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Chairperson's report

For year ending 30 June 2006

Many significant milestones have been achieved since the opening of the Doncaster East **Community Bank®** Branch in March 2003 and on behalf of the Board I am delighted to announce perhaps the most significant so far. **The payment of our maiden dividend!**

The year to 30 June 2006 has been another highly successful one. Business volumes have continued to grow strongly. Total business now exceeds \$82,000,000. This has been achieved in spite of ever increasing competition from both banks and other financial institutions. However, the public are increasingly recognising that the Bendigo Bank brand has differentiated itself in a crowded market through outstanding customer service and a genuine commitment to the communities it serves. The latest A. C. Neilson survey on customer satisfaction for the Banking and Finance Industry has seen Bendigo Bank achieve a remarkable 99.6% satisfaction rating, making it the envy of the Industry. We know from your feedback as customers that our Branch is up there with the best of them and that we now have thousands of very satisfied customers.

The Company's strong growth in business volumes has translated into strong growth in earnings exceeding budget by 11%. Gross income was \$638,128 - an increase of 42% over last year's income of \$449,982.

Expenses totalled \$481,692 compared to last year's expenses of \$447,364 an increase of just 8%. During the year cost management against budget has been outstanding with total costs being 1.5% favourable to budget.

It follows that Directors are very pleased to announce a full year profit (before tax) of \$156,436. This compares with the previous years before tax profit of \$2,618.

Given the Company's strong performance and following consultation with our Accountants and Auditors (Andrew, Frewin & Stewart) the Directors have announced payment of a dividend of 7.5 cents per share unfranked. The dividend will be paid in November 2006.

As you know one of the principle objectives of the Bank is to engage and support the local community. It is therefore pleasing to report that the Company's strengthening profitability during the year has enabled a further expansion of sponsorship arrangements with a range of not-for-profit organisations within our community. This year a total of \$22,027 was paid to 16 local organisations. These included:

- A wide range of sporting clubs
- Aged care
- Schools
- Community service organisations
- Churches

It is important to understand that these are not handouts. In each case the Company is looking to establish long-term mutually beneficial partnerships with these organisations. Arrangements are reviewed at least annually and are not renewed unless the Company is satisfied with the relationship and benefits accruing to the Bank. A considerable amount of business is now being generated through these relationships.

Chairperson's report continued

During the year the Board and various sub-committees began developing a new strategic plan to guide the Company through to the year 2009. This has been a significant undertaking requiring considerable research, consultation and deliberation. It is expected that the Board will finalise the plan during November.

During the year the Company was fortunate in attracting the services of Jim Kilsby as a Director. Jim is a highly qualified IBM Executive with a very genuine interest in the local community. However, sadly for us Jim was subsequently appointed to a new position with IBM in Zurich, Switzerland and regrettably had to resign his position on the Board.

Our commentary on the Company's performance during the past year would not be complete without acknowledging the wonderful job done by our Manager, Paul Thompson and his team at the Branch. Without exception they are a highly committed, highly skilled team and the Company and its shareholders are indeed fortunate to have them caring for our customers. On behalf of us all, thank you!

The current year looks like being another year of considerable challenge. Recent increases in interest rates and the possibility of more to come will further increase competitive pressure and retard lending growth. However, given our increasing prominence and impact in the local market and the growing recognition and value of the Bendigo Bank brand Directors are confident that we will continue to grow our business and improve our profitability in the current year and beyond.



Jim Christie
Chairman

Manager's report

For year ending 30 June 2006

Your **Community Bank**[®] branch has now been operating for three financial years. During that time, the branch has consistently met business expansion levels with the total business now at \$82 million. The community of Doncaster East and surrounding suburbs should be proud of the effort that went into creating its own **Community Bank**[®] branch and the way it has supported the branch since inception.

Last year I reported to you that the banking business as at 30 June 2005 (deposits and loans) totalled \$65.40 million and that we had opened 3099 accounts. The year's growth of \$28.67 million has taken our total business to \$81.92 million as at 30 June 2006 with more than 3800 accounts, again a remarkable effort.

I have said in the past that our community is to be applauded in the way that they have supported our **Community Bank**[®] branch and in making the objectives of the stakeholders a reality.

I would like to acknowledge the support and hard work of my team, Lisa Jones, Susan Scroop, Elise Chan, Anna Plane and Cathy Black, (who joined us in December 2005). The staff continue to approach their roles with diligence, responding positively to the needs of the customers and the community. Their continued professional level of service to all our customers since we opened our doors has set an exemplary standard.

This level of service has been recognised by Bendigo Bank, which has continually rated the branch at the highest level in regards to operational performance.

Again, our Board of Directors is to be congratulated on their efforts to run a successful business. With the demands associated with that business, in addition to their own lives and work pressures, we have had some memorable times this year and I have no doubt there are lots more to come!

Spreading the word still remains a key phrase to ensure that the people, who live and work in our area, also conduct their banking in our area. Increased awareness creates increased banking opportunities. Our existing customers have been instrumental in referring new business to our branch during the past year, and it is gratifying to see the confidence of our existing customers helping to increase our banking base.

The coming year will be challenging. Banking business is very competitive and the housing market has cooled. However, with the continued support of the communities that we serve, we are confident that we will have continued success.

Please continue to play your part in the growth of our branch by spreading the word about the very personal and professional banking service provided by your **Community Bank**[®] branch.



Paul Thompson

Manager

Directors' report

For year ending 30 June 2006

Your Directors submit the financial report of the Company for the financial year ended 30 June 2006.

Directors

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

James Douglas Christie RFD

Chairman

Age: 62

Occupation: Investor

Experience and expertise:

James brings a wealth of experience from his former 38 year career as a senior executive in the retail banking sector, both in Australia and overseas. James served as Lieutenant Colonel in the Australian Army Reserve and is a Fellow member of both the Australian Institute of Banking and Finance and the Australian Institute of Management.

William Howard Larkin OAM

Director

Age: 72

Occupation: Retired

Experience and expertise:

Bill spent 16 years as an Executive Officer of the Australian Radiation Laboratory with the Commonwealth Department of Health. Bill was elected to Local Government as Councillor of the City of Doncaster and Templestowe 1979-1989 and Mayor from 1983-1984, 1988-1989. He was elected Councillor to Manningham City Council in 1977 to current and Mayor in 2004. He is also Chairman of the Manningham Centre Association (Aged Care facilities) with \$16mn in Council owned assets and \$7m annual turnover under management.

Raymond Thomas Lord

Secretary

Age: 59

Occupation: Media Liaison Officer

Experience and expertise:

Raymond has thirty years experience in the sporting, community and service industries. He has significant community involvement with Horticultural Therapy, Community Radio, Children with Down Syndrome, Blind Sports Victoria, and other sporting clubs. His qualifications include a Graduate Diploma of Welfare Studies, Certificate of Business Studies (Administration & Management) and Justice of the Peace.

Linda Susan Linmeiers

Director (Appointed 24 October 2005)

Age: 55

Occupation: Licenses Real Estate Agent

Experience and expertise:

Linda is the co-owner and Managing Director of Parkes Property (formerly Peter Parkes Real Estate) since 1982. She is a member of the Real Estate Institute of Victoria and has served as Vice President of the Eastern Branch and an elected delegate to the members council of the R.E.I.V. from 1997-1999. Linda has a wealth of experience in Marketing and small business management in the Manningham Municipality.

Directors' report continued

Raymond Bruce Barrington

Director

Age: 58

Occupation: Retail Florist

Experience and expertise:

Raymond has had 10 years banking and finance experience in ES&A and ANZ Bank. He has a wealth of experience in small business having been self employed in the family business for the past 20 years.

Daryl Lindsay George Brown

Director

Age: 62

Occupation: Accountant

Experience and expertise:

Daryl is a Certified Practising Accountant and principal of an accounting firm specialising in small business. He is also partner in a Mortgage Broking and Asset Finance Company.

Trevor Leigh Waring

Director

Age: 57

Occupation: Property Manager/Plantation Developer

Experience and expertise:

Trevor spent seven years as a city Councillor before becoming Mayor in 1989-1990. His past experience includes drainage contracting and cleaning. He has a history of involvement in numerous community groups. Trevor is currently tackling the salinity issues faced by hardwood timber plantations in Central Victoria, Australia.

Erica Janice Mounter

Director

Age: 62

Occupation: Accountant

Experience and expertise:

Erica is a member of the Australian Society of Accountants. Having returned to study as a mature age student, Erica achieved a Bachelor of Business with an Accounting major. Erica is a Systems Accountant with 5 years experience and is responsible for the installation of computer systems.

Irene Kornienko

Director (Resigned 24 October 2005)

Age: 55

Occupation: Financial Controller

Experience and expertise:

Irene has worked previously as owner/manager in the Retail Fashion & Footwear sector. She is presently employed as Financial Controller in a family owned retail liquor merchant operation.

Kevin Matthew Madden

Director (Resigned 24 October 2005)

Age: 71

Occupation: Clothing Retailer

Experience and expertise:

Kevin has a wealth of experience in small business having been a business owner for 54 years with 30 years as a Jackson Court trader. He was overall winner of the Small Business Awards in 1997. Kevin was born in Bendigo and resides in East Doncaster.

Directors' report continued

James Kilsby

Director (Appointed 27 October 2005 -

Resigned 22 June 2006)

Age: 46

Jim has a masters degree from Melbourne Business School as well as other tertiary qualifications, he is an executive with the IBM corporation. Jim is a resident of Templestowe and is a strong supporter of local community. Jim has been involved with local Football and Cricket and was president of East Doncaster Cricket Club for 6 years and Zerbes Sports Club for 5 years. Jim unfortunately resigned his position as Director due to a posting overseas.

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 Raymond Thomas Lord. Ray was appointed to the position of Company Secretary on 11 July 2002. Raymond has thirty years experience in the sporting, community and service industries. He has significant community involvement with Horticultural Therapy, Community Radio, Children with Down Syndrome, Blind Sports Victoria, and other sporting clubs. His qualifications include a Graduate Diploma of Welfare Studies, Certificate of Business Studies (Administration & Management) and Justice of the Peace.

Principal activities

The principal activities of the Company during the course of the financial year were in providing community banking services under management rights to operate a franchised branch of Bendigo Bank Limited.

There has been no significant changes in the nature of these activities during the year.

Operating results

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

Year ended 30 June 2006	Year ended 30 June 2005
\$	\$
100,874	(1,767)

Directors' report continued

Remuneration report

(a) Remuneration of Directors

All Directors of the Company are on a voluntary basis, therefore no remuneration guidelines have been prepared.

(b) Remuneration of Executives

Remuneration package paid to the Senior Manager of the Company for the year ended 30 June 2006 was in the range \$80,000 to \$90,000.

Dividends

On 22 June 2006 the Directors declared an unfranked dividend of 7.5 cents per ordinary share. The dividend is to all Shareholders on the record on 18 October 2006 and to be paid on 1 November 2006.

	2006	2005
Unfranked dividend declared and provided for (cents per share)	7.5c	Nil
Unfranked dividend declared and provided for (dollars provided for)	\$48,751	Nil

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 providing banking services to the community.

Environmental regulation

The Company is not subject to any significant environmental regulation.

Directors' benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. 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.

Directors' report continued

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 Managers of the Company except where the liability arises out of conduct involving the lack of good faith. The premium paid in respect to this policy is \$2,860.

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
James Douglas Christie	11	10
Raymond Thomas Lord	11	10
William Howard Larkin	11	7
Kevin Matthew Madden (Resigned 24 October 2005)	3	3
Erica Janice Mounter	11	10
Daryl Lindsay George Brown	11	11
Raymond Bruce Barrington	11	10
Irene Kornienko (Resigned 24 October 2005)	3	2
Linda Susan Linmeiers (Appointed 24 October 2005)	9	9
Trevor Leigh Waring	11	10
James Kilsby (Appointed 27 October 2005 - Resigned 22 June 2006)	6	3

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 31.

Signed in accordance with a resolution of the Board of Directors at Doncaster East, Victoria on 7 September 2006.



James Douglas Christie
Chairman

Erica Janice Mounter
Director

Financial statements

Income statement

For year ending 30 June 2006

	Note	2006 \$	2005 \$
Revenues from ordinary activities	3	638,128	449,982
General administration		(64,761)	(57,088)
Salaries and employee benefits expense		(251,918)	(238,770)
Advertising and promotion		(24,281)	(9,883)
Occupancy and associated costs		(84,008)	(84,841)
Systems costs		(31,441)	(32,450)
Depreciation and amortisation expense	4	(25,283)	(24,221)
Borrowing cost expense		(1)	(112)
Profit from ordinary activities before income tax credit/charge		156,436	2,618
Income tax credit/(charge)	5	(55,562)	(4,386)
Profit/(Loss) from ordinary activities after income tax credit/charge		100,874	(1,767)
Profit/(Loss) attributable to members of Doncaster East Community Financial Services Limited		100,874	(1,767)
Earnings per share (cents per share)			
- basic for profit for the year	18	15.52	(0.0027)
- dividends provided for per share	19	7.5	-

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet

As at 30 June 2006

	Note	2006 \$	2005 \$
Current assets			
Cash assets	6	192,268	26,070
Trade and other receivables	7	60,756	54,482
Total current assets		253,023	80,552
Non-current assets			
Property, plant and equipment	8	172,856	186,139
Intangibles	9	16,652	28,652
Deferred tax assets	10	50,341	105,902
Total non-current assets		239,849	320,694
Total assets		492,873	401,246
Current liabilities			
Trade and other payables	11	22,108	28,006
Provisions	12	69,160	23,758
Total current liabilities		91,268	51,764
Total liabilities		91,268	51,764
Net assets		401,604	349,482
Equity			
Contributed equity	13	627,936	627,936
Accumulated losses	14	(226,331)	(278,454)
Total equity		401,604	349,482

The accompanying notes form part of these financial statements.

Financial statements continued

Equity statement

As at 30 June 2006

	Note	2006 \$	2005 \$
Total equity at the beginning of the financial year		349,481	351,249
Net profit/(loss) for the year		100,874	(1,767)
Net income/expense recognised directly in equity		-	-
Dividends provided for or paid		(48,751)	-
Shares issued during period		-	-
Total equity at the end of the financial year		401,604	349,482

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows

As at 30 June 2006

	Note	2006 \$	2005 \$
Cash flows from operating activities			
Cash received from customers		632,708	468,889
Cash paid to suppliers and employees		(470,078)	(466,898)
Interest received		3,569	951
Interest paid		(1)	(112)
Net inflows from operating activities	15(b)	166,198	2,830
Cash flows from investing activities			
Payments for property plant and equipment		-	(2,938)
Net cash outflows investing activities		-	(2,938)
Net increase/(decrease) in cash held		166,198	(108)
Cash at the beginning of the financial year		26,070	26,178
Cash at the end of the financial year	15(a)	192,268	26,070

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2006

Note 1: Summary of significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

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.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS)

These financial statements are the first Doncaster East Community Financial Services Limited financial statements to be prepared in accordance with AIFRSs. AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

The Financial Statements of Doncaster East Community Financial Services Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing Doncaster East Community Financial Services Limited's 2006 financial statements, management amended certain accounting and valuation methods that are applied in the AGAAP financial statements to comply with AIFRS.

Reconciliations and descriptions of the effect of the transition from previous AGAAP to AIFRSs on the Company equity and its net income are given in note 20.

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.

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).

Notes to financial statements continued

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of 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 they related to income taxes levied by the same taxation authority and the Company/consolidated entity intends to settle its current 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.

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 financial statements continued

Employee entitlements

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

The Company contributes to a defined contribution plan. Contributions to employee superannuation funds are 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.

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 financial statements continued

Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets 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 consolidated 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.

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.

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 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.

Notes to financial statements continued

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 capital

Issued and paid up capital is 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.

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 financial statements continued

	2006 \$	2005 \$
Note 3: Revenue from ordinary activities		
Operating activities:		
- margin income	379,629	254,777
- services commissions	129,690	87,826
- other revenue	125,241	106,428
Total revenue from operating activities	634,560	449,031
Non-operating activities:		
- interest received	3,569	951
Total revenue from non-operating activities	3,569	951
Total revenues from ordinary activities	638,128	449,982

Note 4: Expenses

Depreciation of non-current assets:		
- plant and equipment	7,751	6,408
- leasehold improvements	5,532	5,813
Amortisation of non-current assets:		
- franchise agreement	12,000	12,000
	25,283	24,221

Notes to financial statements continued

	2006	2005
	\$	\$

Note 5: Income tax expense

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax credit as follows:

Operating profit	156,436	2,618
Prima facie tax on loss from ordinary activities at 30%	46,931	786
Add tax effect of:		
- non-deductible expenses and temporary differences	777	3,600
- non-deductible expenses and temporary differences from previous years	7,854	-
Income tax charge on operating profit	55,562	4,386

Note 6: Cash assets

Cash at bank and on hand	174,393	8,195
Security deposit	17,875	17,875
	192,268	26,070

Note 7: Trade and other receivables

Trade receivables	54,897	48,848
Prepayments	5,859	5,634
	60,756	54,482

Note 8: Property, plant and equipment

Plant and equipment

At cost	85,464	85,464
Less accumulated depreciation	(20,828)	(13,077)
	64,636	72,387

Notes to financial statements continued

	2006	2005
	\$	\$

Note 8: Property, plant and equipment continued

Leasehold improvements

At cost	130,588	130,588
Less accumulated depreciation	(22,368)	(16,836)
	108,220	113,752
Total written down amount	172,856	186,139

Movements in carrying amounts:

Plant and equipment

Carrying amount at beginning	72,387	73,858
Additions	-	6,533
Items reclassified	-	(1,596)
Less: depreciation expense	(7,751)	(6,408)
Carrying amount at end	64,636	72,387

Leasehold improvements

Carrying amount at beginning	113,752	121,563
Additions	-	-
Disposals	-	-
Final fit out expense variance	-	(3,594)
Items reclassified	-	1,596
Less: depreciation expense	(5,532)	(5,813)
Carrying amount at end	108,220	113,752
Total written down amount	172,856	186,139

Note 9: Intangible assets

Franchise fee

At cost	60,000	60,000
Less: accumulated amortisation	(43,348)	(31,348)
	16,652	28,652

Notes to financial statements continued

	2006	2005
	\$	\$

Note 10: Deferred tax benefit

Future income tax benefit

Tax losses - revenue	50,341	105,902
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Note 11: Trade and other payables

Trade creditors	22,108	28,006
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Note 12: Provisions

Employee provisions	20,409	23,758
Provision for dividend	48,751	-
	69,160	23,758
Number of employees at year end	6	6

Note 13: Contributed equity

650,011 Ordinary shares fully paid of \$1 each (2005: 650,011)	650,011	650,011
Less: equity raising expenses	(22,075)	(22,075)
	627,936	627,936

Note 14: Accumulated losses

Balance at the beginning of the financial year	(278,454)	(276,687)
Net profit/(loss) from ordinary activities after income tax	100,874	(1,767)
Dividend paid or provided	(48,751)	-
Balance at the end of the financial year	(226,331)	(278,454)

Notes to financial statements continued

	2006	2005
	\$	\$

Note 15: Statement of cash flows

(a) Reconciliation of cash

Cash at bank and on hand	192,268	26,070
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(b) Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by/(used in) operating activities

Profit/(loss) from ordinary activities after income tax	100,874	(1,767)
Non cash items:		
- depreciation	13,283	12,221
- amortisation	12,000	12,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(6,050)	(22,768)
- (increase)/decrease in other assets	55,337	4,385
- increase/(decrease) in payables	(5,897)	(1,241)
- increase/(decrease) in other liabilities	(3,349)	-
Net cashflows used in operating activities	166,198	2,830

Note 16: Auditors' remuneration

Amounts received or due and receivable by the Auditor of the Company for:

- audit & review services	3,500	2,700
- other services in relation to the Company	1,000	1,200
	4,500	3,900

Notes to financial statements continued

Note 17: Director and Related party disclosures

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

James Douglas Christie
Raymond Thomas Lord
William Howard Larki
Kevin Matthew Madden
Erica Janice Mounter
Daryl Lindsay George Brown
Raymond Bruce Barrington
Irene Kornienko
Linda Susan Linmeiers
Trevor Leigh Waring
James Kilsby

No Directors' remuneration has been paid as the positions are held on a voluntary basis.

Directors shareholdings	2006	2005
James Douglas Christie	11,501	11,501
Raymond Thomas Lord	3,501	2,501
William Howard Larkin	1,001	1,001
Kevin Matthew Madden	5,001	5,001
Erica Janice Mounter	6,001	6,001
Daryl Lindsay George Brown	2,000	2,000
Raymond Bruce Barrington	1,501	1,501
Irene Kornienko	5,001	5,001
Trevor Leigh Waring	5,001	5,001
Linda Susan Linmeiers	1,000	1,000

Each share held is valued at \$1 and is fully paid.

	2006	2005
	¢	¢

Note 18: Earnings per Share

Profit/(loss) per share for the financial year were:	15.52	(0.0027)
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Notes to financial statements continued

	2006	2005
	\$	\$

Note 19: Dividends paid or provided

(a) Ordinary Shares

Final dividend for the year ended 30 June 2006 of 7.5 cents per fully paid share

Unfranked - 7.5 cents per share	48,751	-
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Note 20: Reconciliation from equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under AIFRS

Entities complying with AIFRS for the first time are required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS would be made, retrospectively, against opening retained earnings as at 1 July 2004.

In the Company's opinion, there have been no material impacts in relation to the financial report for the year ended 30 June 2006. There are no impacts to be disclosed.

Impact on the income statement Nil.

Impact on the balance sheet Nil.

Note 21: Subsequent events

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

Note 22: Contingent liabilities

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

Note 23: Segment reporting

The economic entity facilitates community banking services under management rights to operate a franchised branch of Bendigo Bank Limited. The economic entity operates in one geographic area being Doncaster East, Victoria.

Notes to financial statements continued

Note 24: Registered office/principal place of business

The registered office and principal place of business is:

Registered office:

900 Doncaster Road,

Doncaster East, VIC 3109

Principal place of business:

900 Doncaster Road,

Doncaster East, VIC 3109

Note 24: 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.

Interest rate risk

Financial instrument	Fixed interest rate maturing in											
	Floating		1 year		Over 1 to		Over		Non Interest		Weighted	
	interest rate		or less		5 years		5 years		bearing		average	
											effective	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash assets	47,348	8,195	-	-	-	-	-	-	-	-	0.05	0.05
Cash Management	144,920	-	-	-	-	-	-	-	-	-	4.5	N/A
Term Deposit	-	-	17,875	17,875	-	-	-	-	-	-	4.4	4.05
Receivables	-	-	-	-	-	-	-	-	60,756	54,482	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	22,108	28,006	N/A	N/A

Directors' declaration

In accordance with a resolution of the Directors of Doncaster East Community 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 2006 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.

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



James Douglas Christie
Chairman

Erica Janice Mounter
Director

Signed on the 7th of September 2006.

Independent audit report



INDEPENDENT AUDIT REPORT

PO Box 454
Bendigo VIC 3552
61-65 Bull Street
Bendigo VIC 3550
Phone (03) 5443 0344
Fax (03) 5443 5304
afs@afsbendigo.com.au
www.afsbendigo.com.au
ABN 51 061 705 537

To the members of Doncaster East Community Financial Services Limited

Scope

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes and the directors' declaration for Doncaster East Community Financial Services Limited for the financial year ended 30 June 2006.

The company has disclosed information about the compensation of key management personnel ("compensation disclosures"), as required by Accounting Standard AASB 124 Related Party Disclosures ("AASB 124") under the heading "remuneration report" in the directors' report as permitted by the ASIC class order 06/50. These compensation disclosures are identified in the directors' report as being subject to audit. The remuneration report also contains information not subject to audit.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the compensation disclosures contained in the directors' report.

Audit approach

We have conducted an independent audit of the financial report and compensation disclosures in order to express an opinion on them to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement and the compensation disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards in Australia and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations, its changes in equity and their cash flows and whether the compensation disclosures comply with AASB 124.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion:

1. the financial report of Doncaster East Community Financial Services Limited is 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 2006 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations; and
2. the compensation disclosures that are contained in the directors' report under the heading "remuneration report" comply with Accounting Standard AASB 124 *Related Party Disclosures*.


DAVID HUTCHINGS

ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, VIC 3550
Dated this 11th day of September 2006

Auditor's independence declaration



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ABN 51 080 799 317

As lead auditor for the audit of Doncaster East Community Financial Services Limited for the year ended 30 June 2006, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Doncaster East Community Financial Services Limited.



David Hutchings
Auditor Partner

Andrew Frewin & Stewart

Bendigo

7 September 2006

BSX report

Additional information required by the Bendigo Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 15 September 2006.

A. Corporate Governance statement

The Board guides and monitors the business and affairs on behalf of the Shareholders to whom they are accountable.

The Board recognises the importance of a strong corporate governance focus and methodology. The Board will continue to work towards adopting policies and procedures that will govern our Company into the future. We believe that building policy framework will assist clarify the future direction of our local Company, provide accountability and transparency and ensure there are guiding principles in place for future decision making.

B. Substantial Shareholders – ten largest Shareholders

	Ordinary Shares	Number of ord Shares
Mr John & Mrs Norma Kent	15,000	2.30%
Russell Breadmore & Lynne Breadmore [R & L Breadmore Super Fund A/C]	10,000	1.54%
James D Christie & Deborah A Christie [Christie Super Fund A/C]	10,000	1.54%
Judy A Tutty & Marcus J Tutty	10,000	1.54%
Mr Richard E Thorne	10,000	1.54%
Mr Gerald Francis & Mr Michael J Pauley	7,000	1.07%
Mr Trevor Leigh Waring	5,001	0.77%
Mrs Ina H Altes	5,000	0.77%
Mr Frank Bangham	5,000	0.77%
Mrs Philomena Bangham	5,000	0.77%
	82,001	12.61%

C. Voting rights

Each Shareholder has one vote

BSX report continued

D. Distribution of Shareholders

The number of Shareholders, by size of holding, is:

	Ordinary Shares	
	Number of holders	Number of Shares
1 - 1,000	141	99,808
1,001 - 5,000	129	483,202
5,001 - 10,000	6	52,001
10,001 - 100,000	1	15,000
100,001 and over	-	-
Total	277	650,011

There are no Shareholders holding less than a marketable parcel of shares. Monitoring of the Board's Performance and Communication to Shareholders In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Director's is reviewed annually by the chairperson. Director's whose performance is unsatisfactory are asked to retire. The Board and Director's aims to ensure that Shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. The Board does have an Audit Committee.

F. Address and telephone number of the Office which securities register is kept:

Bendigo Bank Limited
Share Registry Office
Fountain Court,
Bendigo, VIC 3552

Telephone: 03 5433 9339

Doncaster East Community Financial Services Limited
Ray Lord
Company Secretary
900 Doncaster Road,
Doncaster East, VIC 3109

Telephone: 03 9840 2028

