Victoria Point **Community Bank®** Branch
127 Colburn Avenue, Victoria Point, QLD 4163
Phone: (07) 3820 9355 Fax: (07) 3820 9322

Franchisee: Redlands Community Financial Services Limited
141 Queen Street, Cleveland, QLD 4163
ABN 52 116 190 875

www.bendigobank.com.au
Bendigo Bank Limited, Fountain Court, Bendigo, VIC 3550
ABN 11 068 049 178. AFSL 237879 (KKQ1010) (09/06)

Redlands Community
Financial Services Limited
ABN 52 116 190 875

2006 annual report

Victoria Point
Community Bank® Branch **Bendigo Bank**

Contents

Chairman's report

For year ending 30 June 2006

Fellow Shareholders,

I am pleased to present the following report to our first Annual General Meeting.

This has been a very rewarding time for myself and the Directors of Redlands Community Financial Services Limited. We have worked as a team for the past 18 months or more progressing from a Steering Committee of like minded individuals dedicated to bringing a **Community Bank®** branch to Victoria Point.

We progressed from seemingly endless public meetings and securing pledges and commitment to this new **Community Bank®** Company, through the feasibility study (a requirement for any **Community Bank®** Company) to determine if there was a need for a **Community Bank®** branch.

Then the launch of our prospectus and entry onto the Bendigo Stock Exchange. This process included, due diligence, legal advice, layout (from a basic format), artwork and reports.

Following the success of our launches at Macleay Island Golf Club and then the Redlands Bowls Club at Victoria Point, we then set about meeting our share targets.

As Chairman it was great to be able to open our first branch at Pelicans Nest Shopping Precinct, Victoria Point on the 15 December 2005. Since then we have gone from strength to strength, with the recent opening of our first Agency on Macleay Island on 16 September 2006. Both these events are in line with our growth strategy and deliver on the community expectation.

No man is an island. I have a team of dedicated Directors who bring with them a wealth of knowledge and talent in many different areas and I would like publicly acknowledge these volunteers.

Glenda Little (Secretary), Terry Ford (Treasurer), Steve E. Efstathis (HR and Property), Greg Cook and Clive Philips (Promotion and Marketing), Robert Smith (Property), Rod Bickell (Solicitor), Laurie Culley (Property), Tom Schermer (Marketing) and myself were the original 10 Directors.

Tom Schermer resigned due to family and work commitments.

Robert Smith is also the Principal of the Macleay Island Agency and maintains his position as a Director.

Laurie Culley resigned after achieving the personal milestone he set out to achieve. The opening of our **Community Bank®** branch at Victoria Point. Laurie has been instrumental in the planning and development of the Agency on Macleay Island and was given the privilege of cutting the ribbon to acknowledge his contribution to the opening. He continues to be available to the Board for similar specific projects. On a personal note, I have valued Laurie's input as a member of the team through the Steering Committee phase and onto the Board.

We have been very systematic in the way we have gone about the business, we have also delivered on our commitment to growing the brand in the shire with the first Agency now open.

The shareholders are the owners of the Victoria Point **Community Bank®** Company and I encourage your continued support by transferring your banking and encourage your family and business acquaintances to do the same.

Chairman's Report continued

As shareholders you may enquire about the payment of a dividend. The Corporations' legislation allows dividends to be only paid out of Company's profits, so in view of our budgeted trading loss (as stated in the prospectus) a dividend is not expected be paid for the 2006 financial year.

With the retirement of two Directors we have an opportunity to strengthen our Board further, in order to meet the growing demands of this new business growth phase. At the time of writing the Board is in the process of inviting two new members to become Directors.

In finalising this report I would like to thank you, our shareholders who have supported us during the financial year. I look forward to your continuing support and a mutually rewarding association.

Peter J Dowling

Chairman

Message from Bendigo Bank Group Managing Director

For year ending 30 June 2006

Eleven years since bank conversion (and eight years since introducing **Community Bank®**) it has been extremely pleasing to announce a further improvement in our profit performance – and to demonstrate how we are able to focus on enhancing the prospects for all stakeholders and produce solid returns for Shareholders.

It has taken considerable commitment and effort by the Bank and its partners, but we have built a credible Australian banking alternative which is now producing improved outcomes for customers, for communities, and for other stakeholders associated with the Bendigo Group.

Our F06 result has shown the market that we have been able to sustainably improve profit performance while also undertaking substantial investments over the past eleven years. We have done so with a consistent strategy – and, while the $100 million net profit is a milestone for us, the market continues to remind us that this is well under that being produced by the majors. We accept this, but we are making good progress.

Our ROE (excluding significant item) was 14.2% – where the majors are currently delivering higher returns. However, we are producing improved results year-on-year, and the prospects for our Group and our partners are even greater than when we started the strategy. Therefore we have not used up our credits, taken customers and communities for granted, or cut our cost base to produce our improved shareholder returns. This gives us greater opportunity to continue our progress.

The **Community Bank®** contribution has steadily improved. It is also helping to convince the financial markets that the model has merit, and that communities across Australia are able to respond to the challenge our model ascribes to our local partners. I have maintained my consistent message – that we have great partners and have never doubted the ability of communities to respond to this difficult task.

Community Bank® branches have now produced 27% of the Group's business footings and are contributing around 13% of our profit. As individual sites mature, I would expect the profit contribution to move closer to the overall business volumes serviced through the **Community Bank®** network.

In the past year Bendigo Bank has paid $76 million to **Community Bank®** sites as their share in revenue, and the majority of this revenue now stays in the local community and its economy.

Many earlier **Community Bank®** sites are now generating solid surpluses and making distributions – not only to local shareholders but to local community projects and support services. We are now also able to leverage the sustainable revenue these communities are generating to multiply the money available for community activities.

Our Community Enterprise Foundation enables gifting to be undertaken tax-effectively, and the work we have been undertaking with the various governments is also enabling us to assist in seeking match-funding to further improve the amount of money available to direct to local projects. It is most pleasing to see this occur, and I expect many new strategic initiatives and projects will be undertaken in the coming decade.

I am extremely proud of all of the communities who have undertaken the difficult task of launching their own **Community Bank®** branch. I also fully understand the contribution made by the local leaders who are involved in the Community Banking network for and on behalf of their communities.

It is particularly pleasing that the market is now acknowledging the strength of this model – although they are still expressing some doubt concerning our joint ability to remain united as a strong collaborative force – or whether the model will be as effective if we experience less buoyant economic times. Of course, we believe

Message from Bendigo Bank Group Managing Director continued

we will be able to maintain our joint commitment in whatever economic environment emerges.

We are convinced – even if this model is not being used anywhere else in the world – that the benefits for all stakeholders will be substantial and that the relationships developed in this Business & Community Partnership will be enduring.

I am confident we can remain united and committed to improve the prospects of communities – and this in turn will improve the local support for each **Community Bank®** site and strengthen the connection we have with customers and communities around Australia. This has to be good for our business – and I think the recent result is proving this.

At the Bendigo we are convinced it is possible to produce Triple Bottom Line outcomes on a sustainable basis – if the outcomes for the broader stakeholder base are a result of the particular strategy and business model rather than something pursued independently.

As our **Community Bank®** partners – and as representatives for your local communities – you are truly the local champions who are making this happen. I know how difficult it is to create a new business of any kind – let alone a new publicly-owned business shaped like the Community Enterprise that is **Community Bank®**.

I can confirm that Bendigo Bank, your business partner, is committed to the building of more prosperous local economies. If together we can build a sustainable local enterprise, we will have built a source of reliable local revenue that can be directed to the ongoing improvement of your local marketplace for many years to come.

When we built the **Community Bank®** business model we did so with great faith in community and its role in the future marketplace. Today we hold that same view – but also an ever-increasing belief that community has so much to offer in the development of the communities of the future.

We also believe that many of the things that challenge us can be addressed at the local level. I understand there is still much to be done to improve the financial outcomes for communities and for the Bendigo Group and we look forward to working with you on activities to secure our respective futures.

We will continue our efforts to identify and assist you to address many of these challenges and – on behalf of the Board and Management at Bendigo Bank – I thank you for the effort you have expended over the years on behalf of your community. We feel confident your community will profit from this effort for many years to come.

We have always held the belief that banks were originally formed (back in the 1400s) to help build a more prosperous village. We are confident our **Community Bank®** Business & Community Partnership is working to that same objective and that we will all benefit greatly from this joint commitment.

I wish you well in the future and pledge our ongoing support to help ensure your Community Enterprise develops into a sustainable entity and a lasting contributor to your local market.

Thanks for your efforts in F06 and for your ongoing commitment.

Rob Hunt
Managing Director
Bendigo Bank Group
18 August 2006

Directors' report

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:

Peter James Dowling
Chairman
Age: 45
Deputy Mayor - Redlands Shire Council
Background in sales & marketing with oil companies
Chairman; Member, Governance, Human Resource & Due Diligence.
Interest in shares: 1,001

Terrence Glen Ford
Treasurer
Age: 53
Accountant/Registered Company Auditor
Australian Institute of Company Directors, FCPA, GAICD, FTIA, MCSA.
Over 30 years accounting experience, partner in local accounting business for 22 years.
Treasurer; Chair, Audit; Member, Due Diligence.
Interest in shares: 1,001

Glenda Alys Little
Secretary
Age: 49
Secretary
Secretary for State Member of Parliament.
Company Secretary; Member, Marketing & Sponsorship.
Interests in shares: 1,001

Stathis (Steve) E. Efstathis
Director
Age: 65
Pharmacist
In private enterprise for 34 years.
Member, Human Resource.
Interests in shares: 28,601

Clive Judah Phillips
Director
Age: 69
Retiree
Ex-Managing Director of Motor Vehicle Companies
Future Development of Branches Officer;
Member, Property & Business Development.
Interests in shares: 5,001

Roderick Alan McLeod Bickell
Director
Age: 60
Solicitor
Fifteen years own practice in Redlands
Member, Governance & Audit.
Interests in shares: 1

Robert Purnell Smith
Director
Age: 64
Owner/Manager own Business/Company
Member, Property & Business Development.
Interests in shares: 1,001

Greg Alan Cook
Director
Age: 44
Casual Bus Driver/Groundsman at local school
Member, Marketing & Sponsorship.
Interests in shares: 501

Directors’ report continued

Tom Schermer
Director (Resigned 23 June 2006)
Age: 34
Sales Executive
Interests in shares: 1

Laurence Frank Culley
Director (Resigned 31 August 2006)
Age: 65
Retiree
Interests in shares: 2,001

Directors were in office since 12 September 2005 unless otherwise stated.
No Directors have material interests in contracts or proposed contracts with the Company other than those outlined in Note 16 in the Notes to the Financial Statements on page 26.

Company Secretary
The Company Secretary is Glenda Alys Little. Glenda has been Secretary since the establishment of the steering committee in April 2004 and officially was appointed the Company Secretary on 12 September 2005. She works for the local State Member of Parliament taking on diverse roles including case management, finance management, event management, including working and liaising with various government department agencies and the local community.

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 loss of the Company for the financial year after provision for income tax was:

Year ended 30 June 2006 $
(181,619)

Remuneration
All Directors perform their duties solely in a voluntary capacity and do not receive or expect any form of remuneration.

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.

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

Directors’ report continued

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

The entity has opened an Agency on Macleay Island on 16 September 2006.

There are no other 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 is not subject to any significant environmental regulation.

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.

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.

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' report continued

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
Peter James Dowling	17	13
Terrence Glen Ford	17	14
Glenda Alys Little	17	17
Stathis (Steve) E. Efstathis	17	9
Clive Judah Phillips	17	15
Roderick Alan McLeod Bickell	17	10
Robert Purnell Smith	17	14
Greg Alan Cook	17	11
Tom Schermer (Resigned 23 June 2006)	17	9
Laurence Frank Culley (Resigned 31 August 2006)	17	12

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.

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.

Chartered Accountants & Business Advisors

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 51 061 795 337

Auditor's Independence Declaration

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Redlands Community Financial Services Limited.

As lead auditor for the review of the financial statements of Redlands 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 no contraventions of:

a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

David Hutchings
Auditor

Andrew Frewin & Stewart

Bendigo VIC 3550

Dated: 26 September 2006

Financial statements

Income statement

For year ending 30 June 2006

	Notes	2006 $
Revenues from ordinary activities	3	51,594
Salaries and employee benefits expense		(236,907)
Advertising and promotion		(2,101)
Systems costs		(10,403)
Occupancy and associated costs		(18,561)
Depreciation and amortisation expense	4	(8,431)
General administration		(37,219)
Loss from ordinary activities before income tax expense/credit		**(262,028)**
Income tax expense/credit	5	80,409
Loss from ordinary activities after income tax credit		**(181,619)**
Loss attributable to members of Redlands Community Financial Services Limited		**(181,619)**
Earnings per share (cents per share)		
- basic for profit for the year	17	(28.48)

Balance sheet

As at 30 June 2006

	Notes	2006 $
Current Assets		
Cash assets	6	217,316
Trade and other receivables	7	10,227
Total Current Assets		**227,543**
Non-Current Assets		
Property, plant and equipment	8	121,894
Intangibles	9	9,000
Deferred tax assets	10	80,409
Total Non-Current Assets		**211,303**
Total Assets		**438,846**
Current Liabilities		
Trade and other payables	11	17,659
Total Current Liabilities		**17,659**
Total Liabilities		**17,659**
Net Assets		**421,187**
Equity		
Contributed equity	12	602,806
Accumulated losses	13	(181,619)
Total Equity		**421,187**

Statement of changes in equity

For year ending 30 June 2006

	2006 $
Total equity at the beginning of the financial year	-
Net loss for the year	(181,619)
Net income/expense recognised directly in equity	-
Dividends provided for or paid	-
Shares issued during period	637,810
Equity raising costs paid during period	(35,004)
Total equity at the end of the financial year	**421,187**

Statement of cash flows

For year ending 30 June 2006

	Notes	2006 $
Cash flows from operating activities		
Cash received from customers		38,425
Cash paid to suppliers and employees		(289,730)
Interest received		5,311
Interest paid		(171)
Net inflows from operating activities	**14(b)**	**(246,165)**
Cash flows from Investing Activities		
Payment for intangible assets		(10,000)
Payments for property plant and equipment		(129,325)
Net cash outflows investing activities		**(139,325)**
Cash Flows From Financing Activities		
Proceeds from issues of equity securities		637,810
Payment for share issue costs		(35,004)
Net cash inflows from financing activities		**602,806**
Net decrease in cash held		**217,316**
Cash at the beginning of the financial year		-
Cash at the end of the financial year	**14(b)**	**217,316**

Notes to the financial statements

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 Redlands Community Financial Services Limited financial statements and also the first 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.

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 the financial statements continued

1. Summary of significant accounting policies (continued)

Income tax (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 the financial statements continued

1. Summary of significant accounting policies (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

Comparatives have not been provided as the Company had not commenced operations during the year ending 30 June 2005.

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

1. Summary of significant accounting policies (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.

Notes to the financial statements continued

1. Summary of significant accounting policies (continued)

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 of 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 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.

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.

Notes to the financial statements continued

2. Financial Risk Management (continued)

(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.

	2006 $

3. Revenue from ordinary activities

Operating activities:	
- services commissions	46,139
- other revenue	144
Total revenue from operating activities	46,283
Non-operating activities:	
- interest received	5,311
Total revenue from non-operating activities	5,311
Total revenues from ordinary activities	**51,594**

4. Expenses

Depreciation of non-current assets:	
- plant and equipment	7,069
- leasehold improvements	362
Amortisation of non-current assets:	
- franchise agreement	1,000
	8,431
Borrowing expenses:	
- interest paid	171

Notes to the financial statements continued

	2006 $

5. Income tax expense

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

Operating loss	(262,028)
Prima facie tax on loss from ordinary activities at 30%	(78,609)
Add tax effect of:	
- non-deductible expenses and temporary differences	(1,800)
Income tax credit on operating loss	**(80,409)**

6. Cash assets

Cash at bank and on hand	14,273
Term deposit	203,043
Total	**217,316**

7. Trade and other receivables

Trade receivables	6,788
Prepayments	3,439
Total	**10,227**

8. Property, plant and equipment

Plant and equipment	
At cost	32,452
Less accumulated depreciation	(1,744)
	30,708
Furniture & fittings	
At cost	*54,279*
Less accumulated depreciation	(2,673)
	51,606

8. Property, plant and equipment (continued)

	2006 $
Computer software	
At cost	13,377
Less accumulated depreciation	(2,652)
Leasehold improvements	
At cost	29,217
Less accumulated depreciation	(362)
	28,855
Total written down amount	**121,894**

Movements in carrying amounts:

Plant and equipment	
Carrying amount at beginning	-
Additions	32,452
Disposals	-
Less: depreciation expense	(1,744)
Carrying amount at end	**30,708**

Furniture & fittings	
Carrying amount at beginning	-
Additions	54,279
Disposals	-
Less: depreciation expense	(2,652)
Carrying amount at end	**51,606**

Notes to the financial statements continued

8. Property, plant and equipment (continued)

	2006 $
Computer software	
Carrying amount at beginning	-
Additions	13,377
Disposals	-
Less: depreciation expense	(2,652)
Carrying amount at end	**10,725**
Leasehold improvements	
Carrying amount at beginning	-
Additions	29,217
Disposals	-
Less: depreciation expense	(362)
Carrying amount at end	**28,855**
Total written down amount	**121,894**

9. Intangible assets

Franchise Fee	
At cost	10,000
Less: accumulated amortisation	(1,000)
	9,000

10. Deferred Tax Asset

Future income tax benefit	
Tax losses - revenue	**80,409**

Notes to the financial statements continued

	2006 $
11. Trade and other payables	
Trade Creditors	15,259
Other creditors & accruals	2,400
	17,659

	2006 $
12. Contributed equity	
637,810 Ordinary shares fully paid of $1 each	637,810
Less: equity raising expenses	(35,004)
	602,806
13. Accumulated losses	
Balance at the beginning of the financial year	-
Net loss from ordinary activities after income tax	(181,619)
Dividends Paid	-
Balance at the end of the financial year	**(181,619)**
14. Statement of cashflows	
(a) Reconciliation of cash	
Cash at bank and on hand	14,273
Term deposit	203,043
	217,316

Notes to the financial statements continued

	2006 $
(b) Reconciliation of loss from ordinary activities after tax to net cash provided by/(used in) operating activities	
Loss from ordinary activities after income tax	(181,619)
Non cash items:	
- depreciation	7,431
- amortisation	1,000
Changes in assets and liabilities:	
- (increase)/decrease in receivables	(10,227)
- (increase)/decrease in other assets	(80,409)
- increase/(decrease) in payables	17,659
Net cashflows used in operating activities	**(246,165)**

15. Auditors' remuneration

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

- audit & review services	2,400
- other services in relation to the Company	3,330
	5,730

16. Director and Related party disclosures

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

Peter James Dowling

Terrence Glen Ford

Glenda Alys Little

Stathis (Steve) E. Efstathis

Clive Judah Phillips

Roderick Alan McLeod Bickell

Robert Purnell Smith

Greg Alan Cook

Tom Schermer (Resigned 23 June 2006)

Laurence Frank Culley (Resigned 31 August 2006)

Steve Efstathis is a Director of Jarra Investments Pty Ltd which has entered into an agreement with the company to lease the branch premises to the company. The contract was approved by the board with Mr Steve Efstathis declaring a pecuniary interest and excluding himself from the discussions and approval process undertaken by the Board. The terms and conditions of this rental arrangement are on a commercial basis. The Company made payments to Jarra Investments Pty Ltd totalling $13,067 in 2005/06.

No other 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	**2006**
Peter James Dowling	1,001
Terrence Glen Ford	1,001
Glenda Alys Little	1,001
Stathis (Steve) E. Efstathis	28,601
Clive Judah Phillips	5,001
Roderick Alan McLeod Bickell	1
Robert Purnell Smith	1,001
Greg Alan Cook	501
Tom Schermer (Resigned 23 June 2006)	1
Laurence Frank Culley (Resigned 31 August 2006)	2,001

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

17. Earnings per Share

	c
Loss per share for the financial year were:	**(28.48)**

18. 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.

19. Subsequent events

The entity has opened an Agency on Macleay Island on 16 September 2006.

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

20. Contingent liabilities

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

21. 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 Victoria Point and surrounding communities of Queensland.

22. Registered office/Principal place of business

The registered office and principal place of business is:

Registered office	**Principal place of business**
141 Queen Street	127 Colburn Avenue
Cleveland, QLD 4163	Victoria Point, QLD 4163

23. 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	Floating interest rate 2006 $	1 year or less 2006 $	Over 1 to 5 years 2006 $	Over 5 years 2006 $	Non interest bearing 2006 $	Weighted average effective interest rate 2006 %
Financial Assets						
Cash assets	12,404	-	-	-	-	0.5
Trust account	1,869	-	-	-	-	1.75
Deposits at call	203,043	-	-	-	-	4.5
Receivables	-	-	-	-	10,227	N/A
Financial Liabilities						
Payables	-	-	-	-	17,659	N/A

Directors' declaration

In accordance with a resolution of the Directors of Redlands 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.

Peter James Dowling, Chairman

Terrence Glen Ford, Treasurer

Signed on the 19th of September 2006.

Independent audit report

Chartered Accountants & Business Advisors

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 51 061 795 337

INDEPENDENT AUDIT REPORT

To the members of Redlands 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 Redlands 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 Redlands 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 26th day of September 2006

BSX report

Share Information re Redlands Community Financial Services Limited

In accordance with Bendigo Stock Exchange listing rules to Company provides the following information as at 30 August 2006, which is within 6 weeks of this report being sent to shareholders.

The following table shows the number of shareholders, broken into various categories showing the total number of shares held.

Number of Shares Held	Number of Shareholders
1 to 1,000	195
1,001 to 5,000	84
5,001 to 10,000	11
10,001 to 100,000	5
100,001 and over	0
Total Shareholders	**295**

Each of the above Shareholders are entitled to 1 vote, irrespective of the number of shares held.

There are no substantial Shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the Company.

There are 28 shareholders holding less than a marketable parcel of shares ($500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to $1 per share. There are no unquoted equity securities.

BSX report continued

The following table shows the 13 largest Shareholders.

Shareholder	Number of Shares	Percentage of Capital
C Bishop	10000	1.6
N & O Taylor	10000	1.6
E Campbell	10000	1.6
R & M Sweetapple	10000	1.6
Beaver Group Holdings P/L	10000	1.6
M Johnson	10000	1.6
K Berwick	10000	1.6
L Davies	10000	1.6
Keenash P/L	20000	3.2
M Hunt	20000	3.2
S & D Efstathis	20500	3.2
C Efstathis	25000	3.9
A Errey	50000	7.8
	215,500	**34**

Registered Office and Principal Administrative Office

The registered office of the Company is located at:

141 Queen Street

Cleveland, QLD 4163

Phone: 07 3286 1322

The principal administrative office of the Company is located at:

127 Colburn Street

Victoria Point, QLD 4165

Phone: 07 3820 9355

Security Register

The security register (share register) is kept at:

Bendigo Bank Share Registry

Bendigo Bank, Fountain Court, Bendigo, Victoria 3552

Phone: 03 5433 9339

Other Information

Please refer to the Directors report, within the annual report, for details of the Company Secretary and main corporate governance practices of the entity.

There are no material differences between the information in the Company's Annexure 3A and the information in the financial documents in its annual report.