

Palerang Financial Services Ltd
ABN 83 097 801 100
Directors' Report

Your Directors submit their report of the company for the half year ended 31 December 2007.

Directors

The names of directors who held office during the half year and until the date of this report are:

Michelle Robison
Maureen Christine Faviell (resigned 24 January 2008)
Frank David Judge
Noel Arthur Wisbey
Douglas William Smith
Allan Donnelly
Michael Andrews
Michael Fay
Caroline Suzette Spencer (resigned 25 October 2007)
Steven Hockey (appointed 27 September 2007)
Jenifer Frederick (appointed 27 September 2007)

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

Principal activities

The principal activities of the company during the course of the financial period were in providing community banking services under management rights to operate two franchised branches of Bendigo Bank Limited.

Review and results of operations

Operations have continued to perform in line with expectations. The net loss of the company for the financial period was \$2,326 (2006: \$11,224).

Matters subsequent to the end of the reporting period

There are no matters or circumstances that have arisen since the end of the half year reporting period 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.

Auditor Independence Declaration

The directors received the following independence declaration from the auditor of the company:

Richmond Sinnott & Delahunty
Chartered Accountants



**10 Forest Street
PO Box 30
Bendigo, 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au**

Auditor's Independence Declaration

In relation to our review of the financial report of Palerang Financial Services Ltd for the half year ended 31 December 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

**Warren Sinnott
Partner
Richmond Sinnott & Delahunty
Bendigo
13 March 2008**

Signed in accordance with a resolution of the Directors at Braidwood on 13 March 2008.

.....
Noel Arthur Wisbey, Chairman

Palerang Financial Services Limited
ABN 83 097 801 100
Condensed Income Statement
for the half-year ended 31 December 2007

	2007	2006
	\$	\$
Revenue from ordinary activities	487,907	368,235
Other revenue	3,286	4,397
Salaries and employee benefit expense	(273,475)	(224,424)
Depreciation and amortisation expense	(27,479)	(23,234)
Other expenses from ordinary activities	<u>(189,021)</u>	<u>(135,037)</u>
Profit / (loss) from ordinary activities before income tax expense	1,218	(10,063)
Income tax expense relating to ordinary activities	<u>3,544</u>	<u>1,161</u>
Net profit / (loss)	<u><u>(2,326)</u></u>	<u><u>(11,224)</u></u>
Earnings per share (cents per share)		
- basic for profit / (loss) for the half year	(0.18)	(0.85)
- diluted for profit / (loss) for the half year	(0.18)	(0.85)
- dividends paid per share	5 -	-

Palerang Financial Services Limited
ABN 83 097 801 100
Condensed Balance Sheet
as at 31 December 2007

	31-Dec 2007 \$	30-Jun 2007 \$
Current Assets		
Cash assets	186,010	177,361
Receivables	94,706	80,912
Total Current Assets	<u>280,716</u>	<u>258,273</u>
Non-Current Assets		
Property, plant and equipment	685,307	710,246
Deferred income tax asset	9,638	13,182
Intangibles	23,372	12,113
Total Non-Current Assets	<u>718,317</u>	<u>735,541</u>
Total Assets	<u>999,033</u>	<u>993,814</u>
Current Liabilities		
Payables	47,685	50,803
Provisions	31,220	20,624
Total Current Liabilities	<u>78,905</u>	<u>71,427</u>
Non-Current Liabilities		
Bank Loan	217	150
Total Non-Current Liabilities	<u>217</u>	<u>150</u>
Total Liabilities	<u>79,122</u>	<u>71,577</u>
Net Assets	<u>919,911</u>	<u>922,237</u>
Equity		
Issued capital	1,067,752	1,067,752
Accumulated losses	(147,841)	(145,515)
Total Equity	<u>919,911</u>	<u>922,237</u>

Palerang Financial Services Limited
ABN 83 097 801 100
Condensed Cash Flow Statement
for the half-year ended 31 December 2007

	2007	2006
	\$	\$
Cash Flows From Operating Activities		
Cash receipts in the course of operations	522,895	389,255
Cash payments in the course of operations	(503,799)	(393,870)
Interest received	3,286	4,397
	<u>22,382</u>	<u>(218)</u>
Cash Flows From Investing Activities		
Payments for intangibles	(10,000)	-
Payments for property, plant and equipment	(3,800)	(204,472)
	<u>(13,800)</u>	<u>(204,472)</u>
Cash Flows From Financing Activities		
Proceeds from issue of shares	-	24,000
Proceeds of borrowings	67	63
	<u>67</u>	<u>24,063</u>
Net increase in cash held	8,649	(180,627)
Opening cash brought forward	<u>177,361</u>	<u>351,890</u>
Closing cash carried forward	<u><u>186,010</u></u>	<u><u>171,263</u></u>

Palerang Financial Services Limited
ABN 83 097 801 100
Condensed Statement of Changes in Equity
for the half-year ended 31 December 2007

	Issued Capital \$	Retained Earnings \$	Total Equity \$
As at 1 July 2007	1,067,752	(145,515)	922,237
Net profit / (loss) for the period	-	(2,326)	(2,326)
Issue of share capital	-	-	-
Equity dividends	-	-	-
As at 31 December 2007	<u>1,067,752</u>	<u>(147,841)</u>	<u>919,911</u>

	Issued Capital \$	Retained Earnings \$	Total Equity \$
As at 1 July 2006	1,035,951	(152,889)	883,062
Net profit / (loss) for the period	-	(11,224)	(11,224)
Issue of share capital	24,000	-	24,000
Equity dividends	-	-	-
As at 31 December 2006	<u>1,059,951</u>	<u>(164,113)</u>	<u>895,838</u>

Palerang Financial Services Limited
ABN 83 097 801 100
Notes to the Financial Statements
for the half-year ended 31 December 2007

1. Basis of preparation of the Half-Year Financial Report

(a) Basis of accounting

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the full financial report.

The half year financial report should be read in conjunction with the annual financial report of Palerang Financial Services Ltd as at 30 June 2007. It is also recommended that this half year financial report be considered together with any public announcements made by Palerang Financial Services Ltd during the half year ended 31 December 2007 in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

The half year financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

For the purpose of preparing the half year financial statements the half year has been treated as a discrete reporting period.

(b) Statement of compliance

The half year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

(c) Summary of significant accounting policies

The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2007 financial statements.

2. Events subsequent to Reporting Date

There have been no events subsequent to reporting date that would materially effect the financial statements at the reporting date.

3. Contingent Assets and Liabilities

Since the last annual reporting date there has been no material change of any contingent assets or contingent liabilities.

4. 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 the Palerang Shire (incorporating Braidwood and Bungendore) New South Wales.

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Notes to the Financial Statements
for the half-year ended 31 December 2007

5. Dividends Paid	2007	2006
	\$	\$
<i>Dividends paid during the half year</i>		
Final franked dividend for the year ended 30 June 2007	-	-
<i>Dividends proposed and not recognised as a liability</i>		
Interim franked dividend for the year ended 30 June 2008	-	-

6. Director and Related Party Disclosures

The names of directors who have held office during the half year ended 31 December 2007 are:

Michelle Robison
Maureen Christine Faviell (resigned 24 January 2008)
Frank David Judge
Noel Arthur Wisbey
Douglas William Smith
Allan Donnelly
Michael Andrews
Michael Fay
Caroline Suzette Spencer (resigned 25 October 2007)
Steven Hockey (appointed 27 September 2007)
Jenifer Frederick (appointed 27 September 2007)

The company entered into a rental agreement with an entity related to a director (Michael Fay) for the rental of the Bungendore branch premises. The agreement is on commercial terms and commenced on 1 July 2006, with rent for the period ended 31 December 2007 being \$10,800 (2006: \$11,982). No other director or related entity has entered into a material contract with the company. No director's fees have been paid as all positions are held on a voluntary basis.

Directors shareholdings	<u>2007</u>	<u>2006</u>
Michelle Robison	1,500	1,500
Maureen Christine Faviell (resigned 24 January 2008)	1,501	1,501
Frank David Judge	750	750
Noel Arthur Wisbey	6,001	6,001
Douglas William Smith	3,750	3,750
Allan Donnelly	5,000	5,000
Michael Andrews	200	200
Michael Fay	1,000	1,000
Caroline Suzette Spencer (resigned 25 October 2007)	-	-
Steven Hockey (appointed 27 September 2007)	2,000	500
Jenifer Frederick (appointed 27 September 2007)	-	-

Other than the purchase of 1,500 shares by Steven Hockey there was no movement in director shareholdings during the period. Each share held is valued at \$1 and is fully paid.

Palerang Financial Services Limited
ABN 83 097 801 100
Directors Declaration
for the half-year ended 31 December 2007

In accordance with a resolution of the directors of Palerang Financial Services Ltd, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company:
 - (i) give a true and fair view of the company's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and
 - (ii) comply with Accounting Standard AASB 134, "Interim Financial Reporting" and the Corporations Regulations 2001; 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.

On behalf of the Board

.....
Noel Arthur Wisbey, Chairman

Signed in Braidwood on this 13th day of March 2008