440,268</u>
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NOTE 7 - TRADE & OTHER RECEIVABLES

GST receivables	-	-
Accrued Interest	4,882	-
Trade debtors	<u>33,587</u>	<u>19,637</u>
	<u>38,469</u>	<u>19,637</u>

PAYNESVILLE AND DISTRICT FINANCIAL SERVICES LTD
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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

NOTE 8 - PROPERTY, PLANT AND EQUIPMENT	2007	2006
	\$	\$
<u>Land</u>		
Freehold land at cost	-	-
<u>Buildings</u>		
At cost	136,363	136,363
Less accumulated depreciation	<u>(41,296)</u>	<u>(14,023)</u>
	<u>95,067</u>	<u>122,340</u>
<u>Plant and equipment</u>		
At cost	109,645	106,353
Less accumulated depreciation	<u>(30,508)</u>	<u>(10,557)</u>
	<u>79,137</u>	<u>95,796</u>
Total written down amount	<u>174,204</u>	<u>218,136</u>
Movements in carrying amounts		
<u>Building</u>		
Carrying amount at beginning of year	122,340	-
Additions	-	136,363
Disposals	-	-
Depreciation expense	<u>(27,273)</u>	<u>(14,023)</u>
Carrying amount at end of year	<u>95,067</u>	<u>122,340</u>
<u>Plant and equipment</u>		
Carrying amount at beginning of year	95,796	-
Additions	3,292	106,353
Disposals	-	-
Depreciation expense	<u>(19,951)</u>	<u>(10,557)</u>
Carrying amount at end of year	<u>79,137</u>	<u>95,796</u>

PAYNESVILLE AND DISTRICT FINANCIAL SERVICES LTD
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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

NOTE 9 - INTANGIBLE ASSETS

	2007	2006
	\$	\$
<i>Franchise Fee</i>		
At cost	10,000	10,000
Less accumulated amortisation	<u>(3,100)</u>	<u>(1,101)</u>
	<u>6,900</u>	<u>8,899</u>
 <i>Preliminary Expenses</i>		
At cost	31,607	31,607
Less accumulated amortisation	<u>(31,607)</u>	<u>(31,607)</u>
	<u>-</u>	<u>-</u>

NOTE 10 - TRADE AND OTHER PAYABLES

Trade creditors	20,753	8,367
Other creditors and accruals	18,935	51,502
Other	<u>-</u>	<u>-</u>
	<u>39,688</u>	<u>59,869</u>

NOTE 11 - SHORT TERM LIABILITIES

Bank overdraft	-	-
Bank loan - secured	-	-
Business credit card	<u>286</u>	<u>159</u>
	<u>286</u>	<u>159</u>

NOTE 12 - DEFERRED TAX ASSET**Tax liabilities**

Current tax liabilities	<u>-</u>	<u>-</u>
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Deferred Tax Assets

Future income tax benefit carried forward is:	<u>82,612</u>	<u>40,168</u>
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PAYNESVILLE AND DISTRICT FINANCIAL SERVICES LTD
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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

NOTE 13 - PROVISIONS

	2007 \$	2006 \$
Employee benefits	<u>15,200</u>	<u>11,009</u>
Number of employees at year end	5	6

NOTE 14 - ISSUED CAPITAL

793,513 ordinary shares fully paid of \$1 each	<u>793,513</u>	<u>793,513</u>
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NOTE 15 - RETAINED PROFITS/(ACCUMULATED LOSSES)

Balance at the beginning of the financial year	(137,442)	-
Net profit/(loss) from ordinary activities after income tax	(105,229)	(137,442)
Dividends	-	-
Balance at the end of the financial year	<u>(242,671)</u>	<u>(137,442)</u>

NOTE 16 - STATEMENT OF CASHFLOWS**(a) Reconciliation of cash**

Cash assets	303,830	440,268
Bank overdraft	<u>-</u>	<u>-</u>
	<u>303,830</u>	<u>440,268</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	(105,229)	(137,442)
Non cash items		
- Depreciation	47,223	24,580
- Amortisation	2,000	32,708
Changes in assets and liabilities		
- (Increase) decrease in receivables	(18,834)	(19,637)
- Increase (decrease) in payables	(20,053)	60,028
- Increase (decrease) in employee benefits	4,191	11,009
- (Increase) decrease in deferred tax asset	<u>(42,445)</u>	<u>(40,168)</u>
Net cashflows from/ (used in) operating activities	<u>(133,147)</u>	<u>(68,922)</u>

PAYNESVILLE AND DISTRICT FINANCIAL SERVICES LTD
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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

NOTE 17 - RELATED PARTY DISCLOSURES

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

- Geoffrey Douglas Brooks
Age 59
Sales and Marketing Director
- Donald William Blainey
Age 65
Retired
- Arthur Peter Huntley
Age 60
Retired (Appointed 28 May 2007)
- Mark Anthony Kenney
Age 41
Business Proprietor
- Stephen Joseph Hall
Age 59
Business Proprietor (Deceased 12 Oct 2006)
- Leslie John Mathieson
Age 54
Managing Director (Appointed 25 June 2007)
- Andrew Sutherland McKee
Age 61
Retired (Appointed 28 May 2007)
- Andrew Charles Quirke
Age 46
Business Proprietor
- Robert Emerson Graham Rees
Age 70
Retired (Resigned 28 May 2007)
- Robert Allen Rowe
Age 64
Retired (Appointed 28 May 2007)
- John Charles Smellin
Age 59
Company Secretary
Business Proprietor

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- Margaret Gae Supplitt
Age 40
Project Manager (Appointed 28 May 2007)
- Gerard Squire Veitch
Age 58
Business Proprietor
- Glenn David Williams
Age 64
Retired (Appointed 28 May 2007)
- Ruth Wilson
Age 64
Caterer
- Mervyn John Wigg
Age 70
Retired (Resigned 28 August 2006)

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

NOTE 18 - EVENTS AFTER THE BALANCE SHEET DATE

Since the end of the financial year, the company has been made aware of an amount in the vicinity of \$45,000 payable to the Bendigo Bank for redomincile accounts. These amounts reflect a commission amount payable for the introduction of business from other existing Bendigo Bank branches.

Payment will be made over 12 equal monthly instalments beginning in October 2007.

NOTE 19 - CONTINGENT LIABILITIES

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

NOTE 20 - 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.

PAYNESVILLE AND DISTRICT FINANCIAL SERVICES LTD
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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

NOTE 21 - REGISTERED OFFICE / PRINCIPAL PLACE OF BUSINESS

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

PAYNESVILLE AND DISTRICT FINANCIAL SERVICES LTD
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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

NOTE 22 - FINANCIAL INSTRUMENTS

Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Balance Sheet. The company does not have any unrecognised financial instruments at the year end.

Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Balance Sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest rate risk

Financial Instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate		
	2007	2006	1 year or less	Over 1 to 5 years		Over 5 years		2007	2006	2007	2006	%	%
	\$	\$	2007	2006	2007	2006	2007	2006	\$	\$	\$	\$	%
Financial assets													
Cash Assets	10,989	26,116	282,691	414,001	-	-	-	-	150	150	150	150	5.60%
Receivables	-	-	-	-	-	-	-	-	38,469	19,637	38,469	19,637	N/A
Financial liabilities													
Interest bearing liabilities	286	159	-	-	-	-	-	-	-	-	-	-	14.40%
Payables	-	-	-	-	-	-	-	-	39,688	59,869	39,688	59,869	N/A

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 2007 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: 11 September 2007

Directors' report 30¹ June 2007

Your Directors submit the financial report of the Company for the financial year ended 30 June 2007.

Directors

Geoffrey Douglas Brooks

Chairman

Age: 59

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: 5001 Ordinary Shares. (5,000 held with related parties).

Donald William Blainey

Director

Age: 65

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.

Arthur Peter Huntley

Director (appointed 28 May 2007)

Age: 60

Occupation: Retired Accountant

Experience and expertise: Over 25 years finance and management experience with large chemical company both within Australia and overseas.

Special responsibilities: Member of Finance Committee

Other current Directorship: NIL

Former Directorship in last 3 years: NIL

Interest in shares: NIL

Leslie John Mathieson

Director: (appointed 25 June 2007)

Age: 54

Occupation: Managing Director

Experience and expertise:

Directors' report 30 June² 2007

Executive appointments with East Gippsland Water for 6 years including at present Managing Director. Presently, also, Executive member of the Institute of Water Administration and Chairperson, Victorian Water Industry Training Advisory Board. Former Secretary/Manager (CEO) of the Orbst Water Board.

Other Current Directorships: NIL

Former Directorships in last 3 years: NIL

Interests in Shares: NIL

Mark Anthony Kenney

Director

Age: 41

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 and Facilities, Business Development and Marketing & Sponsorship committees.

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

Stephen Joseph Hall

Director (Deceased 12 October 2006)

Age: 59

Occupation: Business Proprietor

Experience and expertise:

Founding Director:

Other Current Directorships: NIL

Former Directorships in last 3 years: NIL

Special Responsibilities: Member of Business Development and Marketing and sponsorship and property Facilities committees.

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

Andrew Sutherland McKee

Director (appointed 28 May 2007)

Age: 61

Occupation: Retired

Experience and expertise: Former Sales Manager with a Unilever group for 8 years. Joint owner and franchisee specialising in fire and flood restoration for 11 years.

Director and Manager of Contract Furnishing Company for 20 years.

Other current Directorships: NIL

Former Directorships in last 3 years: NIL

Interest in shares: NIL

Andrew Charles Quirke

Director

Age: 46

Occupation: Business Proprietor

Directors' report 30 June³ 2007

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

Special responsibilities: Member of

Secretarial and Governance Committee

Interests in Shares: 3001 Ordinary Shares.

Other current Directorships:

Director Mashjo Pty Ltd

Former Directorship in last 3 years: NIL

Special responsibilities: Company Secretary

and Co-Ordinator of Secretarial and

Governance Committee. Public Officer for

the company.

Interests in Shares: 6001 Ordinary Shares

(6000 held with related parties)

Robert Allen Rowe

Director (appointed 28 May 2007)

Age: 64

Occupation: Retired

Experience and expertise: Skills developing coordinator for three years prior to that 25 years as a production foreman.

Other current Directorships: NIL

Former Directorships in last 3 years: NIL

Interest in shares: NIL

John Charles Smellin

Director

Age: 59

Occupation: Business Proprietor

Experience and Expertise:

Substantial administrative experience in public and private sector. For 17 years held positions as CEO and PEO of licensed clubs.

Presently, the licensee of a hotel.

Founding Director.

Margaret Gae Supplitt

Director (appointed 28 May 2007)

Age: 40

Occupation: Project Manager

Experience and expertise: Civil engineer employed by Riviera Properties as a Project Manager. Previously gained experience in local and state government agencies, the resource sector and property development. Also currently acts as the Chair of the East Gippsland Shire's Economic Advisory Board.

Other current Directorships: NIL

Former Directorships in past 3 years: NIL

Interest in shares: 2,000 Ordinary shares.

Robert Emerson Graham Rees

Director (resigned 28 May 2007)

Age: 70

Occupation: Retired Merchant Banker and Management Consultant.

Directors' report 30 June⁴ 2007

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

Committee. Member of Human Resources

Committee.

Interests in Shares: 5001 Ordinary Shares

Gerard Squire Veltch

Age: 56

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.

Former Directorships in last 3 years: NIL

Special Responsibilities: Member of Finance Committee.

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

Glenn David Williams

Director (appointed 28 May 2007)

Age: 64

Occupation: Retired

Experience and expertise: Managing

Director, General Advertising Co, CEO and

Director Clemenger Home Advertising. Past

member Australia Day Committee, Victoria.

Other current Directorships: NIL

Former Directorships in last 3 years: NIL

Interest in shares: NIL.

Ellen Ruth Wilson OAM

Age: 64

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 Directorships in last 3 years: NIL

Special Responsibilities: Member of Human Resource Committee.

Interests in Shares: 501 Ordinary Shares.

Mervyn John Wigg

Director: (resigned 28 August 2006)

Age: 70

Occupation: Retired

Experience and expertise:

Directors' report 30 June⁵ 2007

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

Founding Director

Other current Directorships: NIL

Former Directorships 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 Secretary on 27 February 2006. John is a founding Director and accepted appointment as 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.

Directors' report 30⁶ June 2007

Operating Results

The bank branch opened and commenced trading on 12th 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 \$105229.

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 \$63000. 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 continue its policy of providing banking services to the community.

Environmental regulation

The Company is not subject to any significant environmental regulation.

Directors' report 30⁷ June 2007

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 confidentially 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 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	13	12
Donald William Blainey	13	13
Stephen Joseph Hall (Deceased 12 Oct 2006)	3	0
Peter Arthur Huntley (appointed 28 May 2007)	2	1
Mark Anthony Kenney	13	10
Leslie John Mahieson (appointed 25 June 2007)	1	1

Directors' report 30⁸ June 2007

	Number of Board Meetings Eligible to attend.	Number Attended
Andrew Sutherland McKee (appointed 28 May 2007)	2	2
Andrew Charles Quirke	13	13
Robert Emerson Graham Rees (resigned 28 May 2007)	13	9
Robert Allan Rowe (appointed 28 May 2007)	2	1
John Charles Smellin	13	13
Margaret Gae Supplitt (appointed 28 May 2007)	2	2
Gerard Squire Veitch	13	11
Mervyn John Wigg (resigned 28 August 2006)	2	2
Glenn David Williams (appointed 28 May 2007)	2	2
Ellen Ruth Wilson	13	8

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 (East Gippsland Financial Services) 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-audit services have been reviewed to ensure they do not impact on the impartiality and objectivity of the auditor;

Directors' report 30⁹ June 2007

- 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 2007.

Signed in accordance with a resolution of the Board of Directors at Paynesville on 24th September 2007.



Geoffrey Douglas Brooks
Chairman



John Charles Smellin
Company Secretary

**EAST GIPPSLAND
FINANCIAL SERVICES**

Accountants & Financial Planners

PAYNESVILLE & DISTRICT FINANCIAL SERVICES LIMITED**Auditors 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 2007 there have been:

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

East Gippsland Financial Services

East Gippsland Financial Services
Accountants & Financial Planners



Ken Oglesby FCA-CFP
Director

18 September 2007

Paynesville

EAST GIPPSLAND FINANCIAL SERVICES

Accountants & Financial Planners

PAYNESVILLE & DISTRICT FINANCIAL SERVICES LIMITED

Independent Audit Report to the members of Paynesville & District Financial Services Limited

Report on the Financial Report

We have audited the accompanying financial report of Paynesville & District Financial Services Limited, which comprises the balance sheet as at 30 June 2007, and the income statement and cash flow statement for the year ended that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

The Quarterdeck
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A.B.N. 28 783 428 533



Accountants & Financial Planners

PAYNESVILLE & DISTRICT FINANCIAL SERVICES LIMITED

Independent Audit Report to the members of Paynesville & District Financial Services Limited

Auditor's Opinion

In our opinion the financial report of Paynesville & District Financial Services Limited is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

East Gippsland Financial Services

East Gippsland Financial Services
Accountants & Financial Planners

A handwritten signature in black ink, appearing to read "Ken Oglesby".

Ken Oglesby FCA CFP
Director

Paynesville

18 September 2007