

2007 annual report

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Chairman's report

For year ending 30 June 2007

It has been a year of significant progress with the Rockingham **Community Bank®** Branch portfolio now over \$62 million and with an increasing customer base in both personal and business accounts.

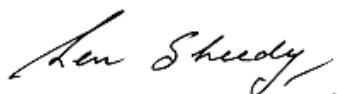
The Board was delighted to be able to recommend a dividend payment to shareholders and are very confident this will continue. As mentioned in previous reports the opportunity for further expansion i.e. additional branches is still on the agenda. With the branch enjoying monthly profit this will certainly be further investigated with emphasis on service to the community and resulting profit.

We have also been able to negotiate with the Government Rail Authority to establish an ATM at the Rockingham Train Station. With an estimated 14,000 weekly travellers this will certainly provide both service and exposure of our products to the community. Further ATM opportunities at strategic areas are also under consideration.

A number of community associations and clubs have applied to the branch for financial support. A special Board committee considers all applications within strict guidelines laid down to ensure money is allocated to assist deserving community groups.

I would also like to take this opportunity of thanking Steve Crotty and his staff who work tirelessly to promote the branch and ensure every customer receives the utmost in attention and service.

Finally, I thank every Board member and associates who also generously given not only their own time but their expert knowledge and guidance in making sure the branch continues its strong growth and service base to the Rockingham community. We will continue to keep you informed of progress and development.



L. J. Sheedy

Chairman

Manager's report

For year ending 30 June 2007

The branch has experienced another great year with the primary indicators of growth being \$60.6m in total business held and 4,704 in accounts. A further breakdown of the above figures sees our deposit portfolio at \$35.5m and the lending portfolio at \$25.1m, respective increases of 12.4% and 25.4% over the 2005/06 financial year.

After the initial four years of very steady growth the really hard work now starts in managing the existing customers, whilst continuing to increase the number of lending and deposit customers. To be able to achieve these increased goals the branch is currently in the process of advertising for a full time Loans Officer to support the Branch Manager.

Speaking of staff matters, the continuing good health of the branch is very attributable to the great staff we have at the branch. So thank you to Johanna, Sheila, Brooke, Nichola, Teresa and Hazel for all the hard work you've put in and the excellent manner in which you look after our customers.

It must also be noted that without the tremendous support of the various Board members, it would be extremely difficult for the branch to achieve its success to date. An excellent relationship between Board and staff also helps the branch operate as smoothly as it does.

In summary, we've continued to grow in the first few quiet months of this financial year, with total funds now standing at \$62.1m and I'd encourage all shareholders to continue with their strong support of the branch.



Steve Crotty
Branch Manager

Directors' report

Your Directors present their report together with the financial report of the Company for the year ended 30 June 2007.

Directors

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

Lennard John Sheedy

Position: Chairman

Date of Birth: 15 August 1938

Occupation: Business Consultant

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

Interest in shares and options: 5,001 shares

Graeme Coleman

Position: Non-Executive Director

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

Interest in shares and options: 2,001 share

Roland John Logue

Position: Non-Executive Director

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

Interest in shares and options: 10,001 shares

Directors' report continued

Robert Lewtas (resigned May 2007)

Position: Non-Executive Director

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.

Interest in shares and options: 1 share

Gaybrielle May Edis

Position: Non-Executive Director

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

Interest in shares and options: 1,100 shares

Michael Terrance Moriarty

Position: Non-Executive Director

Date of Birth: 27 February 1938

Occupation: Retired

Background Information:

Interest in shares and options: 2,000 shares

David Vernon Oliver

Position: Non-Executive Director

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.

Interest in shares and options: 2,000 shares

Directors' report continued

Robert Brown (resigned May 2007)

Position: Non-Executive Director

Date of Birth: 9 April 1950

Occupation: Business Development Consultant

Background Information: -

Interest in shares and options: -

Kevin Dorotich

Position: Non-Executive Director

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.

Interest in shares and options: -

Company Secretary

Bradley Charles Dean

Position: Non-Executive Director

Date of Birth: 16 April 1972

Occupation: CPA and Partner in the local accounting practice, BDR Business Accountant.

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

Interest in shares and options: 251 shares

Directors' report continued

Directors meetings attended

Names of Directors	Directors' Meetings	
	Number eligible to attend	Number attended
Lennard John Sheedy	10	9
Bradley Charles Dean	10	6
Graeme Coleman	10	8
Roland John Logue	10	10
Robert Lewtas	10	0
Gaybrielle May Edis	10	10
Michael Terrance Moriarty	10	10
David Oliver	10	8
Robert Brown	10	5
Kevin Dorotich	10	8

Principal activity and review of operations

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

Operating results

The profit of the Company after providing for income tax amounted to \$125,041.

Dividends paid or recommended

The Company declared an unfranked dividend of 5c amounting to \$35,151.

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 future financial years.

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.

Directors' report continued

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 of Directors

No income was paid or was payable or otherwise made available, to the Directors of the Company during the years ended 30 June 2007 and 30 June 2006.

Remuneration policy

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 Board.
- All Executives receive a base salary (which is based on factors such as length of service and experience), and superannuation.
- The Board 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, which 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 may 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.

Directors' report continued

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.

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.

Key management personnel remuneration policy

The remuneration 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.

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

The employment contracts stipulate a resignation periods. The Company may terminate an employment contract without cause by providing appropriate 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.

Directors' report continued

Details of remuneration for year ended 30 June 2007

The remuneration for each Executive officer of the Company receiving the highest remuneration during the year was as follows:

Details of remuneration for year ended 30 June 2007

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	72,500	6,525			79,025	
	72,500	6,525			79,025	

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 Board 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 Board 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.

Directors' report continued

Options

No options over issued shares or interests in the Company were granted to Directors or Executives during or since the end of the financial year 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.

Indemnifying officers or Auditor

Indemnities have been given, during and since the end of the financial year, 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.

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 issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth, 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 year.

Non-audit Services

The Board 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 2002. 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 Board 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 in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external Auditors during the year ended 30 June 2007:

	\$
Taxation services:	32,00
	32,00

Directors' report continued

Auditor's Independence Declaration

A copy of the Auditor's independence declaration is included within the financial statements.

This report is signed in accordance with a resolution of the Board of Directors.

Director



Dated this

28

day of

September

2007

Financial statements

Income statement

For year ending 30 June 2007

	Note	2007 \$	2006 \$
Revenue	2	686,320	533,495
Employee benefits expense		(302,620)	(276,952)
Depreciation and amortisation expense		(49,665)	(46,043)
Other expenses	3	(208,995)	(190,734)
Profit before income tax		125,041	19,766
Income tax expense	4	-	-
Profit attributable to members		125,041	19,766
Overall operations			
Basic earnings per share (cents per share)		17.78	2.8
Diluted earnings per share (cents per share)		17.78	2.8

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet

As at 30 June 2007

	Note	2007 \$	2006 \$
CURRENT ASSETS			
Cash and cash equivalents	5	429,097	275,844
Trade and other receivables	6	51,014	48,999
Other current assets	7	6,953	7,623
TOTAL CURRENT ASSETS		487,064	332,466
NON-CURRENT ASSETS			
Property, plant and equipment	8	61,558	73,626
Intangible assets	9	11,000	23,000
Other non-current assets	7	-	6,000
TOTAL NON-CURRENT ASSETS		72,558	102,626
TOTAL ASSETS		559,622	435,092
CURRENT LIABILITIES			
Trade and other payables	10	72,546	31,679
Short-term provisions	11	9,427	15,654
TOTAL CURRENT LIABILITIES		81,973	47,333
NET ASSETS		477,649	387,759
EQUITY			
Issued capital	12	703,020	703,020
Retained earnings (accumulated losses)		(225,371)	(315,261)
TOTAL EQUITY		477,649	387,759

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity

As at 30 June 2007

	Share Capital (Ordinary shares) \$	Retained losses \$	Total \$
Balance at 1 July 2005	703,020	(335,027)	367,993
Profit attributable to the members of the Company	-	19,766	19,766
Balance at 30 June 2006	703,020	(315,261)	387,759
Balance at 1 July 2006	703,020	(315,261)	387,759
Profit attributable to the members of the Company	-	125,041	125,041
Dividends paid or provided	-	(35,151)	(35,151)
Balance at 30 June 2007	703,020	(225,371)	477,649

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows

As at 30 June 2007

	Note	2007 \$	2006 \$
Cash flows from operating activities			
Receipts from customers		667,510	506,939
Payments to suppliers and employees		(505,456)	(453,293)
Interest received		16,795	10,535
Net cash provided by operating activities	13(a)	178,849	64,181
Cash flows from investing activities			
Payments for plant and equipment		(25,596)	(7,477)
Net cash used in investing activities		(25,596)	(7,477)
Net increase in cash held		153,253	56,704
Cash held at the beginning of the financial year		275,844	219,140
Cash held at the end of the financial year	5	429,097	275,844

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2007

1. Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting 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 listed public Company, incorporated and domiciled in Australia.

The financial report 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.

Basis of preparation

The financial policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

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

Accounting policies

(a) Income tax

The charge 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 year 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.

Notes to financial statements continued

1. Statement of significant accounting policies (continued)

(b) 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

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 year in which they are incurred.

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:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
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.

Notes to financial statements continued

1. Statement of significant accounting policies (continued)

(c) 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 year.

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.

(d) 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.

Notes to financial statements continued

1. Statement of significant accounting policies (continued)

(e) 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.

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

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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).

Notes to financial statements continued

1. Statement of significant accounting policies (continued)

(k) 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 of sale.

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

(l) 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.

(m) 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 2007. 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 2007 amounting to \$11,000.

The financial report was authorised for issue on 17 October 2007 by the Board of Directors.

Notes to financial statements continued

	2007 \$	2006 \$
2. Revenue		
Franchise margin income	671,160	516,521
Other revenue	-	3,624
Interest revenue from:		
Other parties	15,160	13,350
	686,320	533,495
3. Expenses		
Rental on operating lease	25,280	23,490
IT leasing and running costs	26,160	24,783
Other operating expenses	157,548	142,461
Bad debts	7	-
	208,995	190,734
Remuneration of the Auditors of the Company		
Audit services	3,250	3,000
Other Services	3,200	3,000
	6,450	6,000

Notes to financial statements continued

	2007 \$	2006 \$
4. Income tax expense		
No income tax is payable by the Company as it has recouped tax losses previously brought to account for income tax purposes.		
a. The components of tax expense comprise:		
Current tax	-	-
Deferred tax (Note 21)	-	-
Recoupment of prior year tax losses	-	-
	-	-
b. The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2006: 30%)	37,512	5,930
Add:		
Tax effect of:		
- non-deductible depreciation and amortisation	3,600	3,600
Less:		
Tax effect of:		
- other allowable items	(3,668)	(2,848)
- recoupment of prior year tax losses not previously brought to account	(37,444)	(6,682)
Income tax attributable to entity	-	-

At balance date, the Company had tax losses of \$125,783 (2006: \$250,597) which are available to offset future years' taxable income.

The future income tax benefit of these tax losses is \$37,735 (2006: \$75,179). This benefit has not been brought to account. 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.

Notes to financial statements continued

	2007	2006
	\$	\$

5. Cash and cash equivalents

Cash at bank and in hand	280,584	137,438
Short-term bank deposits	148,513	138,406
	429,097	275,844

6. Trade and other receivables

Trade debtors	49,833	46,183
Accrued income	1,181	2,816
	51,014	48,999

7. Other assests

Current

Prepayments	6,953	7,623
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Non Current

Prepayments	-	6,000
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8. Property, plant and equipment

Plant and Equipment

Cost	199,019	173,423
Accumulated depreciation	(137,461)	(99,797)
	61,558	73,626

Notes to financial statements continued

	2007	2006
	\$	\$

8. Property, plant and equipment (continued)

Reconciliation of the carrying value for each class of property, plant and equipment are set out below:

Low Value Pool

Balance at the beginning of the year	1,419	1,846
Additions	913	326
Depreciation expense	(886)	(753)
Carrying amount at the end of the year	1,476	1,419

Office plant and equipment

Balance at the beginning of the year	-	620
Depreciation expense	-	(620)
Carrying amount at the end of the year	-	-

Furniture and fittings

Balance at the beginning of the year	300	308
Depreciation expense	(7)	(8)
Carrying amount at the end of the year	293	300

Leasehold Improvements

Balance at the beginning of the year	71,907	97,419
Additions	25,596	7,150
Depreciation expense	(37,714)	(32,662)
Carrying amount at the end of the year	59,789	71,907

9. Intangible assets

Franchise fee

Cost	60,000	60,000
Accumulated amortisation	(49,000)	37,000)
	11,000	23,000

Notes to financial statements continued

9. Intangible assets (continued)

Pursuant to a five year franchise agreement with Bendigo Bank, the Company operates a branch of Bendigo Bank at Rockingham, trading as “Rockingham Community Branch – Bendigo Bank”, providing a core range of banking products and services. The Company entered into the franchise agreement at a cost of \$60,000 in respect of the franchise fee.

	2007	2006
	\$	\$
10. Trade and other payables		
Trade creditors and accruals	26,804	22,595
GST payable	10,591	9,084
Dividend	35,151	-
	72,546	31,679

11. Provisions

Provision for employee entitlements	9,247	15,654
Number of employees at year end	8	8

12. Equity

703,020 (2006: 703,020) fully paid ordinary shares	703,020	703,020
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Notes to financial statements continued

	2007	2006
	\$	\$

13. Cash flow information

a. Reconciliation of cash flow from operations with loss after tax

Profit after tax	125,041	19,766
Depreciation and amortisation	49,665	46,043
Movement in assets and liabilities		
Receivables	(2,015)	(16,022)
Other assets	6,670	4,202
Payables	5,715	1,935
Provisions	(6,227)	8,257
Net cash provided by/(used in) operating Activities	178,849	64,181

b. Credit Standby Arrangement and Loan Facilities

The Company has a bank overdraft facility amounting to \$ (2006: \$). This may be terminated at any time at the option of the bank. At 30 June 2007, none of this facility was used (2006 \$). Interest rates are variable.

Notes to financial statements continued

14. Directors and key management personnel compensation

The related parties have not entered into a transaction with the Company during the financial years ended 30 June 2007 and 30 June 2006.

	2007	2006
	\$	\$

15. Leasing commitments

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

Payable		
Not longer than 1 year	20,000	20,000
Longer than 1 year but not longer than 5 years	40,000	60,000
	60,000	80,000

16. Dividends

Distributions paid		
Interim unfranked ordinary dividend declared on 27 June 2007 of 5 (2006: nil) cents per share	35,151	-

Notes to financial statements continued

17. Financial Instruments

(a) Interest rate risk

2007

	Rates	Variable	Fixed 1 year	Fixed 1 to 5 years	Non- interest	Total
Financial Assets						
Cash and cash equivalents	4.83%	280,448	148,513	-	136	429,097
Receivables	-	-	-	-	49,833	49,833
Total Financial Assets		280,448	148,513	-	49,969	478,930
Financial Liabilities						
Payables	-	-	-	-	(37,395)	(37,395)
Total Financial Liabilities		-	-	-	(37,395)	(37,395)

2006

	Rates	Variable	Fixed 1 year	Fixed 1 to 5 years	Non- interest	Total
Financial Assets						
Cash and cash equivalents	4.83%	137,426	138,406	-	12	275,844
Receivables	-	-	-	-	48,999	48,999
Total Financial Assets		137,426	138,406	-	49,011	324,843
Financial Liabilities						
Payables	-	-	-	-	(31,679)	(31,679)
Total Financial Liabilities		-	-	-	(31,679)	(31,679)

(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.

Notes to financial statements continued

18. Segment reporting

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

19. Events after the balance sheet date

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.

20. Contingent liabilities

There were no contingent liabilities at the reporting date.

	2007	2006
	\$	\$

21. 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(a) occur:

- Temporary differences	2,828	4,696
- Tax losses: operating losses	37,735	75,179
	40,563	79,875

Notes to financial statements continued

22. Changes in accounting policy

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

AASB Amendment	Standards Affected	Outline of Amendment	Application Date of Standard	Application Date for Group
AASB 2005–10: Amendments to Australian Accounting Standards	AASB 1: First time adoption of AIFRS	The disclosure requirements of AASB 132: Financial Instruments: Disclosure and Presentation have been replaced due to the issuing of AASB 7: Financial Instruments: Disclosures in August 2005. These amendments will involve changes to financial instrument disclosures within the financial report. However, there will be no direct impact on amounts included in the financial report as it is a disclosure standard.	1 Jan 2007	1 July 2007
	AASB 4: Insurance Contracts			
	AASB 101: Presentation of Financial Statements			
	AASB 114: Segment Reporting			
	AASB 117: Leases			
	AASB 133: Earnings per Share			
	AASB 1023: General Insurance Contracts			
	AASB 1038: Life Insurance Contracts			
	AASB 139: Financial Instruments: Recognition and Measurement			
AASB 7: Financial Instruments: Disclosures	AASB 132: Financial Instruments: Disclosure and Presentation	As above	1 Jan 2007	1 July 2007

23. Company details

The registered office of the Company is:

4 Sutton Street

Mandurah, WA 6210

The principal place of business of the Company is:

Shop 1, 1-3 Kent Street

Rockingham, WA 6168

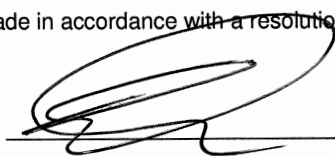
Directors' declaration

The Directors of the Company declare that:

1. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standard and the Corporations Regulations 2001; and
 - b. give a true and fair view of the Company's financial position as at 30 June 2007 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.

Director



Dated this

28

day of

September

2007

Independent audit report

RSM Bird Cameron Partners

Chartered Accountants

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 F +61 8 9261 9101
www.rsmi.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ROCKINGHAM COMMUNITY FINANCIAL SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Rockingham Community Financial Services Limited (the company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

We have also audited the remuneration disclosure contained in the directors' report. As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading 'Remuneration Report' in the directors' report and not in the financial report.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration declarations contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

¹Liability limited by a scheme approved under Professional Standards Legislation

Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

RSM Bird Cameron Partners is an independent member firm of RSM International, an affiliation of independent accounting and consulting firms.

Independent audit report continued

Auditor's Opinion on the Financial Report

- a. the financial report of Rockingham 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 2007 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Auditor's Opinion on the AASB 124 Remuneration Disclosures Contained in the Directors' Report

In our opinion the remuneration disclosures that are contained in the directors' report comply with Accounting Standards AASB 124

RSM Bird Cameron Partners.

RSM BIRD CAMERON PARTNERS
Chartered Accountants

David Wall

DAVID WALL
Partner

Perth, WA

Date: **28 SEPTEMBER 2007**

Auditor's independence declaration

RSM Bird Cameron Partners

Chartered Accountants

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 F +61 8 9261 9101
www.rsmi.com.au

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS
ROCKINGHAM COMMUNITY FINANCIAL SERVICES LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2007 there have been:

- a. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and

RSM Bird Cameron Partners.

RSM BIRD CAMERON PARTNERS
Chartered Accountants

David Wall

DAVID WALL
Partner

Perth, WA
Date: **28 SEPTEMBER 2007**

Perth, WA
Date: **28 SEPTEMBER 2007**

DAVID WALL
Partner

7

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International, an affiliation of independent
accounting and consulting firms.



BSX report

Additional information required by the Bendigo Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at (date).

• **Rule 3.17 (c) - Corporate governance statement**

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

The Board recognises the importance of a strong corporate governance focus and methodology. The Board is currently working towards adopting policies and procedures that will govern our Company into the future. We believe that building policy framework will assist the future direction of our local Company, provide accountability and transparency and ensure there are guiding principles in place for future decision making. The Board does have an Audit Committee.

• **Rule 3.17 (d) - Substantial Shareholders**

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

	Shareholders	Number of ordinary shares
1.	Mr Lawrence R Harvey & Mrs Patricia F Harvey	20,000
2.	Rick Ould Superannuation Fund	20,000
3.	Mr Kingsley Pong & Mrs Heather Pond	20,000
4.	Winpar Holdings Limited	15,000
5.	Mr Giles A Harford	13,000
6.	Pauley Superannuation Fund	13,000
7.	Mr Roland Logue	10,001
8.	Mrs Jennifer M Billet	10,000
9.	Mrs Audrey C Coffey	10,000
10.	Mrs Annette F Forbes	10,000
11.	Kailis Consolidated Pty Ltd	10,000
12.	Mr Anthony Komorowski & Mrs Mauren Komorowski	10,000
13.	Mr Garth E Meadows	10,000
14.	Micro Bros Superannuation Fund	10,000
15.	N.E.T. Enterprises (WA) Pty Ltd	10,000
16.	Negri Consolidated Superannuation	10,000
17.	Personal Buying Services Pty Ltd	10,000
18.	Petrospection Pty Ltd	10,000
19.	Mr Bruce F Pobjoy	10,000
20.	Mr Arthur Rawlings	10,000
21.	Mrs Wilhemina GP Sinclair	10,000
22.	Mr Rodney G Steere	10,000
23.	Mr George Stewart	10,000
24.	Mr Robert Stanley	10,000

BSX report continued

•Rule 3.17 (e) – Details of Voting rights

Each shareholder has one vote regardless of the number of shares held.

•Rule 3.17 (g) - Distribution of shareholders

The distribution of shareholders is:

Share distribution schedule	Holders	Units held	%L/C
1 - 1,000	329	139,419	19.83
1,0001 - 5,000	84	251,600	35.79
5,001 - 10,000	21	201,000	28.59
10,001 - 100,000	8	111,001	15.79
100,001 - over	0	0	0.00
		703,020	100.00

•Rule 3.17 (h)

There are currently 180 parcels of less than 500 shares. These holdings total 27,019 shares.

•Rule 3.17 (i)

N/A – Refer to Rule 3.17 (d).

•Rule 3.17 (j) – Company Secretary

The Company Secretary of Rockingham Community Financial Services Limited is Bradley Charles Dean.

•Rule 3.17 (k) – Registered office and principal administrative office

Registered Office

4 Sutton Street
Mandurah, WA 6210

Principal Administrative Office

Shop 1, 1-3 Kent Street
Rockingham, WA 6168

•Rule 3.17 (l) – Securities register

The Company securities register is kept at:

4 Sutton Street
Mandurah, WA 6210

BSX report continued

Monitoring of the Board's performance and communication to Shareholders

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Directors is reviewed annually by the Chairperson.

Directors whose performance is unsatisfactory are asked to retire.

The Board and Directors aim to ensure that Shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors.

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Rockingham **Community Bank**® Branch
Shop 1, 1-3 Kent Street, Rockingham, WA 6168
Phone: (08) 9528 6377

Franchisee: Rockingham Community Financial Services Limited
Shop 1, 1-3 Kent Street, Rockingham, WA 6168
Phone: (08) 9528 6377
ABN 69 102 349 655

www.bendigobank.com.au/public/community_bank/community_bank.asp?name=rockingham
Bendigo Bank Limited, The Bendigo Centre, Bendigo, VIC 3550
ABN 11 068 049 178. AFSL 237879. (PSWAR7012) (09/07)