

Paynesville & District Community Bank Branch



2007 annual report

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Chairman's report

For year ending 30 June 2007

Once again it is pleasing to report a year of excellent growth and overall results that confirm that we broadly remain in line with our original prospectus forecasts.

The community of Paynesville have continued to support our presence and it is pleasing to report that we hold over 2,000 Accounts as at 30th June 2007.

Our footings have risen by \$17.5m (budget \$15m) to \$37.8m over the past 12 months, an average growth of just under \$1.5m per month, which represents excellent progress.

Lower than projected returns on income streams, due mainly to the highly competitive nature of retail banking at the moment has meant that we are still not trading profitably on a day to day basis just yet, but we remain confident that with continued growth this will happen in a matter of months, not years.

As part of establishing a community profile we have sponsored selected clubs and organisations throughout the community to a total of over \$9,000. Our focus this year will be to grow these sponsorships and to identify a specific "community project" which not only promotes our brand but also benefits a significant sector of our local community.

Our relationship with our business partners, Bendigo Bank remains a strong and vibrant one, highlighted this year by the fact that Paynesville was chosen as the first regional venue outside of Bendigo to host the Victorian Regional Managers' Conference in February, and in May, I was invited to address over 250 **Community Bank**[®] delegates at a four state conference to tell the "Paynesville story" and of the impact the bush fires had on our summer holiday trade.

Our excellent progress this year is in no small way due to the performance of our staff so capably led by our Manager David Pearce and our Customer Relationship Officer, Tari Mills.

We were all deeply saddened late last year by the death of one of our founding Directors, Steve Hall, whose drive, enthusiasm, unique literary skills and personal popularity contributed so much to our early success. He is sadly missed. During this year we also lost the services of Mervyn Wigg and Bob Rees, both of whom retired after making fine contributions to our organisation.

Fortunately we have been able to cover our losses with some fine people, namely Les Mathieson, Andrew McKee, Glenn Williams, Peter Huntley, Bob Rowe and Margaret Supplitt, all of whom are considered eminently suitable as Directors of the Company.

Congratulations are extended to Director Ruth Wilson, who was awarded an OAM for her service to the Paynesville community in the 2007 Australia Day awards.

Chairman's report continued

My thanks are also extended to all other Directors who have continued to represent our Company, and the shareholders interests admirably over the past twelve months.

In closing, may I once again remind our shareholders that the best way for them to support this business and to expedite a healthy return on their investment is to help growth by continually referring and transferring business our way.

It helps your friends, it helps you, and it helps your community.

A handwritten signature in black ink, appearing to be 'GB', written over a circular stamp or mark.

Geoff Brooks
Chairman.

Manager's report

For year ending 30 June 2007

It is with great pride and pleasure to submit this 2nd Manager's report to the Shareholders of Paynesville & District Financial Services Ltd.

Our business continues to show steady growth which has now seen our customer base expand to 1,466 customers as at 30 June 2007 and business on the books has increased from \$20.3 to \$37.8 Million during the past twelve months.

This is a result of which we can all be truly proud.

The growth in our customer base continues to reflect the support of our local district and the benefits of this business are now being filtered back into our community.

Since the branch opened in December 2005, our **Community Bank**[®] branch has returned \$9,335 back into the community through donations to local projects and services together with the sponsorship of local events and clubs in our area. Some key initiatives undertaken during the past twelve months were:

- \$1,000 donation to each of the Paynesville Coastguard and the Gippsland Lakes Yacht Club to assist with the purchase of Rescue Boats.
- \$500 donation to each of the Paynesville Ambulance Auxiliary and the Pelicans Auxiliary to assist with Health Services.
- \$3,500 has been paid out in sponsorship to support local events and clubs.

Our relationship with local community groups and organisations continues to develop and we look forward to building further partnerships with our community over the next year.

To our team at the branch, I would like to take this opportunity to recognise the contribution of our current staff:- Tari Mills, Rebecca Clancy, Karen Cheswick, Geraldine Boswell and Kelly Galloway. The dedication of our staff in providing friendly and excellent customer service is commended. This has been a key factor in building the profile of the Bank and the level of business written.

A special mention goes to Tari Mills who was awarded a Staff Achievement Award by the Bendigo Bank Gippsland Region for her outstanding customer service and dedication to meet the needs of our customers. I would also like to acknowledge the efforts of past staff members Sue Sutton & Jennifer Strahan who also contributed to our success.

Training continues to be a high focus for all branch staff. This has recently seen all staff members complete a sixteen week Customer Relationship Course which is aimed at building skills to relate better with our customers and to identify and service their financial needs.

The performance of the branch has also been recognised by our Business Partner Bendigo Bank Limited. A Special Recognition Award has been presented to the Branch by Russell Carrick, Bendigo Bank Regional Manager for Gippsland, in recognition of our significant achievements for the 2006/07 year.

Manager's report continued

The services provided at the Branch have now also been expanded to include access to a fully qualified Financial Planner. Bendigo Bank Financial Planner, Mr Steven Ronaldson, is now available at the Branch for appointments on Fridays. Several customers have utilised this service and have found it to be very worthwhile. There is no obligation and the first appointment is free of charge.

I also take this opportunity to add that the Branch can offer insurance on a broad range of items. This includes Home and Contents, Car , Landlords Residential Property , Travel, Business, Boat , Caravan and Construction Insurance. Premiums can be paid by the month at no extra cost and the insurance is underwritten by CGU Insurance Limited.

Your **Community Bank**[®] branch has full access to the broad range of financial services and products that Bendigo Bank offers which includes Home Loans, Personal Loans, Business Loans, Insurance, Financial Planning & Superannuation and Everyday Banking. We will also continue to offer the opportunity to attend seminars on matters such as Retirement Planning and Investing, so please take advantage of what your local **Community Bank**[®] branch can offer.

To Chairman Geoff Brooks and members of the Board, their ongoing support and drive to build the business of the Bank over the past year is commended and we look forward to continuing our close working relationship.

We are confident that the business will continue to grow over the twelve months, however this of course is reliant on the ongoing support of the local community.

As an investor in your community and the Bank, we seek your support as an advocate for the branch by encouraging family, friends and neighbours to be a supporter of your **Community Bank**[®] branch.



David Pearce
Manager

Bendigo Bank Ltd report

For year ending 30 June 2007

As we approach the 10th anniversary of the **Community Bank**[®] network it is timely to reflect on what has been achieved. The opening of the first **Community Bank**[®] branches in Victoria's Wimmera in 1998 changed the Australian banking landscape – how significant this change has been is only now starting to become obvious.

Today, the **Community Bank**[®] brand is represented in every State and Territory of Australia, with the final frontier, the Northern Territory, falling with the opening of Coolalinga **Community Bank**[®] Branch in September 2006. Nine months later we were celebrating the opening of our 200th **Community Bank**[®] Branch in the Victorian seaside community of Dromana.

When you take the time to list them, the official statistics are impressive:

- \$10 billion in combined banking business
- \$10 million in grants to community groups and projects
- \$7 million in dividends paid to shareholders
- 1000 **Community Bank**[®] branch staff

But perhaps what has been most significant during 2007 have been merger talks. Bendigo rejected a merger proposal from Bank of Queensland in April. Less than four months later, Bendigo Bank's Board unanimously supported a merger proposal with Adelaide Bank. The merger will be voted on by Adelaide Bank shareholders in late-2007.

Under the merged group, our unique **Community Bank**[®] model will continue to grow and prosper, and new Company-owned and **Community Bank**[®] branches will continue to open.

The Bendigo Bank brand will be retained, customers' accounts will not change and the same friendly faces will be at your local branch to provide for your banking needs. As a **Community Bank**[®] shareholder, you will notice no changes – you remain a shareholder of your local community Company.

Nationally, the merger will increase Bendigo Bank's network, delivering our customers access to 24 branches in South Australia and 90 ATMs. Over time, new products and services will follow.

Bendigo Bank participates in the development of community banking with an enormous sense of pride. We are indeed fortunate to be your partner and look forward to celebrating 10 years of community banking in 2008.



Russell Carrick
Gippsland Regional Manager
Bendigo Bank

Directors' report

For year ending 30 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 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

Directors' report continued

Leslie John Mathieson

Director: (appointed 25 June 2007)

Age: 54
Occupation: Managing Director
Experience and expertise: 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 Orbost 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)

Directors' report continued

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
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.

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

Directors' report continued

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.

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)

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.

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

Directors' report continued

Gerard Squire Veitch

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 Harvie 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: 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' report continued

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 change in the nature of these activities during the year.

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 \$105,229.

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 continued

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 interest. 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
Arthur Peter Huntley (appointed 28 May 2007)	2	1
Mark Anthony Kenney	13	10
Leslie John Mahieson (appointed 25 June 2007)	1	1
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

Directors' report continued

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;
- 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 24 September 2007.



Geoffrey Douglas Brooks
Chairman



John Charles Smellin
Company Secretary

Auditor's independence declaration

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

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Financial statements

Income statement

For year ending 30 June 2007

	Note	2007 \$	2006 \$
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		(171,361)	(73,649)
Profit/(loss) before income tax expense		(147,674)	(177,610)
Income tax credit	4	42,445	40,168
Profit/(loss) attributable to members of the entity		(105,229)	(137,442)

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet

As at 30 June 2007

	Note	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	82,612	40,168
Total current assets		424,911	500,073
Non-current assets			
Property, plant and equipment	8	174,204	218,136
Intangible assets	9	6,901	8,899
Total non current assets		181,105	227,035
Total assets		606,016	727,108
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		55,174	71,037
Net assets		550,842	656,071
Equity			
Issued capital	14	793,513	793,513
Retained profits/ (accumulated losses)	15	(242,671)	(137,442)
Total equity		550,842	656,071

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity

As at 30 June 2007

	Note	2007 \$	2006 \$
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		550,842	(137,442)
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		550,842	656,071

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows

As at 30 June 2007

	Note	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	(133,147)	(68,922)
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		(3,291)	(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		(136,438)	440,268
Cash at the beginning of the financial year		440,268	-
Cash at end of the financial year	16a	303,830	440,268

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 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.

Notes to financial statements continued

Note 1. Statement of significant accounting policies (continued)

(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 a salary rate 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).

Notes to financial statements continued

Note 1. Statement of significant accounting policies (continued)

(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.

	2007	2006
	\$	\$

Note 2. Revenue from ordinary activities

Operating activities:

- services commissions	299,676	83,335
- other revenue	-	436

Non-operating activities:

- interest received	24,001	17,962
- rental revenue	-	-
	323,677	101,733

Notes to financial statements continued

	2007 \$	2006 \$
Note 3. Expenses		
Borrowing expenses:		
- interest paid	133	26
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
	49,223	57,288

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	(44,303)	(53,283)
Income tax expense on operating profit/(loss)	(42,445)	(40,168)

Notes to financial statements continued

	2007	2006
	\$	\$

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	2,340	830
	2,340	830

Amounts received or due and receivable by

East Gippsland Financial Services for:

- audit or review of the financial report of the Company	2,800	-
	2,800	-

Note 6. Cash & cash equivalents

Cash at bank and on hand	303,830	440,268
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Note 7. Trade & other receivables

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

Note 8. Property, plant and equipment

Land

Freehold land at cost	-	-
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Buildings

At cost	136,363	136,363
Less accumulated depreciation	(41,296)	(14,023)
	95,067	122,340

Notes to financial statements continued

	2007	2006
	\$	\$

Note 8. Property, plant and equipment (continued)

Plant and equipment

At cost	109,645	106,353
Less accumulated depreciation	(30,508)	(10,557)
	79,137	95,796
Total written down amount	174,204	218,136

Movements in carrying amounts

Building

Carrying amount at beginning of year	122,340	-
Additions	-	136,363
Disposals	-	-
Depreciation expense	(27,273)	(14,023)
Carrying amount at end of year	95,067	122,340

Plant and equipment

Carrying amount at beginning of year	95,796	-
Additions	3,292	106,353
Disposals	-	-
Depreciation expense	(19,951)	(10,557)
Carrying amount at end of year	79,137	95,796

Note 9. Intangible assets

Franchise fee

At cost	10,000	10,000
Less accumulated amortisation	(3,100)	(1,101)
	6,900	8,899

Preliminary expenses

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

Notes to financial statements continued

	2007	2006
	\$	\$
Note 10. Trade and other payables		
Trade creditors	20,753	8,367
Other creditors and accruals	18,935	51,502
Other	-	-
	39,688	59,869

Note 11. Short term liabilities

Bank overdraft	-	-
Bank loan - secured	-	-
Business credit card	286	159
	286	159

Note 12. Deferred tax asset

Tax liabilities

Current tax liabilities

- -

Deferred tax assets

Future income tax benefit carried forward is:

82,612 40,168

Note 13. Provisions

Employee benefits	15,200	11,009
Number of employees at year end	5	6

Note 14. Issued capital

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

	2007 \$	2006 \$
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	(242,671)	(137,442)

Note 16. Statement of cashflows

(a) Reconciliation of cash

Cash assets	303,830	440,268
Bank overdraft	-	-
	303,830	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	(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	(42,445)	(40,168)
Net cashflows from/ (used in) operating activities	(133,147)	(68,922)

Notes to financial statements continued

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

Notes to financial statements continued

Note 17. Related party disclosures (continued)

Margaret Gae Supplitt

Age 40

Project Manager (Appointed 28 May 2007)

Gerard Squire Veitch

Age 56

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.

Notes to financial statements continued

Note 21. registered office / principal place of business

The registered office and principal place of business is:

61 The Esplanade
Paynesville, VIC 3880.

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	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%

Financial assets

Cash assets	10,989	26,116	292,691	414,001	-	-	-	-	150	150	6.25%	5.60%
Receivables	-	-	-	-	-	-	-	-	38,469	19,637	N/A	N/A

Financial liabilities

Interest bearing

liabilities	286	159	-	-	-	-	-	-	-	-	14.40%	13.90%
Payables	-	-	-	-	-	-	-	-	39,688	59,869	N/A	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

Independent audit report

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
Level 1, 63 The Esplanade, Paynesville, Vic. 3880
Phone: 03 5156 0066 Fax: 03 5156 0721
Email: info@egfs.com.au
A.B.N. 28 783 428 533

EAST GIPPSLAND FINANCIAL SERVICES

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

Ken Oglesby

Ken Oglesby FCA CFP
Director

Paynesville

18 September 2007

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 31 August 2007.

(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:

1 – 1000	153
1,001 - 5,000	162
5,001 - 10,000	5
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	
Mr Gerald Francis Pauley		5500	.69%
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%

(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) 5156 6655

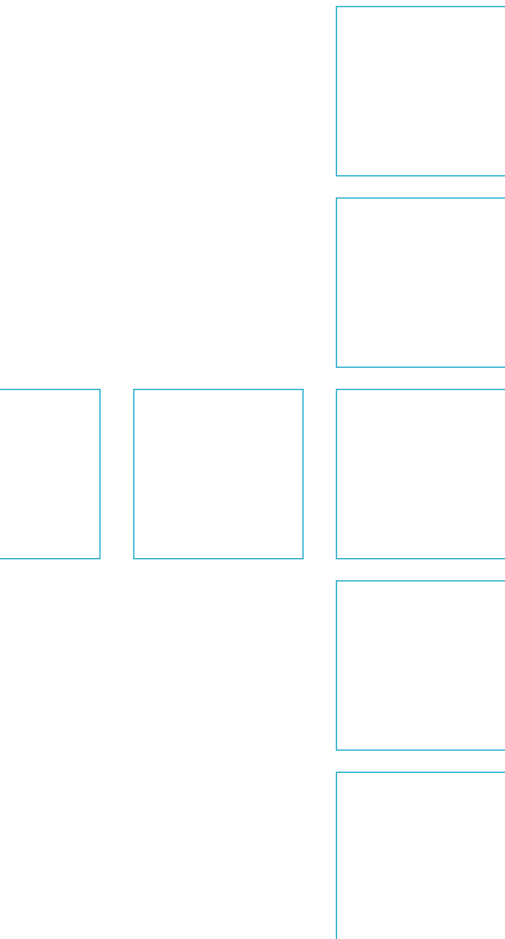
Fax: (03) 5156 6100

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

Computershare Limited
452 Johnston Street
Abbotsford, VIC 3067
Phone: (03) 9415 5000

(j) Number of restricted and unquoted securities

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



Paynesville & District **Community Bank**[®] Branch
The Esplanade, Paynesville, VIC 3880
Phone: (03) 5156 6655 Fax: (03) 5156 6100

Franchisee: Paynesville & District Financial Services Limited
61 The Esplanade, Paynesville, VIC 3880
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ABN 80 115 308 015

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ABN 11 068 049 178. AFSL 237879. (BMPAR7027) (09/07)