Rockingham Community Financial Services Limited
ABN 69 102 349 655

2006 annualreport

Rockingham **Community Bank**® Branch
Bendigo Bank

Rockingham **Community Bank**® Branch
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ABN 11 068 049 178. (AFSL 237879) (PSW1015) (09/06)

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Chairman's report

For year ending 30 June 2006

It is pleasing to report that Rockingham **Community Bank®**Branch has continued its steady growth over the past year and now has a portfolio exceeding $50 million. The monthly results have been profitable and the financial reserves moving into a position whereby a dividend to shareholders is not too far away.

The staff, most ably led by Steve Crotty, provide excellent service to customers and are to be congratulated on their dedication to please and willingness to "go that extra yard" to meet the needs of their customers.

Whilst there has been improvement in most areas of Rockingham **Community Bank®**Branch's business, it is worth noting the increase in the overall base to approximately 4,200 accounts. Again, I urge shareholders to use the facilities of Bendigo Bank.

We continue to receive inquiries for expansion of banking services to other areas and whilst the Board is keen to open other outlets, the cost against return is a major concern. This important prospect will be a leading item on the Board agenda. An increase in strategically placed ATM machines is part of the expansion investigation.

The Board is confident it will be in a position to increase contributions to community welfare and worthy associations based on the strict criteria in place through an application process. Inquiries are most welcome.

As stated previously, Rockingham **Community Bank®**Branch is now well recognised in the community and with continued support from the business community and private sector, the future is extremely bright. Make it your business to highlight the many benefits attainable to other potential customers and have them contact the branch.

On your behalf I must thank the Board of Directors who freely give their time and provide professional guidance and strong forward direction to ensure the corporate well being and community acceptance of Rockingham **Community Bank®**Branch.

L.J.Sheedy
Chairman

Manager's report

For year ending 30 June 2006

Here we are, three AGMs into our history. Yes, it has been more than three years since we opened the branch on Monday, 20 June 2003.

We have managed to exceed the $50 million mark in business over the three years, with a combined loan and deposit book of $51.6 million and total accounts of 4,239. The growth in loans, deposits and accounts continues to be healthy as displayed by the year end comparisons below:

	Deposits	**Loans**	**Accounts**
30/06/2004	$15.91m	$ 9.10m	2,426
30/06/2005	$22.91m	$15.42m	3,563
30/06/2006	$31.57m	$20.03m	4,239

Indicative of Rockingham **Community Bank®**Branch's growth is the increase in staff numbers and the installation of an ATM. During the last financial year we've employed a Supervisor and another two Part Time Customer Service Officers to cater for the increasing number of customers. The ATM was installed in the front of the branch premises on Tuesday, 28 February 2006 to primarily provide after hours banking for our customers along with being another service alternative when visiting Rockingham **Community Bank®**Branch.

I'd like to thank our staff for the tremendous effort and customer service they've put in over the past 12 months and in some cases three years. Both Lauren Spilsbury and Eliza Whiteman have been along for the entire three year while Johanna van der Meulen, Sheiranne Townshend, Megan Ford, Dianne O'Brien and Michelle Moss have been with the branch for varying tenures of six to 18 months.

Rest assured that with our continued growth we'll be looking to employ more local staff in the future, possibly another Customer Service Officer and a Loans Officer.

It is possible that one of the most overlooked success aspects of a Community Bank® Branch is the working relationship between the Board and branch staff and I am pleased to say that Rockingham has one of the best relationships going. Staff and I are most appreciative of the help and support provided by the Board members.

Last but by no means least, I would like to thank shareholders for their continued support, for without it we wouldn't have existed in the first place. I am very pleased to meet any shareholders, so always introduce yourself and say hello whenever the opportunity exists.

I'm looking forward to another great year in which we build on the success we've already achieved.

Steve Crotty

Branch Manager

Directors' report

For year ending 30 June 2006

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

Directors

The names and qualifications of Directors in office at any time during or since the end of the year are:

Lennard John Sheedy

Date of Birth: 15 August 1938

Occupation: Business Consultant

Background information: Managing Director of Marketing & Logistics Company. Former Director of a multinational Company

Bradley Charles Dean

Date of Birth: 16 April 1972

Occupation: CPA and partner in the local accounting practice BDR Business Accountants

Background information: Executive member of the South Coastal Regional Chamber of Commerce. Brad has resided in the Rockingham area for over 12 years.

Graeme Coleman

Date of Birth: 21 September 1956

Occupation: Business Development Consultant

Background information: 30 years of experience in senior management and consultancy. Specialising in agribusiness, horticulture, heavy bulk haulage transport and business development. Member of Rotary in Kwinana. Resident of Baldivis for 23 years.

Roland John Logue

Date of Birth: 7 April 1944

Occupation: Timber Merchant

Background information: Worked in timber industry for 46 years, the past 32 years in his own business.

Robert Lewtas

Date of Birth: 22 October 1958

Occupation: Small Business Operator

Background information: Past president of the South Coast Regional Chamber of Commerce.

Deputy Chairman of the South Coast Business Development Organisation. Resident for past 16 years.

Gaybrielle May Edis

Date of Birth: 13 May 1963

Occupation: Customer Service Representative at Australian Taxation Office

Background information: Personal assistant to the Director of Finance at Homewest. Head of administration at Slee & Stockden Chartered Accountants.

Directors' report continued

Michael Terrance Moriarty

Date of Birth: 27 February 1938

Occupation: Retired

David Vernon Oliver

Date of Birth: 3 May 1952

Occupation: David is a qualified Accountant and Bachelor of Business. He is also a Director of a Real Estate Practice

Background information: David has worked in the new home building and real estate industry all of his working life as an Accountant, Financial Controller and business owner. His specialities are financial reporting, budgeting and cash control.

Robert Brown

Date of Birth: 9 April 1950

Occupation: Business Development Consultant

Managing Director & Principle: Estate West Corporation Pty Ltd, Director of Estate West Realty Pty Ltd, EWC Strata Pty Ltd, EWC Business Brokers, Chairman of Pharmacy Business sales WA SA Pty Ltd, Secretary of Rockingham Community Financial Services Limited, Director of Rockingham Small Business Centre, Executive Board of SCRCC, Treasurer of the Business Brokers Association, Chairman of the Buyers Agents Chapter REIWA, Welfare Officer of Port Kennedy RSL, Justice of the Peace, Diploma of Property.

Kevin Dorotich (appointed 25th October 2005)

Date of Birth: 24 November 1948

Occupation: Employed by City of Rockingham to initiate the Council's Economic Development section.

Background information: Kevins' interests include membership on various committees and Boards and has lived in Rockingham for almost 20 years.

Company Secretary

Bradley Charles Dean

Directors' report continued

Directors meetings attended

During the financial year, 11 meetings of Directors were held. Attendances by each Director during the year were:

	Directors meetings	
	Number eligible to attend	Number attended
Lennard John Sheedy	11	10
Bradley Charles Dean	11	8
Graeme Coleman	11	10
Roland John Logue	11	10
Robert Lewtas	11	3
Gaybrielle May Edis	11	9
Michael Terrance Moriarty	11	10
David Oliver	11	9
Robert Brown	11	6
Kevin Dorotich	8	7

Principal activity and review of operations

The principal activity and focus of the Company's operations during the year was the operation of Rockingham Branch of Bendigo Bank, pursuant to a franchise agreement.

Operating results

The amount of the profit from ordinary activities of the Company after income tax was $19,766 for the year ended 30 June 2006. (2005: loss of $26,668).

Dividends

The Company did not pay or declare a dividend during the year.

Significant changes in 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 these financial statements.

After balance date events

No matters or circumstances have arisen since the end of the financial year, that 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 subsequent financial years.

Directors' report continued

Future developments

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Remuneration report

This report details the nature and amount of remuneration for each Director of the Company, and for the executives receiving the highest remuneration.

Remuneration policy

All Directors of the Company are on a voluntary basis therefore no remuneration policy is currently relevant.

The remuneration policy of the Company has been designed to align executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The Board of the Company believes

the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives to run and manage the Company, as well as create goal congruence between executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for senior executives of the Company is as follows:

- The remuneration policy, setting the terms and conditions for the senior executives, was developed by the remuneration committee and approved by the Board after seeking professional advice from independent external consultants.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, and performance incentives.
- The remuneration committee reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the Company's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives and bonuses, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

The executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to executives is valued at the cost to the Company and expensed.

Performance-based remuneration

As part of each executive's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between executives with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with executives to ensure buy-in. The measures are specifically tailored to the areas each executive is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for Company expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the Company and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Company's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, the Company bases the assessment on audited figures, however, where the KPI involves comparison of the Company to the market, independent reports are obtained from organisations such as Standard & Poors.

Company performance, shareholder wealth and executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and executives. The method applied in achieving this aim is a performance based bonus based on key performance indicators. The Company believes this policy to have been effective in increasing shareholder wealth over the past years.

Details of remuneration for year ended 30 June 2006

The remuneration for each executive Officer of the Company receiving the highest remuneration during the year was as follows:

	Salary, fees and commissions	Superannuation contribution	Cash bonus	Non-cash benefits	Total	Performance related
	$	$	$	$	$	%
Stephen Crotty	64,000	5,760			69,760	
	64,000	**5,760**			**69,760**	

Performance income as a proportion of total remuneration

Executives are paid performance based bonuses based on set monetary figures, rather than proportions of their salary. This has led to the proportions of remuneration related to performance varying between individuals. The remuneration committee has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the Company.

The remuneration committee will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as they see fit, to ensure use of the most cost effective and efficient methods.

Employment contracts of senior executives

The employment conditions of the executives are formalised in contracts of employment. All executives are permanent employees of the Company.

The employment contracts stipulate a range of one- to three-month resignation periods. The Company may terminate an employment contract without cause by providing 1 month written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

Indemnifying officer or auditor

Indemnities have been given, during and since the end of the financial period, for any persons who are or have been a Director or an Officer, but not an Auditor, of the Company. The insurance contract prohibits disclosure of any details of the cover.

Non-Audit services

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external Auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- the nature of the services provided do not compromise the general principles relating to Auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid/payable to the external Auditors during the year ended 30 June 2006:

	$
Taxation and other services	3,000
	3,000

Directors' report continued

Share options

No options over issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Environmental regulation

The Company's operations are not regulated by any significant environmental regulation under a Law of the Commonwealth or of a State or Territory.

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the financial year.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included within the financial statements.

Adoption of Australian equivalents to International Financial Reporting Standards

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (IFRS), the Company's financial report has been prepared in accordance with those standards. A reconciliation of adjustments arising on the transition to Australian equivalents to IFRS is included in Note 2 to this report.

Signed in accordance with a resolution of Directors

Lennard John Sheedy
Director

Dated this day of 2006

Financial statements

Income statement

For year ending 30 June 2006

	Note	2006 $	2005 $
Revenue	3	533,495	388,281
Employee benefits expense		(276,952)	(195,406)
Depreciation and amortisation expenses		(46,043)	(46,241)
Finance costs		-	(319)
Other expenses	4	(190,734)	(172,983)
Profit before income tax		**19,766**	**(26,668)**
Income tax expense	5	-	-
Profit attributable to members		**19,766**	**(26,668)**

Overall operations			
Basic earnings/(loss) per share (cents)	19	2.8	(3.8)
Diluted earning/(loss) per share (cents)	19	2.8	(3.8)

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 and cash equivalents	14(a)	275,844	219,140
Trade and other receivables	6	48,999	32,977
Deferred tax asset	9	-	-
Other current assets	7	7,623	11,825
Total current assets		**332,466**	**263,942**
Non current assets			
Property, plant and equipment	8	73,626	100,193
Intangible assets	10	23,000	35,000
Other non current assets	7	6,000	6,000
Total non current assets		**102,626**	**141,193**
Total assets		**435,092**	**405,135**
Current liabilities			
Trade and other payables	11	31,679	29,745
Short term provisions	12	15,654	7,397
Total current liabilities		**47,333**	**37,142**
Total liabilities		**47,333**	**37,142**
Net assets		**387,759**	**367,993**
Equity			
Contributed equity	13	703,020	703,020
Accumulated losses	5(b)	(315,261)	(335,027)
Total equity		**387,759**	**367,993**

The accompanying notes form part of these financial statements.

Statement of changes in equity

As at 30 June 2006

	Share capital (Ordinary shares) $	Accumulated losses $	Total $
Balance at 1 July 2004	703,020	(308,359)	394,661
Profit/(loss) attributable to the members of the Company	-	(26,668)	(26,668)
Balance at 30 June 2005	**703,020**	**(335,027)**	**367,993**
Balance at 1 July 2005	703,020	(335,027)	367,993
Profit / (loss) attributable to the members of the Company	-	19,766	19,766
Dividend paid	-	-	-
Balance at 30 June 2006	**703,020**	**(315,261)**	**387,759**

The accompanying notes form part of these financial statements.

Statement of cash flows

As at 30 June 2006

	Note	2006 $	2005 $
Cash flows from operating activities			
Receipts from customers		506,939	365,257
Interest received		10,535	7,695
Payments to suppliers and employees		(453,293)	(360,219)
Finance costs		-	(319)
Net cash provided by operating activities	**14(b)**	**64,181**	**12,415**
Cash flows from investing activities			
Payments for plant and equipment		(7,477)	(3,564)
Net cash used in investing activities		**(7,477)**	**(3,564)**
Net increase in cash held		56,704	8,851
Cash balance at the beginning of the financial year		219,140	210,289
Cash balance at the end of the financial year	**14(a)**	**275,844**	**219,140**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2006

Note 1: Statement of accounting policies

(a) Basis of preparation

The financial report has been prepared on a going concern basis after consideration by the Directors of the following matters:

(i) The Company is budgeting to return a profit for the year ended 30 June 2007; and

(ii) Bendigo Bank has confirmed that it will support the Company such that it will be in a position to meet its financial obligations for a period of twelve months from the date of this report.

In consideration of the above matters, the Directors believe that it is appropriate to adopt the going concern basis of accounting in the preparation of this financial report.

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers Rockingham Community Financial Services Limited as an individual entity. Rockingham Community Financial Services Limited is a Company limited by shares, incorporated and domiciled in Australia.

The financial report of Rockingham Community Financial Services Limited complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

<u>First-time Adoption of Australian Equivalents to International Financial Reporting Standards</u>

Rockingham Community Financial Services Limited has prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the Company accounts resulting from the introduction of IFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These accounts are the first financial statements of Rockingham Community Financial Services Limited to be prepared in accordance with AIFRS.

The accounting policies set out below have been consistently applied to all years presented. The Company has however elected to adopt the exemptions available under AASB 1 relating to AASB 132: Financial Instruments: Disclosure and Presentation. Refer Note 23 for further details.

Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in Note 2 to this report.

Notes to financial statements continued

Note 1: Statement of accounting policies continued

Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(b) Income tax

The change for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Notes to financial statements continued

Note 1: Statement of accounting policies continued

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
Plant and equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Notes to financial statements continued

Note 1: Statement of accounting policies continued

(e) Financial instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(f) Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Notes to financial statements continued

Note 1: Statement of accounting policies continued

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(g) Intangibles

Franchise fee

The franchise fee paid by the Company pursuant to a Franchise Agreement with Bendigo Bank is being amortised over the initial five (5) years period of the agreement, being the period of expected economic benefits of the franchise fee.

(h) Employee benefits

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

(i) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(k) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

Notes to financial statements continued

Note 1: Statement of accounting policies continued

(m) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(n) Comparative figures

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

Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates / impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of intangibles for the year ended 30 June 2006. Should the projected turnover figures be materially outside of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of intangibles at 30 June 2006 amounting to $23,000.

Notes to financial statements continued

Note 2: First time Adoption of Australian Equivalents to International Financial Reporting Standards

Reconciliation of equity at 1 July 2004	Previous GAAP at 1 July 2004 $	Effect of transition to IFRS $	IFRS at 1 July 2004 $
Current assets			
Cash and cash equivalents	210,289	-	210,289
Trade and other receivables	17,649	-	17,649
Other	9,529	-	9,529
Total current assets	**237,467**	**-**	**237,467**
Non current assets			
Property, plant and equipment	130,870	-	130,870
Intangibles	47,000	-	47,000
Other	12,000	-	12,000
Total non current assets	**189,870**	**-**	**189,870**
Total assets	**427,337**	**-**	**427,337**
Current liabilities			
Trade and other payables	26,438	-	26,438
Short term provisions	6,238	-	6,238
Total current liabilities	**32,676**	**-**	**32,676**
Total liabilities	**32,676**	**-**	**32,676**
Net assets	**394,661**	**-**	**394,661**
Contributed equity			
Contributed equity	703,020	-	703,020
Retained losses	(308,359)	-	(308,359)
Total equity	**394,661**	**-**	**394,661**

Notes to financial statements continued

Note 2: First time Adoption of Australian Equivalents to International Financial Reporting Standards continued

Reconciliation of equity at 1 July 2004	Previous GAAP at 30 June 2004 $	Effect of transition to IFRS $	IFRS at 30 June 2004 $
Current assets			
Cash and cash equivalents	219,140	-	219,140
Trade and other receivables	32,977	-	32,977
Other	11,825	-	11,825
Total current assets	**263,942**	**-**	**263,942**
Non current assets			
Property, plant and equipment	100,193	-	100,193
Intangibles	35,000	-	35,000
Other	6,000	-	6,000
Total non current assets	**141,193**	**-**	**141,193**
Total assets	**405,135**	**-**	**405,135**
Current liabilities			
Trade and other payables	29,745	-	29,745
Short term provisions	7,397	-	7,397
Total current liabilities	**37,142**	**-**	**37,142**
Total liabilities	**37,142**	**-**	**37,142**
Net assets	**367,993**	**-**	**367,993**
Contributed equity			
Contributed equity	703,020	-	703,020
Retained losses	(335,027)	-	(335,027)
Total equity	**367,993**	**-**	**367,993**

Note 2: First time Adoption of Australian Equivalents to International Financial Reporting Standards continued

Reconciliation of equity at 30 June 2005	Previous GAAP at 30 June 2005 $	Effect of transition to IFRS $	IFRS at 30 June 2005 $
Revenue	388,281	-	388,281
Employee benefits expense	(195,406)	-	(195,406)
Depreciation and amortisation expenses	(46,241)	-	(46,241)
Borrowing costs	(319)	-	(319)
Other expenses	(172,983)	-	(172,983)
Profit before income tax expense	**(26,668)**	**-**	**(26,668)**
Income tax expense	-	-	-
Profit (loss) attributable to members	**(26,668)**	**-**	**(26,668)**

Notes to reconciliations of equity and profit and loss at 1 July 2004, 31 December 2004 and 30 June 2005	
Retained losses at 1 July 2004 under previous GAAP	(308,359)
Formation costs written off under AASB 138	0
IFRS equivalent of retained losses at 1 July 2004	(308,359)
Profit for the half year ended 31 December 2004	(32,709)
IFRS equivalent of retained losses at 31 December 2004	(341,068)
Profit for the half year ended 30 June 2005	6,041
IFRS equivalent of retained losses at 30 June 2005	**(335,027)**

	2006 $	2005 $

Note 3: Revenue

Operating activities		
Franchise margin income	516,521	380,586
Interest revenue	13,350	7,695
Other revenue	3,624	-
	533,495	**388,281**

Note 4: Other expenses

Rental expense on operating lease	23,490	27,846
IT leasing and running costs	24,783	25,741
Other operating expenses	142,461	119,396
	190,734	**172,983**
Auditor's remuneration		
Remuneration of the Auditor of the Company		
- Audit services	3,000	3,000
- Other services	3,000	3,000
	6,000	**6,000**

Note 5: Income tax expense

No income tax is payable by the Company as it has carry forward tax losses for income tax purposes.

(a) Reconciliation of income tax expense		
The prime facie income tax benefit on the loss from ordinary activities is reconciled to the income tax expense as follows:		
Prima facie tax benefit on the profit from ordinary activities before income tax at 30%	5,930	(8,000)

	2006 $	2005 $

Note 5: Income tax expense continued

Tax effect of :

	2006 $	2005 $
Non deductible expenses	3,600	3,600
- Timing differences	(2,848)	(4,977)
- Tax loss not brought to account	(6,682)	9,377
Income tax expense	**-**	**-**
(b) Tax losses		
Balance at the beginning of the year	272,870	241,613
Tax losses incurred/ (utilised) in the financial year	(22,273)	31,257
	250,597	**272,870**

At balance date, the Company had tax losses of $250,597 (2005: $272,870) which are available to offset future years' taxable income.

The future income tax benefit of these tax losses is $75,179 (2005: $81,861). This benefit has not been recognised as an asset in the statement of financial position as its realisation is not virtually certain. The benefits will only be obtained if:

(a) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;

(b) the Company continues to comply with the conditions for deductibility imposed by the law; and

(c) no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

Note 6: Trade and other receivables

	2006 $	2005 $
Trade debtor	46,183	32,977
Accrued income	2,816	-
	48,999	**32,977**

Notes to financial statements continued

	2006 $	2005 $

Note 7: Other

Current		
Prepayments	7,623	11,825
Non current		
Prepayments	6,000	6,000

Note 8: Property, plant and equipment

Property, plant and equipment		
Cost	173,423	167,808
Accumulated depreciation	(99,797)	(67,615)
	73,626	**100,193**
Reconciliations of the carrying value for each class of property, plant and equipment are set out below:		
Low value pool		
Balance at beginning of the year	1,846	2,954
Additions	326	-
Disposals	-	-
Depreciation	(753)	(1,108)
Balance at end of the year	**1,419**	**1,846**
Office plant and equipment		
Balance at beginning of the year	620	2,220
Additions	-	-
Disposals	-	-
Depreciation	(620)	(1,600)
Balance at end of the year	-	620

Notes to financial statements continued

	2006 $	2005 $

Note 8: Property, plant and equipment continued

	2006 $	2005 $
Furniture and fittings		
Balance at beginning of the year	308	316
Additions	-	-
Disposals	-	-
Depreciation	(8)	(8)
Balance at end of the year	**300**	**308**
Leasehold improvements		
Balance at beginning of the year	97,419	125,380
Additions	7,150	3,564
Disposals	-	-
Depreciation	(32,662)	(31,525)
Balance at end of the year	**71,907**	**97,419**

Note 9: Deferred tax assets

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur:

	2006 $	2005 $
-temporary differences	4,696	2,219
-tax losses: operating losses	75,179	81,861
	79,875	**84,080**

Note 10: Intangible assets

	2006 $	2005 $
Franchise fee at cost	60,000	60,000
Accumulated amortisation	(37,000)	(25,000)
	23,000	**35,000**

Pursuant to a five year franchise agreement with the Bendigo Bank, the Company operates branches of the Bendigo Bank at Rockingham, trading as ÅgRockingham Community Branch _ Bendigo BankÅh, providing a core range of banking products and services. The Company entered into the franchise agreement at a cost of $60,000 that is being amortised on the basis disclosed in Note 1(g).

Notes to financial statements continued

	2006 $	2005 $

Note 11: Trade and other payables

	2006 $	2005 $
Trade creditors and accruals	22,595	23,643
GST payable	9,084	6,102
	31,679	**29,745**

Note 12: Short term provisions

	2006 $	2005 $
Provision for employee entitlements	15,654	7,397
Number of employees at year end	**8**	**7**

Note 13: Contributed equity

	2006 $	2005 $
703,020 fully paid ordinary shares	703,020	703,020
Movement in share capital		
Balance at the beginning of the year	703,020	703,020
Subscriber shares issued	-	-
Allotment of shares pursuant to prospectus	-	-
Balance at the end of the year	**703,020**	**703,020**

Note 14: Notes to the cash flow statement

(a) Reconciliation of cash

For the purpose of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the Balance Sheet as follows:

	2006 $	2005 $
Cash on hand	12	275
Cash at bank	275,832	218,865
	275,844	**219,140**

Notes to financial statements continued

	2006 $	2005 $

Note 14: Notes to the cash flow statement continued

(b) Reconciliation of net cash used in operating activities to operating loss

	2006 $	2005 $
Profit/(Loss) from ordinary activities	19,766	(26,668)
Depreciation and amortisation	46,043	46,241
Movement in assets and liabilities		
Receivables	(16,022)	(15,328)
Other	4,202	3,704
Payables	1,935	3,306
Tax asset	-	-
Provisions	8,257	1,160
Net cash used in operating activities	**64,181**	**12,415**

(c) Credit Standby Arrangement and Loan Facilities

The Company does not operate a bank overdraft facility or have any loan facilities at present.

Note 15: Leasing commitment

Non cancellable operating lease commitment contracted for but not capitalised in the financial statements

	2006 $	2005 $
Payable		
- Not longer than 1 year	20,000	18,000
- Longer than 1 year but not longer than 5 years	60,000	36,000
	80,000	**54,000**

Note 16: Key management personnel compensation

(a) The names and positions of Directors and Executive in office at any time during the financial year are:

Specified Directors:

Lennard John Sheedy	Chairman
Bradley Charles Dean	Non-Executive Director
Graeme Coleman	Non-Executive Director
Roland John Logue	Non-Executive Director
Robert Lewtas	Non-Executive Director
Gaybrielle May Edis	Non-Executive Director
Michael Terrance Moriarty	Non-Executive Director
Robert Brown	Non-Executive Director
David Vernon Oliver	Non-Executive Director
Kevin Dorotich (Appointed 25 October 2005)	Non-Executive Director

Executive

Stephen Crotty	Bank Manager

(b) Compensation practices

The Board's policy for determining the nature and amount of compensation of key management for the group is as follows:

The compensation structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement. Key management personnel are paid a percentage of their salary in the event of redundancy.

The employment conditions of the key management personnel are formalised in contracts of employment. All key management personnel are permanent employees of the Company.

The employment contract stipulates a range of resignation periods. The Company may terminate an employment contract without cause by providing written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

The remuneration committee determines the proportion of fixed and variable compensation for each key management personnel.

Notes to financial statements continued

Note 16: Key management personnel compensation continued

(c) Remuneration of Directors

No income was paid or was payable or otherwise made available, to the specified Directors of the Company during the years ended 30 June 2005 and 30 June 2006.

(d) Remuneration of Executives

	Salary, Fees and commissions	Superannuation contribution	Cash bonus	Non-cash benefits	Total	Performance related
	$	$	$	$	$	%
Stephen Crotty	64,000	5,760			69,760	
	64,000	**5,760**			**69,760**	

(e) Options

No options over issued shares or interests in the Company were granted to Directors or Executive during or since the end of the financial period and there were no options outstanding at the date of this report.

The Directors and Executive do not own any options over issued shares or interests in the Company at the date of this report.

Note 16: Key management personnel compensation continued

(f) Shareholdings

Shareholder		**Balance 1 July 2005**	**Balance 30 June 2006**
Directors			
Lennard John Sheedy	Self	5,001	5,001
Related parties		-	-
Bradley Charles Dean	Self	1	1
Graeme Coleman	Self	2,001	2,001
Roland John Logue	Self	10,001	10,001
Robert Lewtas	Self	1	1
Gaybrielle May Edis	Self	1,200	1,000
Related parties		100	100
Robert Brown	Self	-	-
David Oliver	Self	-	-
Related parties		2,000	2,000
Michael Terrence Moriarty	Self	2,000	2,000
Kevin Dorotich	Self	-	-
Executives			
Stephen Crotty	Self	-	-
Related parties		-	-
TOTAL		**22,305**	**22,105**

Note 17: Related party transaction

The related parties have not entered into a transaction with the Company during the financial years ended 30 June 2005 and 30 June 2006.

Note 18: Financial instruments

(a) Interest rate risk

2006	Rates	Variable	Fixed 1 year	Fixed 1 to 5 years	Non-interest	Total
Financial assets						
Cash	4.83%	137,426	138,406	-	12	275,844
Receivables		-	-	-	48,999	48,999
		137,426	**138,406**	**-**	**49,011**	**324,843**
Financial liabilities						
Payables		-	-	-	(31,679)	(31,679)
Provisions		-	-	-	(15,654)	(15,654)
		-	**-**	**-**	**(47,333)**	**(47,333)**
Net financial assets / (liabilities)		**137,426**	**138,406**	**-**	**1,678**	**277,510**

2005	Rates	Variable	Fixed 1 year	Fixed 1 to 5 years	Non-interest	Total
Financial assets						
Cash	3.82%	86,283	-	-	132,857	219,140
Receivables		-	-	-	32,977	32,977
		86,283	**-**	**-**	**165,834**	**252,117**
Financial liabilities						
Payables		-	-	-	(29,745)	(29,745)
Provisions		-	-	-	(7,397)	(7,397)
		-	**-**	**-**	**(37,142)**	**(37,142)**
Net financial assets / (liabilities)		**86,283**	**-**	**-**	**128,692**	**214,975**

Notes to financial statements continued

Note 18: Financial instruments continued

(b) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

(c) Net fair values

The net fair value of financial assets and liabilities of the Company approximates their carrying amount.

The Company has no financial assets and liabilities where the carrying amount exceeds the net fair value at balance date.

No financial assets and financial liabilities are readily traded on organised markets in standardised form.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

	2006 $	2005 $

Note 19: Earnings per share

(a) Reconciliation of earnings to profit or loss

Profit	19,766	(26,668)
Earnings used to calculate basic EPS	19,766	(26,668)
Earnings used in the calculation of dilutive EPS	19,766	(26,668)

	2006 No	2005 No
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	703,020	703,020
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	703,020	703,020

Note 20: Segment reporting

The Company operates in the financial services sector as a branch of the Bendigo Bank at Rockingham in Western Australia.

Note 21: Events subsequent to the reporting date

No matters or circumstances have arisen since the end of the financial period that 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 subsequent financial years.

Note 22: Contingent liabilities

There were no contingent liabilities at the reporting date.

Note 23: Change in accounting policy

(a) The Company has adopted the following accounting standards for application on or after 1 January 2005:

AASB 132: Financial instruments: disclosure and presentation

The changes resulting from the adoption of AASB 132 relate primarily to increased disclosures required under the Standard and do not affect the value of amounts reported in the financial statements.

The following Australian Accounting Standards issued or amended and are applicable to the Company but not yet effective and have not been adopted in preparation of the financial statements at reporting date.

AASB amendment	AASB standard affected	Nature of change in accounting policy and impact	Application date of the standard	Application date for the Company
2004_3	AASB 1: First-time Adoption of AIFRS	No change, no impact	1 January 2006	1 July 2006
	AASB 101: Presentation of Financial Statements	No change, no impact	1 January 2006	1 July 2006
	AASB 124: Related Party Disclosures	No change, no impact	1 January 2006	1 July 2006
2005_1	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2006	1 July 2006
2005_5	AASB 1: First-time Adoption of AIFRS	No change, no impact	1 January 2006	1 July 2006
	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2006	1 July 2006

Note 23: Change in accounting policy continued

AASB amendment	AASB standard affected	Nature of change in accounting policy and impact	Application date of the standard	Application date for the Company
2005_6	AASB 3: Business Combinations	No change, no impact	1 January 2006	1 July 2006
2005_9	AASB 132: Financial Instruments: Recognition and Measurement	No change	1 January 2006	1 July 2006
	AASB 139: Financial Instruments: Disclosure and Presentation	No change	1 January 2006	1 July 2006
2005_10	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2007	1 July 2007
	AASB 101: Presentation of Financial Statements	No change, no impact	1 January 2007	1 July 2007
	AASB 114: Segment Reporting	No change, no impact	1 January 2007	1 July 2007
	AASB 117: Leases	No change, no impact	1 January 2007	1 July 2007
	AASB 133: Earnings per share	No change, no impact	1 January 2007	1 July 2007

All other pending Standards issued between the previous financial report and the current reporting dates have no application to the Company.

AASB amendment	AASB standard affected
2005_2	AASB 1023: General Insurance Contracts
2005_4	AASB 139: Financial Instruments: Recognition and Measurement
	AASB 132: Financial Instruments: Disclosure and Presentation
2005_9	AASB 4: Insurance Contracts
	AASB 1023: General Insurance Contracts
	AASB 139: Financial Instruments: Recognition and Measurement
	AASB 132: Financial Instruments: Disclosure and Presentation

Notes to financial statements continued

Note 24: Company details

The registered office of the Company is:

Unit 1, 46 Read Street,

Rockingham, WA 6168

The principal place of business of the Company is:

Shop 1, 1-3 Kent Street,

Rockingham, WA 6168

Directors' declaration

The Directors of the Company declare that:

1. the financial statements and notes are in accordance with the Corporations Act 2001:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended on that date of the Company.

2. the Chief Executive Officer and Chief Finance Officer have each declared that:

   (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   (c) the financial statements and notes for the financial year give a true and fair view.

3. in the Directors’ opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Lennard John Sheedy
Chairman

Dated this 23rd day of October 2006

Independent audit report

Independent Audit Report to the Members of Rockingham Community Financial Services Limited

Scope

The financial report and Directors' responsibility

The financial report comprises the income statement, balance sheet, statement of changes in equity, cash flow statement, accompanying notes to the financial statements and the Directors' declaration for Rockingham Community Financial Services Limited (the Company) for the year ended 30 June 2006.

The Directors of the Company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the Company and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting 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.

Audit Approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control 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 assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:-

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of 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.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the Directors and management of the Company.

Independent audit report continued

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of Rockingham Community Financial Services Limited is in accordance with:

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the financial position of Rockingham Community Financial Services Limited 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 2001; and

(b) other mandatory financial reporting requirements in Australia.

D WALL
Partner

RSM BIRD CAMERON PARTNERS
Chartered Accountants
Perth, WA

Dated: 25 October 2006

Auditor's independence declaration

Auditor's Independence Declaration to the Directors of Rockingham Community Financial Services Limited

I declare that, to the best of my knowledge and beliefs, during the year ended 30 June 2006 there have been:

(a) no contraventions of the Auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(b) no contravention of any applicable code of professional conduct in relation to the audit.

D WALL

Partner

RSM BIRD CAMERON PARTNERS

Chartered Accountants

Perth, WA

Dated: 23 October 2006

BSX report

For the year ended 30 June 2006

A.

The prime function of our board is to ensure that the operational and strategic management of the company is aligned with the expectation of its shareholders.

In order to achieve this function, the board recognizes the importance of setting and maintaining strong corporate governance policies and procedures.

The board's corporate governance policies include the following:

- The establishment of a corporate governance sub committee, this sub committee is charged with the responsibility of continually reviewing the policies of the board and providing any recommendations that may improve them.

- The ongoing provision of professional development being made available to all directors at the expense of the company.

- The listing of the shares of Rockingham Community Financial Services Ltd on the BSX, this action provides transparency to our shareholders in relation to the decisions of the board and the operation of the company.

- The continual provision of information to our shareholders to ensure that they are fully informed of all relevant information affecting their investment in Rockingham Financial Services Ltd.

This ongoing provision of information is communicated to our shareholders by various means including:

  - Annual report.
  - Annual General Meeting and if required Special General Meeting.
  - Regular shareholder newsletters.

- The board conducts monthly directors meetings to ensure that all directors are made aware of all relevant information affecting the operation of the company and allowing them to make fully informed decisions.

- The preparation and monthly monitoring of our operational budget to ensure that the company is meeting its financial objectives.

B.

The names of the ten largest shareholders of quoted shares are:

		No of shares	No of ordinary shares
1)	Rick Ould Superfund	20000	20000
2)	LR & PF Harvey Superfund	20000	20000
3)	GA Harford	13000	13000
4)	A Coffey	10000	10000
5)	A Forbes	10000	10000
6)	Kailis Consolidated Pty Ltd	10000	10000
7)	W & V Kirkham	10000	10000
8)	Louge Superfund	10000	10000
9)	G Meadows	10000	10000
10)	Mirco Bros Superfund	10000	10000

BSX report continued

C.

Each shareholder has one vote.

D.

Distribution of equity securities

	No of holders	No of shares
1 – 1000	324	139420
1001-5000	86	259600
5001-10000	26	251000
10001-100000	3	53000
Total	**439**	**703020**

E.

There are currently 181 parcels less than 500 shares. Their holdings total 27020 shares.

F.

The company secretary of RCFS Ltd is Bradley Dean, he can be contacted during business hours on 9527 5099.

G.

The company security register is kept at the company"s registered office located at Suite 1/46 Read Street, Rockingham WA 6168. The office can be contacted on 9527 5099 during office hours, Monday to Friday

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