

2008 annual report



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Chairman's report

For year ending 30 June 2008

In what has been a difficult year for business generally it is my privilege to report the continued strong growth of our Company.

Despite the fact that the tight economy has resulted in returns on income streams continuing to be lower than projected our financial results are a credit to all concerned. A trading loss of \$21,439 reflects an improvement of \$83,790 over last year's operating loss of \$105,229. These figures are underpinned by a huge \$152,679 improvement in our cash flows from a negative \$133,147 last year to a positive \$19,532 in 2008.

Community support continued to thrive with the branch opening over 500 new accounts again this year. This represents approximately two new accounts being opened every day we open. We are confident that these results confirm that we have now established a solid base upon which to build a vibrant business which, in turn will provide strong returns for our shareholders and significant benefits to our community in future years.

Sadly, during the year we lost the services of our Manager, David Pearce at very short notice. It must be noted that the efforts of the staff and the support offered by our business partner, Bendigo Bank during the time we were looking for a new Manager was magnificent and helped us through this difficult time significantly.

I believe that we have been very fortunate to secure the services of our new Manager Duncan Grant. Duncan brings with him a wealth of banking experience, is extremely approachable and well organised and, importantly understands and supports the **Community Bank**[®] concept.

We have continued to maintain our community profile through the sponsorship of selected clubs and organisations, whilst our Marketing Committee, under the astute leadership of Glenn Williams is well advanced in its pursuit of identifying one or more significant community projects that satisfy our criteria.

Thanks must go to all of our Directors for their continued dedication, although it is with regret that we acknowledge the retirements of Don Blainey and Margaret Supplitt over the last 12 months.

My thanks also go to the balance of our staff, Tari Mills and the girls who are always professional and courteous when dealing with customers and their enquiries.

In closing may I remind shareholders that our business is a partnership with our community. If we all bank together then we can all grow and benefit together. Returning the profits to the community who invests the money is what makes the **Community Bank**[®] concept unique and explains why there are now over 220 **Community Bank**[®] branches right throughout Australia.



Geoff Brooks
Chairman

Manager's report

For year ending 30 June 2008

It is with great pleasure that I present my first of many annual reports.

As I took over the Branch Manager role towards the end of the financial year I have not had a lot to do with the success of our Company so far. But I look forward to being a part of the Company's success in the years to come.

The Company's growth in the past 12 months has been tremendous given the uncertainty in the finance industry over the past 12 months.

We have seen the business grow to footings of over \$45 million and achieved an annual growth figure of \$10.6 million for the year ending 30 of June 2008.

The number of accounts now held with Paynesville & District **Community Bank**[®] Branch at the end of June 2008 is at 2,579.

I put this success of the past year down to the commitment of the Board and the staff as well as the continued support of the local community.

The branch continues to be involved in the community activities of the Company, as well as providing a high level of support and services to our customers. I would like to take this opportunity to thank the staff personally for this and their support to me in the short time I have been the Branch Manager.

I would also like to thank Geoff Brooks and all of the Directors for their support to myself personally and their support of the staff. I look forward to working with the staff and Board to ensure that we continue to provide a valuable and high level of service to our customers and local community.

We have been able to support the local community with donations and sponsorships going towards local clubs and community projects over the past 12 months and are looking forward to continuing this support over the next 12 months.

I believe that we have the ability to continue to grow our Company over the next 12 months, but I would ask all of our shareholders to continue to support and promote us to family and friends as you have been doing over the past two and a half years.

Because without your support we would not have been able to achieve the level success and community support that the Company has so far.

Manager's report continued

We are able to offer a large range of products and services from insurance, home loans, business loans, everyday accounts, credit cards, financial planning and many more. If you have not had a full review of your banking by one of our staff I would ask you to contact the branch to make an appointment to make sure your current banking arrangements suit your current needs.

We can look forward to a great year ahead for and with the support of the community continue to make strides in the financial market.



Duncan Grant
Branch Manager

Bendigo Bank Ltd report

For year ending 30 June 2008

Celebrating 10 years of the **Community Bank**[®] Network

June 2008 marks ten years since Bendigo Bank and the people of Rupanyup and Minyip unveiled the first **Community Bank**[®] branches in Australia, marking a turning point not only for the two small Victorian wheat belt towns, but for the Bendigo as well.

Today, these two towns have been joined by more than 210 communities to form Australia's fastest growing banking network – the **Community Bank**[®] concept. It is a significant milestone for Bendigo Bank and our **Community Bank**[®] partners.

The number of **Community Bank**[®] branches has doubled in the last four years and in the same time frame, customers have tripled their commitment of banking business to the community network, increasing it to more than \$11 billion.

More importantly, in excess of \$18 million in **Community Bank**[®] branch profits have been returned to community projects and \$12 million has been paid in dividends to more than 50,000 local shareholders. Behind those numbers are hundreds of stories of **Community Bank**[®] branches making a real difference to the lives of local people.

Whether it's building a community hall, sponsoring an art prize or even buying new footy jumpers for the local side – these **Community Bank**[®] branches are helping improve the economic and social prospects of their local communities. Add to those contributions the employment of more than 1000 staff members and daily expenses in the local economy and you have a truly meaningful contribution to those communities and to local prosperity.

As we reflect on the past 10 years, it's with a feeling of great pride and accomplishment for what has been achieved in partnership between our team at the Bendigo and our community partners. The landscape of banking has changed dramatically, but more importantly – so have the communities we partner and our own organisation.

Our partners have taken charge of outcomes locally that will impact positively for many years to come. Likewise, our organisation has built on our community focussed heritage and evolved to become a true partner to community.

Your commitment, enthusiasm and belief in the **Community Bank**[®] model has been instrumental, and for that we thank you. And here we are, only 10 years into this wonderful journey. Who knows what positive outcomes we'll be talking about in 10 years time, as the **Community Bank**[®] network matures?

It's an exciting prospect – and we are very proud of what our team and the communities we partner have achieved together.



Russell Jenkins

Chief General Manager Retail & Distribution

Directors' report

For year ending 30 June 2008

Your Directors submit the financial report of the Company for the financial year ended 30 June 2008.

Directors

The names and details of the Company's Directors who held office during or since the end of the financial year:

Geoffrey Douglas Brooks

Chairman

Age: 60

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 (Resigned 24 September 2007)

Age: 66

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

Age: 62

Occupation: Retired Accountant

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

Other current Directorship: NIL

Former Directorship in last 3 years: NIL

Special responsibilities: Member of Finance Committee.

Interest in shares: NIL

Leslie John Mathieson

Director

Age: 55

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

Special responsibilities: NIL

Interests in Shares: NIL

Directors' report continued

Mark Anthony Kenney

Director

Age: 42

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.

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)

Andrew Charles Quirke

Director

Age: 47

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.

Andrew Sutherland McKee

Director

Age: 62

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

Special responsibilities: NIL

Interest in shares: NIL

Robert Allen Rowe

Director

Age: 66

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

Special responsibilities: NIL

Interest in shares: NIL

Directors' report continued

John Charles Smellin

Director

Age: 61

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 Directorships 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 (Resigned 5 September 2007)

Age: 41

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 last 3 years: NIL

Special responsibilities: NIL

Interest in shares: 2,000 Ordinary shares.

Gerard Squire Veitch

Director

Age: 58

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

Age: 65

Occupation: Retired

Experience and expertise: Managing Director, General Advertising Co, CEO and Director Clemenger Horne Advertising. Past member Australia Day Committee, Victoria.

Other current Directorships: NIL

Former Directorships in last 3 years: NIL

Special responsibilities: NIL

Interest in shares: NIL

Directors' report continued

Ellen Ruth Wilson OAM

Director

Age: 65

Occupation: Caterer

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.

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 facilitating **Community Bank**[®] 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

Operations have continued to perform in line with expectations. The loss of the Company for the financial year after provision for income tax was:

Year ended 30 June 2008	Year ended 30 June 2007
\$	\$
(21,439)	(105,229)

Directors' report continued

Remuneration report

No Director receives remuneration for services as a Company Director or Committee Member.

There are no employees who are directly accountable and have responsibility for the strategic direction and operational management of the entity.

There are therefore no specified Executives whose remuneration requires disclosure.

The Branch Manager commenced employment on 21 April 2008. He receives gross remuneration of \$70,000 and employee superannuation support.

Dividends

No dividends were declared or paid for the previous year and 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.

Matters subsequent to the end of the financial year

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 facilitating 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 interest except as disclosed in note 18 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable 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 or related body corporate) that may arise from their position as Directors or Manager of the Company except where the liability arises out of conduct involving the lack of good faith.

Directors' report continued

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 meetings

The number of Directors 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	14	13
Donald William Blainey (Resigned 24 September 2007)	3	1
Arthur Peter Huntley	14	12
Leslie John Mathieson	14	10
Mark Anthony Kenney	14	8
Andrew Sutherland McKee	14	12
Andrew Charles Quirke	14	14
Robert Allen Rowe	14	8
John Charles Smellin	14	14
Margaret Gae Supplitt (Resigned 5 September 2007)	2	1
Gerard Squire Veitch	14	9
Glenn David Williams	14	11
Ellen Ruth Wilson OAM	14	7

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 (Andrew Frewin & Stewart) 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, in accordance with the advice received from the audit committee 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.

Directors' report continued

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 by the audit committee to ensure they do not impact on the impartiality and objectivity of the Auditor;
- none of the services undermine 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 a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Auditors' independence declaration

A copy of the Auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 13.

Signed in accordance with a resolution of the Board of Directors at Paynesville on 24 September 2008.



Geoffrey Douglas Brooks
Chairman



John Charles Smellin
Company Secretary

Auditor's independence declaration



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Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Paynesville & District Financial Services Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

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

David Hutchings
Auditor

Andrew Frewin & Stewart
Bendigo, Victoria

Dated this 24th day of September 2008

Financial statements

Income statement For year ending 30 June 2008

	Note	2008 \$	2007 \$
Revenues from ordinary activities	3	455,706	323,677
Salaries and employee benefits expense		(262,088)	(250,767)
Advertising and promotion expenses		(2,119)	(1,791)
Occupancy and associated costs		(43,150)	(35,236)
Systems costs		(26,248)	(29,378)
Depreciation and amortisation expense	4	(49,348)	(49,223)
General administration expenses		(107,842)	(104,956)
Loss before income tax credit		(35,090)	(147,674)
Income tax credit	5	13,651	42,445
Loss for the period		(21,439)	(105,229)
Loss attributable to members of the entity		(21,439)	(105,229)
Earnings per share (cents per share)		¢	¢
- basic for profit for the year	19	(2.70)	(13.26)

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet As at 30 June 2008

	Note	2008 \$	2007 \$
Assets			
Current assets			
Cash assets	6	276,862	303,830
Trade and other receivables	7	38,193	38,469
Total current assets		315,055	342,299
Non-current assets			
Property, plant and equipment	8	131,141	174,204
Intangible assets	9	47,115	6,901
Deferred tax assets	10	96,263	82,612
Total non-current assets		274,519	263,717
Total assets		589,574	606,016
Liabilities			
Current liabilities			
Trade and other payables	11	43,837	39,688
Borrowings	12	5	286
Provisions	13	15,170	15,200
Total current liabilities		59,012	55,174
Non-current liabilities			
Provisions	13	1,159	-
Total non-current liabilities		1,159	-
Total liabilities		60,171	55,174
Net assets		529,403	550,842
Equity			
Issued capital	14	793,513	793,513
Accumulated losses	15	(264,110)	(242,671)
Total equity		529,403	550,842

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2008

	Note	2008 \$	2007 \$
Cash flows from operating activities			
Receipts from customers		467,648	316,025
Payments to suppliers and employees		(468,015)	(473,173)
Interest paid		14	-
Interest received		19,885	24,001
Net cash provided by/(used in) operating activities	16	19,532	(133,147)
Cash flows from investing activities			
Payments for property, plant and equipment		(1,500)	(3,291)
Payments for intangible assets		(45,000)	-
Net cash used in investing activities		(46,500)	(3,291)
Net decrease in cash held		(26,968)	(136,438)
Cash at the beginning of the financial year		303,830	440,268
Cash at the end of the financial year	6(a)	276,862	303,830

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity As at 30 June 2008

	Note	2008 \$	2007 \$
Total equity at the beginning of the period		550,842	656,071
Net loss for the period		(21,439)	(105,229)
Net income/expense recognised directly in equity		-	-
Dividends provided for or paid		-	-
Shares issued during period		-	-
Total equity at the end of the period		529,403	550,842

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 1. Summary of significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001.

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 under the historical cost conventions on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST). The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable for the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

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

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the Company/consolidated entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Employee entitlements

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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

Intangibles

The cost of the Company's franchise fee has been recorded at cost and is amortised on a straight line basis at a rate of 20% per annum.

Cash

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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Comparative figures

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

Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements	40 years
- plant and equipment	2.5 - 40 years
- furniture and fittings	4 - 40 years

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Company's investment in each branch.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Estimated impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(above). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions.

Impairment of assets

At each reporting date, the entity reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Impairment of assets (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

Trade receivables and payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. 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.

Borrowings

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

Provisions

Provisions are recognised 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 recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Contributed equity

Ordinary shares are recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Note 2. Financial risk management

The Company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the Board of Directors.

(i) Market risk

The Company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The Company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The Company is not exposed to commodity price risk.

(iii) Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The Company's franchise agreement limits the Company's credit exposure to one financial institution, being Bendigo Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The Company believes that its sound relationship with Bendigo Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest-rate risk. The Company believes that its sound relationship with Bendigo Bank Limited mitigates this risk significantly.

Notes to the financial statements continued

	2008 \$	2007 \$
Note 3. Revenue from ordinary activities		
Operating activities:		
- services commissions	435,813	299,676
Total revenue from operating activities	435,813	299,676
Non-operating activities:		
- interest received	19,893	24,001
Total revenue from non-operating activities	19,893	24,001
Total revenues from ordinary activities	455,706	323,677

Note 4. Expenses

Depreciation of non-current assets:

- plant and equipment	17,290	19,950
- leasehold improvements	27,273	27,273
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
- redomiciled account	2,785	-
	49,348	49,223
Finance costs:		
- interest paid	14	133

Note 5. Income tax expense

The components of tax expense comprise:

- Current tax	-	-
- Deferred tax on provisions	(4,899)	-
- Recoupment of prior year tax losses	-	-
- Future income tax benefit attributable to losses	(8,752)	(42,445)
	(13,651)	(42,445)

Notes to the financial statements continued

	Note	2008 \$	2007 \$
Note 5. Income tax expense (continued)			
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating loss		(35,090)	(147,674)
Prima facie tax on loss from ordinary activities at 30%		(10,527)	(44,303)
Add tax effect of:			
- non-deductible expenses		1,436	600
- timing difference expenses		339	1,258
Current tax		(8,752)	(42,445)
Movement in deferred tax	10.	(4,899)	-
		(13,651)	(42,445)

Note 6. Cash assets

Cash at bank and on hand	276,862	303,830
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The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

6(a) Reconciliation of cash

Cash at bank and on hand	276,862	303,830
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Note 7. Trade and other receivables

Trade receivables	33,106	33,587
Prepayments	5,087	4,882
	38,193	38,469

Notes to the financial statements continued

	2008 \$	2007 \$
Note 8. Property, plant and equipment		
Plant and equipment		
At cost	111,145	109,645
Less accumulated depreciation	(47,797)	(30,507)
	63,348	79,138
Leasehold improvements		
At cost	136,363	136,363
Less accumulated depreciation	(68,570)	(41,297)
	67,793	95,066
Total written down amount	131,141	174,204
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	79,138	95,796
Additions	1,500	3,293
Disposals	-	-
Less: depreciation expense	(17,290)	(19,951)
Carrying amount at end	63,348	79,138
Leasehold improvements		
Carrying amount at beginning	95,066	122,340
Additions	-	-
Disposals	-	-
Less: depreciation expense	(27,273)	(27,274)
Carrying amount at end	67,793	95,066
Total written down amount	131,141	174,204

Notes to the financial statements continued

	2008 \$	2007 \$
Note 9. Intangible assets		
Franchise fee		
At cost	10,000	10,000
Less: accumulated amortisation	(5,100)	(3,100)
	4,900	6,900
Redomicile account		
At cost	45,000	-
Less: accumulated amortisation	(2,785)	-
	42,215	-
Total Intangible assets	47,115	6,900

Note 10. Deferred tax

Deferred tax asset		
Opening balance	82,612	40,167
Future income tax benefits attributable to losses	8,752	42,445
Recoupment of prior year tax losses	-	-
Deferred tax on provisions	4,899	-
Closing balance	96,263	82,612

Note 11. Trade and other payables

Trade creditors	11,439	20,753
Other creditors & accruals	32,398	18,935
	43,837	39,688

Note 12. Borrowings

Bank credit card	5	285
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Notes to the financial statements continued

	2008 \$	2007 \$
Note 13. Provisions		
Current		
Employee provisions	15,170	15,200
Non-current		
Employee provisions	1,159	-
Number of employees at year end	5	5

Note 14. Contributed equity

793,513 Ordinary shares fully paid of \$1 each (2007: 793,513)	793,513	793,513
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Note 15. Accumulated losses

Balance at the beginning of the financial year	(242,671)	(137,442)
Net loss from ordinary activities after income tax	(21,439)	(105,229)
Balance at the end of the financial year	(264,110)	(242,671)

Note 16. Statement of cash flows

Reconciliation of loss from ordinary activities after tax to net cash provided by/(used in) operating activities

Loss from ordinary activities after income tax	(21,439)	(105,229)
Non cash items:		
- depreciation	44,563	47,223
- amortisation	4,785	2,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	276	(18,834)
- (increase)/decrease in other assets	(13,651)	(42,445)
- increase/(decrease) in payables	3,869	(20,053)
-increase/(decrease) in provisions	1,129	4,191
Net cash flows provided by/(used in) operating activities	19,532	(133,147)

Notes to the financial statements continued

	2008 \$	2007 \$
Note 17. Auditors' remuneration		
Amounts received or due and receivable by		
Needham Ashley & Associates for:		
- audit & review services	-	2,340
- non audit services	-	-
	-	2,340
Amounts received or due and receivable by		
East Gippsland Financial Services for:		
- audit & review services	-	2,800
- non audit services	-	-
	-	2,800
Amounts received or due and receivable by AFS & Associates for:		
- audit & review services	4,000	-
- non audit services	380	-
	4,380	-

Note 18. Director and related party disclosures

The names of Directors who have held office during the financial year are:

Geoffrey Douglas Brooks

Donald William Blainey (Resigned 24 September 2007)

Arthur Peter Huntley

Leslie John Mathieson

Mark Anthony Kenney

Andrew Sutherland McKee

Andrew Charles Quirke

Robert Allen Rowe

John Charles Smellin

Margaret Gae Supplitt (Resigned 5 September 2007)

Gerard Squire Veitch

Glenn David Williams

Ellen Ruth Wilson OAM

Notes to the financial statements continued

Note 18. Director and related party disclosures (continued)

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.

Directors shareholdings	2008	2007
Geoffrey Douglas Brooks	5,001	5,001
Donald William Blainey (Resigned 24 September 2007)	5,001	5,001
Arthur Peter Huntley	-	-
Leslie John Mathieson	-	-
Mark Anthony Kenney	10,001	10,001
Andrew Sutherland McKee	-	-
Andrew Charles Quirke	3,001	3,001
Robert Allen Rowe	-	-
John Charles Smellin	6,001	6,001
Margaret Gae Supplitt (Resigned 5 September 2007)	2,000	2,000
Gerard Squire Veitch	10,001	10,001
Glenn David Williams	-	-
Ellen Ruth Wilson OAM	501	501

There was no movement in Directors shareholdings during the year. Each share held is valued at \$1.

	2008	2007
	\$	\$

Note 19. Earnings per share

(a) Profit attributable to the ordinary equity holders of the Company

used in calculating earnings per share (21,439) (105,229)

	2008	2007
	Number	Number

(b) Weighted average number of ordinary shares used as the

denominator in calculating basic earnings per share 793,513 793,513

Notes to the financial statements continued

Note 20. Events occurring after the balance sheet date

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

Note 21. Contingent liabilities

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

Note 22. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank**[®] services pursuant to a franchise agreement with Bendigo Bank Limited. The economic entity operates in one geographic area being Paynesville and district, Victoria.

Note 23. Registered office/principal place of business

The registered office and principal place of business is:

61 The Esplanade,
Paynesville VIC 3880.

Note 25. Financial instruments

Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. 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 Statement of Financial Position 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.

Notes to the financial statements continued

Note 25. Financial instruments (continued)

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					
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash assets	19,570	10,989	257,141	292,691	-	-	-	-	150	150	7.95%	6.25%
Receivables	-	-	-	-	-	-	-	-	38,193	38,469	N/A	N/A
Financial liabilities												
Interest bearing liabilities	5	286	-	-	-	-	-	-	-	-	15.75%	14.40%
Payables	-	-	-	-	-	-	-	-	39,582	39,688	N/A	N/A

Director's declaration

In accordance with a resolution of the Directors of Paynesville & District Financial Services Limited, we state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2008 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the Directors' report comply with Accounting Standard AASB174 Related Party Disclosures and the Corporations Regulations 2001.

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



Geoffrey Douglas Brooks
Chairman



John Charles Smellin
Company Secretary

Signed on 24 September 2008.

Independent audit report



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61-65 Bull Street
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www.afsbendigo.com.au
ABN 51 061 795 337

INDEPENDENT AUDITOR'S REPORT

To the members of Paynesville & District Financial Services Limited

We have audited the accompanying financial report of Paynesville & District Financial Services Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the director's declaration.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 Related Party Disclosures ("Remuneration disclosures"), under the heading "Remuneration Report" in the directors' report, as permitted by Corporations Regulation 2M.6.04.

Directors Responsibility for the Financial Report

The Directors 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 controls 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. In note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the director's report.

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 and that the remuneration disclosures comply with Accounting Standards AASB 124 Related Party Disclosures.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our 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, we consider internal controls relevant to the entity'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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent audit report continued

Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the director's report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

- 1) The financial report is in accordance with the Corporations Act 2001 including giving a true and fair view of the financial position of Paynesville & District Financial Services Limited as of 30 June 2008 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- 2) The financial report also complies with International financial reporting standards as disclosed in Note 1.
- 3) The remuneration disclosures that are contained in the director's report comply with Accounting Standards AASB 124 Related Party Disclosures.



DAVID HUTCHINGS
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

Dated this 24th day of September 2008

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 2008.

(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	Mr Michael James Pauley	5,500	.69%
Mrs Rhondda Miriam Fisher		5,001	.63%
Mr Stephen Joseph Hall		5,001	.63%
Mr Robert Emerson Graham Rees		5,001	.63%
Mr Gerard Squire Veitch		5,001	.63%
Mr Russell John Allan	Mrs Annie Allan	5,000	.63%
Debra Ann Andreassen	Keitil Systed Andreassen	5,000	.63%
Ms Sally Anne Bailey		5,000	.63%
Frances Charles Baston	Beverley May Baston	5,000	.63%
Michael Richard Beazer	Margaret Anne Beazer		
Beazer Super Fund A/c		5,000	.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
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ABN 80 115 308 015

www.bendigobank.com.au

Bendigo and Adelaide Bank Limited, The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879. (BMPAR8064) (09/08)

