



2007 annual report

Contents

| | |
|--|----------------|
| Chairman's report | 2 - 3 |
| Manager's report | 4 |
| A message from Bendigo Bank | 5 |
| Directors' report | 6 - 10 |
| Financial statements | 11 - 14 |
| Notes to the financial statements | 15 - 27 |
| Directors' declaration | 28 |
| Independent Auditor's report | 29 |
| BSX report | 30 - 31 |

Chairman's report

For the year ended 30 June 2007

It is my pleasure to present to you my report as the Chairman of our locally owned Company, Rosewood & District Financial Services Limited, which is listed on the Bendigo Stock Exchange. The Company has achieved further growth in the financial year to 30 June 2007.

The Rosewood & District **Community Bank®** Branch, which has only operated for seven months in the 2005/06 financial year, has increased its operating revenue by 125% and its profit after tax increased by 116% during the 2006/07 financial year. The profit after tax was \$16,632.

For the week ended 2 July 2006, the portfolio of the branch was \$23.3 million with 2,534 customer accounts. For the week ended 24 June 2007, the portfolio was \$29.1 million with 3,025 customer accounts. This represents an increase of 24.9% for the portfolio and 19.4% increase in customer accounts during the financial year 2006/07.

The financial position of the Company is very sound and pleasingly has traded with a profit during the 2006/07 financial year. It is an expectation by 30 June 2008 that with the Company's continued increased growth; the profit will be further increased. It is up to the Directors, the shareholders and current customers to spread the word about the Rosewood & District **Community Bank®** Branch.

The Directors have treated the 2006/07 financial year as a consolidation time for the Company. One of our sub committees, Business Growth, has been looking at future business developments for the Company.

Director Katherine Price resigned in June 2007 due to other commitments. Her replacement as a Director of the Company will be approved at the Annual General Meeting on 19 November 2007. Under our rotational system, Alan Price, Stuart Ross and Ivan Schindler are eligible for re-election as Directors and they have offered their nominations.

In December 2006, our **Community Bank®** branch celebrated its first birthday with a function outside the branch. The Mayor of Ipswich and the Division 10 Councillor were also present to celebrate with us.

As the Company has grown this year, our partner, Bendigo Bank has rewarded us with Marketing Development Funds. We have used these funds to market the **Community Bank®** Company along with sponsorship to community groups. Your Directors decided this year to allocate some of the Company's profits with a number of small grants to organisations within the community. If the Company's profit continues to increase, the Directors will be able to increase the allocation of sponsorship and grants during the 2007/08 financial year. For this to happen, we all need to support our locally owned **Community Bank®** branch with our banking business.

The **Community Bank®** concept in Rosewood has proved to be a successful and rewarding venture simply because you, the community, have supported it. I encourage you all to spread the good news amongst your family, friends and business contacts. The Directors and staff of the branch need your continued support to allow us to expand and to help the community with increased financial support. This is a great opportunity to keep more locally generated revenue within Rosewood and district.

Chairman's report continued

The success story to date could not have taken place if we were not in the fortunate position of having a dedicated Manager and staff. Amy and her staff are to be congratulated for the friendly and helpful service they offer to customers.

Finally as Chairman of the Board, I thank all Directors for their support during the past year. I look forward to the Company's future with confidence.



Clyde I Nicoll

Chairman

Manager's report

For the year ended 30 June 2007

It is my pleasure to present the Manager's Report for Rosewood & District Financial Services Ltd for our first full financial year of trade.

Last year saw us celebrate some milestones. We opened our 3000th account, grew our business to over \$29 million and celebrated our first birthday.

Our most exciting achievement to date though was being able to give grants out of the financial year profits. On Monday 3 September 2007 we presented 11 community groups with \$10,757.

These groups represented a wide selection of the community and it was pleasing to be able to assist them with their endeavours.

We also saw a slight change to our branch structure. Our full-time Customer Service Officer was upgraded to a full-time Customer Relationship Officer.

We see this new position being able to support us as we continue to grow.

The financial year saw our deposit book grow by \$3.545 million. This was a pleasing result and above what we had budgeted. Our lending book grew by \$2.619 million and while this was under what we had hoped, we were still able to report a profit by controlling expenses and performing well in deposits.

We hope the 2007/2008 financial year will see a significant increase to our lending book which will ensure future profits. We will also focus on building our customer base and assisting our existing customers to do more with us.

Personally I feel privileged to be part of the **Community Bank®** network and would like to thank my staff for their dedication, our Bendigo Bank support team and also our Board of Directors for their support.

Finally I would like to thank you – our shareholders and customers. Without your ongoing support we can not continue to be a success. We look forward to assisting you further in the coming year.



Amy Wolens

Branch Manager

A message from Bendigo Bank

As we approach the 10th anniversary of the **Community Bank**[®] network it is timely to reflect on what has been achieved. The opening of the first **Community Bank**[®] branches in Victoria's Wimmera in 1998 changed the Australian banking landscape – how significant this change has been is only now starting to become obvious.

Today, the **Community Bank**[®] brand is represented in every State and Territory of Australia, with the final frontier, the Northern Territory, falling with the opening of Coolalinga **Community Bank**[®] Branch in September 2006. Nine months later we were celebrating the opening of our 200th **Community Bank**[®] branch in the Victorian seaside community of Dromana.

When you take the time to list them, the official statistics are impressive:

- \$10 billion in combined banking business
- \$10 million in grants to community groups and projects
- \$7 million in dividends paid to shareholders
- 1000 **Community Bank**[®] branch staff

But perhaps what has been most significant during 2007 have been merger talks. Bendigo rejected a merger proposal from Bank of Queensland in April. Less than four months later, Bendigo Bank's board unanimously supported a merger proposal with Adelaide Bank. The merger will be voted on by Adelaide Bank shareholders in late-2007.

Under the merged group, our unique **Community Bank**[®] model will continue to grow and prosper, and new company-owned and **Community Bank**[®] branches will continue to open.

The Bendigo Bank brand will be retained, customers' accounts will not change and the same friendly faces will be at your local branch to provide for your banking needs. As a **Community Bank**[®] shareholder, you will notice no changes – you remain a shareholder of your local community company.

Nationally, the merger will increase Bendigo Bank's network, delivering our customers access to 24 branches in South Australia and 90 ATMs. Over time, new products and services will follow.

Bendigo Bank participates in the development of community banking with an enormous sense of pride. We are indeed fortunate to be your partner and look forward to celebrating 10 years of community banking in 2008.

Rob Hunt
Managing Director
Bendigo Bank Group

Directors' report

For the year ended 30 June 2007

Your Directors submit the financial report of the Company for the financial year ended 30 June 2007.

Directors

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

Clyde Ian Nicoll

Chairman

Age: 65

Retired

18 years Principal Secondary Schools

Subcommittees: Bus. Plan/PR & Mkting & Sponsorship
Audit/AGM/H R/Gov.

Interests in shares: 5,001

Eirys Mabel Heit

Director

Age: 58

Casual shop assistant/semi-retired

Own business 17 years

Subcommittees: Audit/Grant Application/
Property Management

Interests in shares: 5,001

Melissa Kay McGeary

Director

Age: 35

Projects Officer

Subcommittees: AGM/Bus. Plan/Gov./Grant Applic./
PR & Mkting & Sponsorship

Interests in shares: 1,001

Ivan Aubrey Paul Schindler

Director

Age: 56

Veterinary Surgeon

Proprietor of Veterinarian Surgery

Subcommittees: Strategy Growth/Risk Management

Interests in shares: 2,001

Stuart Walton Bede Ross

Director

Age: 42

Real Estate Agent

Owner/Manager Bremer Valley Realty

Subcommittees: Bus. Plan/PR & Mkting & Sponsorship/
Property Management

Interests in shares: 2,001

Katherine Mary Price (Resigned 27-Jun-07)

Director

Age: 26

Sales Management Systems Coordinator

Computer Databases

Subcommittees: Governance

Interests in shares: 501

Kathleen Maree Lenihan

Director

Age: 23

Receptionist

Office Management

Subcommittees: Grant Application/Human Resources

Interests in shares: 501

Kenneth John Savage

Director

Age: 57

Retired

Local Business Owner

Subcommittees: AGM/Bus. Growth/Grant Application/
Property Management

Interests in shares: 2,001

Directors' report continued

Brian Maxwell Nash

Director

Age: 56

Paramedic

Officer in Charge QAS Rosewood

Subcommittees: AGM/Policy & Procedures

Interests in shares: 1,001

Alan Leslie Price

Director

Age: 56

Owner/Manager Price Produce

Business Owner

Subcommittees: PR & Marketing & Sponsorship

Interests in shares: 2,001

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

No Directors have material interests in contracts or proposed contracts with the Company.

Company Secretary

The Company Secretary is Melissa McGeary. Melissa was appointed to the position of Secretary when the Company was formed on 11 July 2005. Melissa was also the Secretary of the Steering Committee.

Principal activities

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

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

Operating Results

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

| Year ended | Year ended |
|--------------|--------------|
| 30 June 2007 | 30 June 2006 |
| \$ | \$ |
| 16,632 | (103,095) |

Remuneration Report

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

The Branch Manager attends all Board meetings and presents a full report to the Board of Directors.

The Branch Manager advises the Directors on a number of issues but does not have any voting rights.

The Branch Manager is a member of several sub-committees.

i. PR/Marketing/Sponsorship

iv. Business Growth

ii. Property Management

v. Grant Application

iii. Business Plan

The Branch Manager is a seconded staff member of Bendigo Bank Limited. She is paid between \$55,000 - \$65,000 for the period. The wages are paid via the entity's profit share statements.

Directors' report continued

Dividends

No dividends were declared or paid for the previous financial year (2005/2006) and the Directors recommended that no dividend be paid for the current financial year (2006/2007).

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report or the financial report.

Matters subsequent to the end of the financial year

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

Likely Developments

The Company will continue its policy of facilitating banking services to the community.

Environmental Regulation

The Company is not subject to any significant environmental regulation.

Directors' Benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and Insurance of Directors and Officers

The Company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Manager of the Company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an Auditor of the Company or a related body corporate.

Directors' report continued

Directors Meetings

The number of Directors meetings attended by each of the Directors of the Company during the year were:

| | Number of Board Meetings | |
|---|--------------------------|-----------------|
| | eligible to attend | Number attended |
| Clyde Ian Nicoll | 11 | 10 |
| Eirys Mabel Heit | 11 | 11 |
| Melissa Kay McGeary | 11 | 11 |
| Ivan Aubrey Paul Schindler | 11 | 10 |
| Stuart Walton Bede Ross | 11 | 8 |
| Katherine Mary Price (Resigned 27-Jun-07) | 11 | 2 |
| Kathleen Maree Lenihan | 11 | 8 |
| Kenneth John Savage | 11 | 7 |
| Brian Maxwell Nash | 11 | 9 |
| Alan Leslie Price | 11 | 11 |

Non Audit Services

The Company may decide to employ the Auditor on assignments additional to their statutory duties where the Auditor's expertise and experience with the Company are important. Details of the amounts paid or payable to the Auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The Board of Directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001.

The Directors are satisfied that the provision of non-audit services by the Auditor, as set out in the notes did not compromise the Auditor independence requirements of the Corporations Act 2001 for the following reasons: all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the Auditor;

none of the services undermine the general principles relating to Auditor independence as set out in Professional Statement F1, including reviewing or auditing the Auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Directors' report continued

Auditor's independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out below.

Signed in accordance with a resolution of the Board of Directors at Rosewood, Queensland on 4 September 2007.



Clyde Ian Nicoll

Chairman



Melissa Kay McGeary

Director



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Auditor's Independence Declaration

As lead auditor for the audit of the financial statements of Rosewood & District Financial Services Limited for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.



DAVID HUTCHINGS

AUDITOR

ANDREW FREWIN & STEWART

BENDIGO

Dated this 4th day of September 2007

Financial statements

Income statement

For the year ended 30 June 2007

| | Note | 2007 \$ | 2006 \$ |
|--|------|---------------|------------------|
| Revenues from ordinary activities | 3 | 357,582 | 158,519 |
| Salaries and employee benefits expense | | (194,917) | (218,169) |
| Advertising and promotion expenses | | (6,250) | (778) |
| Occupancy and associated costs | | (27,969) | (17,065) |
| Systems costs | | (7,964) | - |
| Depreciation and amortisation expense | 4 | (13,538) | (7,868) |
| General administration expenses | | (84,536) | (63,145) |
| Profit/(loss) before income tax expense/credit | | 22,407 | (148,506) |
| Income tax expense/credit | 5 | (5,775) | 45,411 |
| Profit/(loss) for the period | | 16,632 | (103,095) |
| Profit/(loss) attributable to members of the entity | | 16,632 | (103,095) |
| Earnings per share (cents per share) | | c | c |
| -basic for profit for the year | 17 | 3.06 | (19.00) |

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet

For the year ended 30 June 2007

| | Note | 2007 \$ | 2006 \$ |
|----------------------------------|------|----------------|----------------|
| Current assets | | | |
| Cash assets | 6 | 189,866 | 157,417 |
| Trade and other receivables | 7 | 8,981 | 8,066 |
| Total current assets | | 198,847 | 165,483 |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 162,258 | 173,796 |
| Intangible assets | 9 | 40,621 | 42,621 |
| Deferred tax assets | 10 | 39,636 | 45,411 |
| Total non-current assets | | 242,515 | 261,828 |
| Total assets | | 441,362 | 427,311 |
| Current liabilities | | | |
| Trade and other payables | 11 | 4,830 | 7,911 |
| Total current liabilities | | 4,830 | 7,911 |
| Total liabilities | | 4,830 | 7,911 |
| Net assets | | 436,532 | 419,400 |
| Equity | | | |
| Contributed equity | 12 | 522,995 | 522,495 |
| Accumulated losses | 13 | (86,463) | (103,095) |
| Total equity | | 436,532 | 419,400 |

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity

For the year ended 30 June 2007

| | Note | 2007 \$ | 2006 \$ |
|--|------|----------------|------------------|
| Total equity at the beginning of the financial year | | 419,400 | - |
| Net income/expense recognised directly in equity | | - | - |
| Net profit/(loss) for the year | | 16,632 | (103,095) |
| Total recognised income & expenses for the year | | 436,032 | (103,095) |
| Shares issued during period | | 500 | 542,660 |
| Costs of issuing shares | | - | (20,165) |
| Dividends provided for or paid | | - | - |
| Total equity at the end of the financial year | | 436,532 | 419,400 |

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flow

For the year ended 30 June 2007

| | Note | 2007 \$ | 2006 \$ |
|--|-------------|----------------|------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 375,756 | 143,588 |
| Payments to suppliers and employees | | (353,161) | (288,417) |
| Interest received | | 9,354 | 4,060 |
| Interest paid | | - | (24) |
| Net cash inflow/(outflow) from operating activities | 14 | 31,949 | (140,793) |
| Cash flows from investing activities | | | |
| Payment for intangible assets | | - | (10,000) |
| Payment for purchase of business | | - | (33,790) |
| Payments for property plant and equipment (180,495) | | | - |
| Net cash outflow from investing activities | | - | (224,285) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | | 500 | 542,660 |
| Payment of share issue costs | | - | (20,165) |
| Net cash inflow from financing activities | | 500 | 522,495 |
| Net increase in cash held | | 32,449 | 157,417 |
| Cash at the beginning of the financial year | | 157,417 | - |
| Cash at the end of the financial year | 6(a) | 189,866 | 157,417 |

The accompanying notes form part of these financial statements.

Notes to the financial statements

Note 1: Summary of significant accounting policies

Basis of preparation

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

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS). These financial statements and notes comply with IFRS.

Historical cost convention

The financial report has been prepared under the historical cost conventions on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST). The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable for the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operation cash flows.

Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Notes to the financial statements continued

Note 1: Summary of significant accounting policies (continued)

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the Company/consolidated entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Employee entitlements

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

The Company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

Intangibles

The cost of the Company's franchise fee has been recorded at cost and is amortised on a straight line basis at a rate of 20% per annum.

Notes to the financial statements continued

Note 1: Summary of significant accounting policies (continued)

Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Comparative figures

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

Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

| | |
|--------------------------|----------------|
| - leasehold improvements | 40 years |
| - plant and equipment | 2.5 - 40 years |
| - furniture and fittings | 4 - 40 years |

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Company's investment in each branch.

Notes to the financial statements continued

Note 1: Summary of significant accounting policies (continued)

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Estimated Impairment of Goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(above). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions.

Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the financial statements continued

Note 1: Summary of significant accounting policies (continued)

Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

Trade Receivables and Payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Borrowings

All loans are initially measured at the principal amount. Interest is recognised as an expense as it accrues.

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Contributed Equity

Ordinary shares are recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Notes to the financial statements continued

Note 2: Financial risk management

The Company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the Board of Directors.

(i) Market Risk

The Company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price Risk

The Company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The Company is not exposed to commodity price risk.

(iii) Credit Risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The Company's franchise agreement limits the Company's credit exposure to one financial institution, being Bendigo Bank Limited.

(iv) Liquidity Risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The Company believes that its sound relationship with Bendigo Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest-rate risk. The Company believes that its sound relationship with Bendigo Bank Limited mitigates this risk significantly.

Notes to the financial statements continued

| | 2007 \$ | 2006 \$ |
|--|------------|------------|
|--|------------|------------|

Note 3: Revenue from ordinary activities

Operating activities:

| | | |
|---|---------|---------|
| - services commissions | 347,106 | 150,958 |
| - other revenue | - | 3,501 |
| Total revenue from operating activities | 347,106 | 154,459 |

Non-operating activities:

| | | |
|---|--------|-------|
| - interest received | 10,476 | 4,060 |
| Total revenue from non-operating activities | 10,476 | 4,060 |

| | | |
|--|----------------|----------------|
| Total revenues from ordinary activities | 357,582 | 158,519 |
|--|----------------|----------------|

Note 4: Expenses

Depreciation of non-current assets:

| | | |
|--------------------------|-------|-------|
| - plant and equipment | 2,138 | 1,240 |
| - leasehold improvements | 9,400 | 5,459 |

Amortisation of non-current assets:

| | | |
|-----------------------|--------|-------|
| - franchise agreement | 2,000 | 1,169 |
| | 13,538 | 7,868 |

Finance costs:

| | | |
|-----------------|---|----|
| - interest paid | - | 24 |
|-----------------|---|----|

| | | |
|------------------|------------|------------|
| Bad debts | 960 | 595 |
|------------------|------------|------------|

Note 5: Income tax expense

The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:

| | | |
|--|--------|-----------|
| Operating profit/(loss) | 22,407 | (148,506) |
| Prima facie tax on profit/(loss) from ordinary activities at 30% | 6,722 | (44,552) |

Add tax effect of:

| | | |
|---------------------------|---------|-------|
| - non-deductible expenses | 600 | (859) |
| - non-assessable income | (337) | - |
| - blackhole expenses | (1,210) | - |

| | | |
|--|--------------|-----------------|
| Income tax expense on operating profit/(loss) | 5,775 | (45,411) |
|--|--------------|-----------------|

Notes to the financial statements continued

| | 2007 \$ | 2006 \$ |
|--|------------|------------|
|--|------------|------------|

Note 6: Cash assets

| | | |
|--------------------------|----------------|----------------|
| Cash at bank and on hand | 31,227 | 37,417 |
| Term Deposits | 158,639 | 120,000 |
| | 189,866 | 157,417 |

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

6(a) Reconciliation of cash

| | | |
|--------------------------|----------------|----------------|
| Cash at bank and on hand | 31,227 | 37,417 |
| Term deposit | 158,639 | 120,000 |
| | 189,866 | 157,417 |

Note 7: Trade and other receivables

| | | |
|-------------------|--------------|--------------|
| Trade receivables | 7,858 | 4,628 |
| Accrued income | 1,122 | - |
| Prepayments | - | 3,438 |
| | 8,980 | 8,066 |

Note 8: Property, plant and equipment

| | | |
|-------------------------------|---------------|---------------|
| Plant and equipment | | |
| At cost | 30,500 | 30,500 |
| Less accumulated depreciation | (3,378) | (1,240) |
| | 27,122 | 29,260 |

Leasehold improvements

| | | |
|----------------------------------|----------------|----------------|
| At cost | 149,995 | 149,995 |
| Less accumulated depreciation | (14,859) | (5,459) |
| | 135,136 | 144,536 |
| Total written down amount | 162,258 | 173,796 |

Notes to the financial statements continued

| | 2007 \$ | 2006 \$ |
|--|------------|------------|
|--|------------|------------|

Note 8: Property, plant and equipment (continued)

Movements in carrying amounts:

Plant and equipment

| | | |
|-------------------------------|---------------|---------------|
| Carrying amount at beginning | 29,260 | - |
| Additions | - | 30,500 |
| Less: depreciation expense | (2,138) | (1,240) |
| Carrying amount at end | 27,122 | 29,260 |

Leasehold improvements

| | | |
|----------------------------------|----------------|----------------|
| Carrying amount at beginning | 144,536 | - |
| Additions | - | 149,995 |
| Less: depreciation expense | (9,400) | (5,459) |
| Carrying amount at end | 135,136 | 144,536 |
| Total written down amount | 162,258 | 173,796 |

Note 9: Intangible assets

Franchise Fee

| | | |
|--------------------------------|---------------|---------------|
| At cost | 10,000 | 10,000 |
| Less: accumulated amortisation | (3,169) | (1,169) |
| Goodwill | 33,790 | 33,790 |
| | 40,621 | 42,621 |

Note 10: Deferred tax

Deferred Tax Asset

| | | |
|-----------------------------|---------------|---------------|
| Tax losses - revenue | 39,636 | 45,411 |
|-----------------------------|---------------|---------------|

Note 11: Trade and other payables

| | | |
|----------------------------|--------------|--------------|
| Trade Creditors | 1,829 | 5,511 |
| Other creditors & accruals | 3,000 | 2,400 |
| | 4,829 | 7,911 |

Notes to the financial statements continued

| | 2007 \$ | 2006 \$ |
|--|----------------|----------------|
| Note 12: Contributed equity | | |
| 543,160 Ordinary shares fully paid of \$1 each (2006: 542,660) | 543,160 | 542,660 |
| Less: equity raising expenses | (20,165) | (20,165) |
| | 522,995 | 522,495 |

Note 13: Accumulated losses

| | | |
|---|-----------------|------------------|
| Balance at the beginning of the financial year | (103,095) | - |
| Net profit/(loss) from ordinary activities after income tax | 16,632 | (103,095) |
| Balance at the end of the financial year | (86,463) | (103,095) |

Note 14: Statement of cash flows

Reconciliation of loss from ordinary activities after tax to
net cash provided by/(used in) operating activities

| | | |
|---|---------------|------------------|
| Profit/(Loss) from ordinary activities after income tax | 16,632 | (103,095) |
| Non cash items: | | |
| - depreciation | 11,540 | 6,699 |
| - amortisation | 2,000 | 1,169 |
| Changes in assets and liabilities: | | |
| - (increase)/decrease in receivables | (915) | (8,066) |
| - (increase)/decrease in other assets | 5,775 | (45,411) |
| - increase/(decrease) in payables | (3,083) | 7,911 |
| Net cashflows provided by/(used in) operating activities | 31,949 | (140,793) |

Note 15: Auditors' remuneration

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

| | | |
|---------------------------|--------------|--------------|
| - audit & review services | 3,000 | 3,350 |
| - non audit services | 1,400 | 5,010 |
| | 4,400 | 8,360 |

Notes to the financial statements continued

Note 16: Director and related party disclosures

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

Clyde Ian Nicoll

Eirys Mabel Heit

Melissa Kay McGeary

Ivan Aubrey Paul Schindler

Stuart Walton Bede Ross

Katherine Mary Price (Resigned 27-Jun-07)

Kathleen Maree Lenihan

Kenneth John Savage

Brian Maxwell Nash

Alan Leslie Price

No Director or related entity has entered into a material contract with the Company. No Director's fees have been paid as the positions are held on a voluntary basis.

| Directors shareholdings | 2007 | 2006 |
|---|-------------|-------------|
| Clyde Ian Nicoll | 5,001 | 5,001 |
| Eirys Mabel Heit | 5,001 | 5,001 |
| Melissa Kay McGeary | 1,001 | 1,001 |
| Ivan Aubrey Paul Schindler | 2,001 | 2,001 |
| Stuart Walton Bede Ross | 2,001 | 2,001 |
| Katherine Mary Price (Resigned 27-Jun-07) | 501 | 501 |
| Kathleen Maree Lenihan | 501 | 501 |
| Kenneth John Savage | 2,001 | 2,001 |
| Brian Maxwell Nash | 1,001 | 1,001 |
| Alan Leslie Price | 2,001 | 2,001 |

There was no movement in Directors shareholdings during the year. Each share held was issued at \$1.

Notes to the financial statements continued

| | 2007 \$ | 2006 \$ |
|--|------------------------|------------------------|
| Note 17: Earnings per share | | |
| (a) Profit attributable to the ordinary equity holders of the Company used in calculating earnings per share | 16,632 | (103,095) |
| | 2007 Number | 2006 Number |
| (b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 543,027 | 542,660 |

Note 18: Events occurring after the balance sheet date

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

Note 19: Contingent liabilities

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

Note 20: Segment reporting

The economic entity operates in the service sector where it facilitates community banking services pursuant to a franchise agreement with Bendigo Bank Limited. The economic entity operates in one geographic area being Rosewood and surrounding district, Queensland.

Note 21: Registered office/Principal place of business

The registered office and principal place of business is:

Registered office

30A John Street
Rosewood, QLD 4340

Principal place of business

30A John Street
Rosewood, QLD 4340

Notes to the financial statements continued

22. Financial Instruments

Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The Company does not have any unrecognised financial instruments at the year end.

Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest rate risk

| | | | Fixed interest rate maturing in | | | | | | | | | |
|-----------------------|------------------------|---------|---------------------------------|---------|-------------------|---------|--------------|---------|----------------------|---------|--|--------|
| Financial instrument | Floating interest rate | | 1 year or less | | Over 1 to 5 years | | Over 5 years | | Non interest bearing | | Weighted average effective interest rate | |
| | 2007 \$ | 2006 \$ | 2007 \$ | 2006 \$ | 2007 \$ | 2006 \$ | 2007 \$ | 2006 \$ | 2007 \$ | 2006 \$ | 2007 % | 2006 % |
| Financial assets | | | | | | | | | | | | |
| Cash | 31,227 | 21,518 | - | - | - | - | - | - | - | - | 0.05 | 0.05 |
| Cash management | - | 15,899 | - | - | - | - | - | - | - | - | N/A | 4.50 |
| Term deposit | - | - | 158,639 | 120,000 | - | - | - | - | - | - | 6.35 | 5.50 |
| Receivables | - | - | - | - | - | - | - | - | 8,981 | 8,066 | N/A | N/A |
| Financial liabilities | | | | | | | | | | | | |
| Payables | - | - | - | - | - | - | - | - | 4,829 | 7,911 | N/A | N/A |

Directors' declaration

In accordance with a resolution of the Directors of Rosewood & District Financial Services Limited, we state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (I) giving a true and fair view of the Company's financial position as at 30 June 2007 and of its performance for the financial year ended on that date; and
 - (II) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the Directors' report comply with Accounting Standard AASB174 Related Party Disclosures and the Corporations Regulations 2001.

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



Clyde Ian Nicoll
Chairman



Melissa Kay McGeary
Director

Signed on the 4th of September 2007.

Independent Auditor's report



INDEPENDENT AUDITOR'S REPORT

PO Box 454
Bendigo VIC 3552
61-65 Bull Street
Bendigo VIC 3550
Phone (03) 5443 0344
Fax (03) 5443 5304
afs@afsbendigo.com.au
www.afsbendigo.com.au
ABN 51 061 795 337

To the members of Rosewood & District Financial Services Limited.

We have audited the accompanying financial report of Rosewood & District Financial Services Limited 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 then ended, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration.

Directors Responsibility for the Financial Report

The Directors 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 designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial report so that 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.

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.

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 judgement, 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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Opinion

In our opinion, the financial report of Rosewood & District Financial Services Limited is in accordance with the Corporations Act 2001 including giving a true and fair view of the financial position of Rosewood & District Financial Services Limited as of 30 June 2007, and of its financial performance and its cash flows for the year then ended and Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

DAVID HUTCHINGS
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

Dated this 4th day of September 2007

BSX report

Share Information

In accordance with Bendigo Stock Exchange listing rules, the Company provides the following information as at 14 September 2007, which is within 6 weeks of this report being sent to shareholders.

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

| Number of Shares Held | Number of Shareholders |
|---------------------------|---------------------------|
| 1 to 1,000 | 138 |
| 1,001 to 5,000 | 80 |
| 5,001 to 10,000 | 11 |
| 10,001 to 100,000 | 3 |
| 100,001 and over | 0 |
| Total Shareholders | 232* |

*Note there are actually 233 shareholdings. One shareholder has been issued with 2 separate shareholdings. We have shown these 2 shareholdings as 1 in the Distribution list, therefore bringing the total to 232.

Each of the above shareholders is entitled to 1 vote, irrespective of the number of shares held.

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

There are 21 shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

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

BSX report continued

The following table shows the 11 largest shareholders.

| | Number of Shareholder | Percentage Shares of Capital |
|---|--------------------------|---------------------------------|
| 1. Simba (Qld) Pty Ltd (The Simmons Unit Trust) | 50000 | 9.21 |
| 2. The NJ & MJ Wood Superannuation Fund | 25000 | 4.60 |
| 3. Mr William Alfred Hall & Colleen Kathleen Hall | 15000 | 2.76 |
| 4. Mrs Alana Williams | 10000 | 1.84 |
| 5. Mr Philip John Williams | 10000 | 1.84 |
| 6. Mr Allan John Pickering | 10000 | 1.84 |
| 7. Mrs Lexie Tasha Pickering | 10000 | 1.84 |
| 8. Marburg Pacing Assoc. Inc | 10000 | 1.84 |
| 9. Miss Kelly Marie Maker | 10000 | 1.84 |
| 10. Crosby Constructions Pty Ltd | 10000 | 1.84 |
| 11. Mr Neville John Wood & Mrs Maureen Joy Wood | 10000 | 1.84 |
| Total largest shareholders | 170000 | 31.30 |
| Total number of shares on issue | 543160 | |

Note: We have shown 11 largest shareholders instead of 10 to include all shareholders with 10000 listed.

Registered Office and Principal Administrative Office

The registered office of
the Company is located at:

30A John Street
Rosewood, QLD 4340
Phone: 07 5464 2503

The principal administrative office of
the Company is located at:

30A John Street
Rosewood, QLD 4340
Phone: 07 5464 2503

Security Register

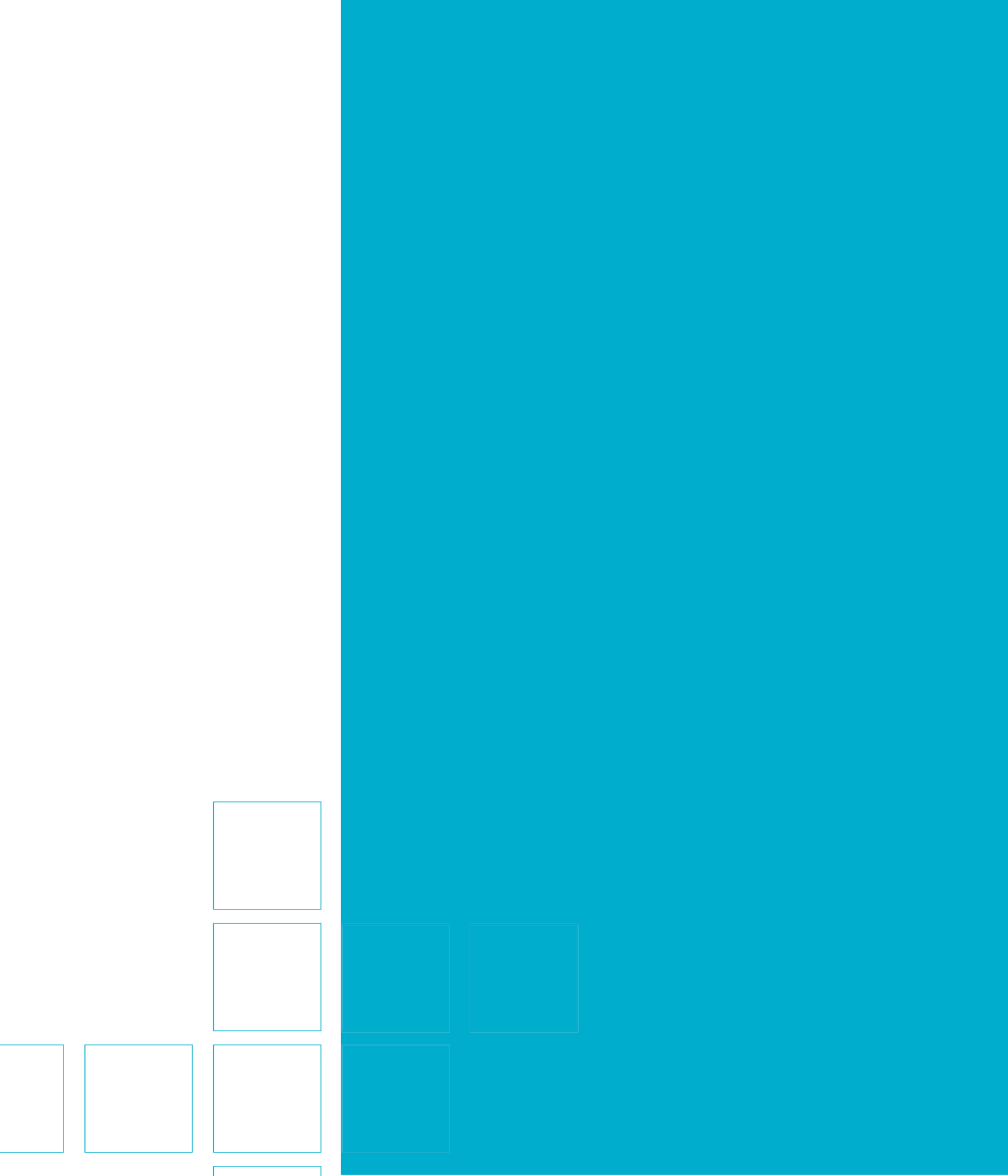
The security register (share register) is kept at:

Computer Share Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford, VIC 3067
Phone: 03 9415 4000

Other Information

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

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



Rosewood & District **Community Bank**[®] Branch
30A John St, Rosewood, QLD 4340
Phone: (07) 5464 2503 Fax: (07) 5464 2504

Franchisee: Rosewood & District Financial Services Ltd
30A John St, Rosewood, QLD 4340
ABN 62 115 218 472

www.bendigobank.com.au
Bendigo Bank Limited, The Bendigo Centre, Bendigo, VIC 3550
ABN 11 068 049 178. AFSL 237879 (KKQAR006) (09/06)