

Appendix 4D

Half year report Period ending 31 December 2010

1.	Name of Entity	The Rock Building Society Limited
	ABN	16 067 765 717
	Half Year Ended	31 December 2010
	Previous Corresponding Reporting Period	6 months to 31 December 2009

2. Results for Announcement to the Market.

Amounts expressed in \$A'000

	Result	% Increase (Decrease)	\$ Increase (Decrease)
Revenues from ordinary activities	43,260	14.4%	5,436
Profit from ordinary activities after tax attributable to members	2,202	16.0%	303
Net profit for the period attributable to members	2,202	16.0%	303

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend (30 June 2010) (Paid 30 September 2010)	9.0 cents	9.0 cents
Interim Dividend (31 December 2010)	6.0 cents	6.0 cents
Record date for determining entitlement to the dividends (if any)	7 March 2011	

3. Net tangible assets per security with comparative figure for the previous corresponding period.

NTA backing	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$2.07	\$1.98

4. The Rock Building Society Limited has not gained or lost control of any entity during the reporting period.

5.-6. Dividends.

Date the dividend is payable	4 April 2011
Record date to determine entitlement to dividend	7 March 2011
Amount per security	6.0 cents
Total dividend \$A'000	\$1,497
Amount per security of foreign sourced dividend or distribution	Nil
Details of any dividend reinvestment plans in operation	The Dividend Reinvestment Plan established on 26 February 2008 will apply to this dividend.
The last date for receipt of an election notice for participation in any dividend reinvestment plans	7 March 2011

7. Details of associates and joint venture entities.

	Country of Incorporation	% Owned	Contribution to Consolidated Operating Profit After Income Tax	
			31 Dec 2010 \$'000	31 Dec 2009 \$'000
Controlled Entities The Rockhampton Custodian & Management Company Pty Limited	Australia	100	-	-

8. The Rock Building Society Limited is not a foreign entity. Financial reports are prepared in accordance with the Corporations Act 2001, applicable Accounting Standards, Urgent Issues Group Consensus Views, and other authoritative pronouncements of the Australian Accounting Standards Board.

9. The accounts are not subject to audit dispute or qualification. This report is based on accounts that have been reviewed. A copy of the audit review follows.

The Rock Building Society Limited

Directors' Report

for the Half-Year Ended 31 December 2010

The Directors present their report on the consolidated entity consisting of The Rock Building Society Limited ("The Rock") and the entities it controlled at the end of, or during, the half-year ended 31 December 2010.

Directors

The names of persons who were Directors of The Rock at any time during the half-year and up to the date of this report are:

Name	Period of directorship
Stephen E. Lonie (Chairman), BCom CA MBA FFin FAICD FIMCA	Non-Executive Director since 2010.
Bradford V.R. Beasley, LL.B. (Hons)	Non-Executive Director since 1999.
Rod Davies FFin MAICD	Non-Executive Director since 2010.
Ross A. Illingworth, GAICD CFP BBus (HR)	Non-Executive Director since 2009.
Derek G. Lightfoot, BCom FCA FFin GAICD	Managing Director since 2007, resigned 22 October 2010.
Stuart McDonald, BCom MAppFin	Managing Director appointed 25 October 2010.

Review of Operations

The principal activity during the half-year continued to be the provision of banking services and products, specifically the raising of deposit funds and the provision of housing finance to customers within Australia.

The Rock generated a net profit after tax of \$2.2 million for the six month period ended 31 December 2010, which is an increase of 16% over the prior corresponding period, and in-line with previous guidance issued to the market on 2 December 2010.

Total assets of the consolidated entity as at 31 December 2010 stood at \$1,336,201,000. This figure includes \$598,565,000 of securitised loans. New loans totalling \$94,233,000 were advanced during the period.

Total equity was \$59,844,000 as at 31 December 2010.

Net profit after tax was impacted by two significant one off expenses totalling \$430,000 after tax, being costs associated with the recent regulatory enquiry which has concluded, together with costs associated with the resignation of the former Chief Executive Officer.

Highlights for the six month period to 31 December 2010 include:

- Earnings per share of 8.8 cents, up 2% on the prior corresponding period;
- Full repatriation of the \$4m Quartz CDO on 20 December 2010;
- Strong growth in retail deposits;
- Ongoing repayment of Reserve Bank of Australia funding lines, which will be fully repaid by 30 June 2011; and
- Ongoing restructuring of the Company's balance sheet, focusing on better matching the maturity profile of assets and liabilities and hence reducing earnings volatility arising from movements in interest rates.

The Board has declared a fully franked interim dividend for the half year of 6 cents per share. The record date to be entitled to the dividend will be 7 March 2011 and the dividend will be paid on 4 April 2011.

The Rock's Dividend Reinvestment Plan (DRP) will apply to the interim dividend. Shares will be issued at a discount of five per cent (5%) to the market price, with the market price being calculated as the arithmetic average, rounded to four decimal places, of the daily volume weighted average market price of all shares sold in the ordinary course of trading on the ASX automated trading system during the five (5) Trading Days immediately following the Record date. The last date for receipt of an election notice for participation in the DRP is also 7 March 2011.

**The Rock Building Society Limited
Directors' Report
for the Half-Year Ended 31 December 2010**

Auditor's Independence Declaration

A copy of the independence declaration by the auditor under section 307C of the Corporations Act 2001 is included on page 2.

Rounding of Amounts to the Nearest Thousand Dollars

The Rock satisfies the requirements of Class Order 98/0100 issued by the Australian Securities and Investments Commission relating to 'rounding off' of amounts in the Directors' Report and the half-year consolidated financial statements to the nearest thousand dollars. Amounts have been rounded off in the Directors' Report and the half-year consolidated financial statements in accordance with that Class Order.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

A handwritten signature in black ink, appearing to be 'S. E. Lonie', written over a horizontal line.

S. E. Lonie
Chairman

22 February 2011
Brisbane

DECLARATION OF INDEPENDENCE BY P A GALLAGHER TO THE DIRECTORS OF THE ROCK BUILDING SOCIETY LIMITED

As lead auditor for the review of the financial report of The Rock Building Society Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of The Rock Building Society Limited and the entities it controlled during the period.

BDO Audit (QLD) Pty Ltd



P A GALLAGHER

Director

Brisbane, 22 February 2011

The Rock Building Society Limited
Consolidated Statement of Comprehensive Income
for the Half-Year Ended 31 December 2010

	Notes	December 2010 \$'000	December 2009 \$'000
Interest income	2	39,514	33,577
Interest expense	2	(28,253)	(25,552)
Net interest income		11,261	8,025
Fees commissions and other income	3	3,746	4,247
Impairment losses on loans and advances		(31)	(44)
Personnel costs		(4,241)	(3,620)
Occupancy expenses		(368)	(370)
Depreciation and amortisation expense		(1,221)	(1,007)
Other expenses	4	(5,996)	(5,026)
Profit before income tax expense		3,150	2,205
Income tax expense		(948)	(306)
Net profit for the half-year		2,202	1,899
 Other comprehensive income, net of income tax			
Net changes in cash flow hedges		1,626	6,821
Income tax expense on items of other comprehensive income		(488)	(2,046)
Other comprehensive income, net of income tax		1,138	4,775
Total comprehensive income for the half-year		3,340	6,674
 Profit attributable to:			
Controlling interest		2,202	1,899
Non-controlling interest		-	-
Profit / (Loss) for the half-year		2,202	1,899
 Total Comprehensive income attributable to:			
Controlling interest		3,340	6,674
Non-controlling interest		-	-
Total Comprehensive Income for half-year		3,340	6,674
 Controlling interest			
		Cents	Cents
Basic earnings per share		8.8	8.6
Diluted earnings per share		8.8	8.6

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes

The Rock Building Society Limited
Consolidated Statement of Financial Position
as at 31 December 2010

	Notes	December 2010 \$'000	June 2010 \$'000
Assets			
Cash and cash equivalents		62,535	56,888
Trade and other receivables		3,635	4,103
Financial assets available for sale		11,053	25,339
Financial assets held-to-maturity		305,375	183,693
Loans and advances		937,521	938,480
Property, plant and equipment		5,897	5,954
Other assets		665	419
Deferred tax asset		1,220	1,692
Intangible assets		8,300	8,682
TOTAL ASSETS		1,336,201	1,225,250
Liabilities			
Deposits		688,287	572,095
Trade and other payables		6,866	10,439
Derivatives		1,693	3,320
Income tax payable		697	965
Deferred tax liability		1,186	1,092
Provisions		307	303
Borrowings		577,321	578,286
TOTAL LIABILITIES		1,276,357	1,166,500
NET ASSETS		59,844	58,750
Equity			
Issued capital	5	34,363	34,363
Retained earnings		24,343	24,387
Reserves		1,138	-
Controlling interest		59,844	58,750
Non-controlling interest		-	-
TOTAL EQUITY		59,844	58,750

The above Consolidated Statement of Financial Position should be read in conjunction
with the accompanying notes

The Rock Building Society Limited
Consolidated Statement of Changes in Equity
for the Half-Year Ended 31 December 2010

	Issued capital \$'000	Retained earnings \$'000	Asset Revaluation Reserve \$'000	Hedging Reserve \$'000	General Reserve for Credit Losses \$'000	Total \$'000
Balance at 30 June 2009	22,017	22,467	2,509	(7,881)	337	39,449
Total comprehensive income for the half-year						
Profit for the half-year	-	1,899	-	-	-	1,899
Other comprehensive income						
- Net changes in cash flow hedges, net of tax	-	-	-	4,775	-	4,775
Total comprehensive income for the half-year	-	1,899	-	4,775	-	6,674
Transactions with owners in their capacity as owners						
Shares issued	12,240	-	-	-	-	12,240
Capital raising costs	(275)	-	-	-	-	(275)
Dividends paid	-	(1,668)	-	-	-	(1,668)
Total transactions with owners in their capacity as owners	11,965	(1,668)	-	-	-	10,297
Balance at 31 December 2009	33,982	22,698	2,509	(3,106)	337	56,420
Total comprehensive income for the half-year						
Profit for the half-year	-	3,176	-	-	-	3,176
Other comprehensive income						
- Net changes on revaluation of land and buildings, net of tax	-	-	(523)	-	-	(523)
- Net changes in cash flow hedges, net of tax	-	-	-	783	-	783
Total comprehensive income for the half-year	-	3,176	(523)	783	-	3,436
Transactions with owners in their capacity as owners						
Shares issued	391	-	-	-	-	391
Capital raising costs	(10)	-	-	-	-	(10)
Dividends paid	-	(1,487)	-	-	-	(1,487)
Total transactions with owners in their capacity as owners	381	(1,487)	-	-	-	(1,106)
Balance at 30 June 2010	34,363	24,387	1,986	(2,323)	337	58,750
Total comprehensive income for the half-year						
Profit for the half-year	-	2,202	-	-	-	2,202
Other comprehensive income						
- Net changes in cash flow hedges, net of tax	-	-	-	1,138	-	1,138
Total comprehensive income for the half-year	-	2,202	-	1,138	-	3,340
Transactions with owners in their capacity as owners						
Dividends paid	-	(2,246)	-	-	-	(2,246)
Total transactions with owners in their capacity as owners	-	(2,246)	-	-	-	(2,246)
Balance at 31 December 2010	34,363	24,343	1,986	(1,185)	337	59,844

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

The Rock Building Society Limited
Consolidated Statement of Cash Flows
for the Half-Year Ended 31 December 2010

	December 2010 \$'000	December 2009 \$'000
Cash flows from operating activities		
Interest received - loans	29,897	28,600
New loans advanced	(94,233)	(80,811)
Principal collected from loans	95,498	128,413
Interest and bill discounts - investments	9,766	4,574
Net movement in investments	(107,046)	(7,456)
Fees and commissions received	3,772	4,249
Fees and commissions paid	(2,728)	(2,368)
Interest paid	(30,732)	(24,276)
Net movement in deposits	116,186	(35,799)
Payments for borrowings	(965)	(22,841)
Cash paid to suppliers and employees	(9,656)	(6,478)
Income tax paid	(1,137)	(1,477)
Other income	34	45
Net cash provided by (used in) operating activities	8,656	(15,625)
Cash flows from investing activities		
Purchase of software	(293)	(2,215)
Purchase of property, plant and equipment	(470)	(545)
Proceeds from sale of property, plant and equipment	-	-
Net cash used in investing activities	(763)	(2,760)
Cash flows from financing activities		
Dividends paid	(2,246)	(1,668)
Proceeds from share issue	-	11,966
Subordinated term debt issue	0	0
Net cash provided by (used in) financing activities	(2,246)	10,298
Net movement in cash	5,647	(8,087)
Cash at beginning of half-year	56,888	40,897
Cash at end of half-year	<u>62,535</u>	<u>32,810</u>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

The Rock Building Society Limited
Notes to the Consolidated Financial Statements
for the Half-Year Ended 31 December 2010

1 BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS

These general purpose financial statements for the half-year reporting period ended 31 December 2010 have been prepared in accordance with AASB 134 "Interim Financial Reporting" and the Corporations Act

These half-year consolidated financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year consolidated financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2010 and any public announcements made by The Rock Building Society Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in these half-year consolidated financial statements as compared with the most recent annual financial statements, except for the impact of the adoption of the new and revised accounting policies discussed below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations did not have any material financial impact on the amounts recognised in the half-year consolidated financial statements of the consolidated entity for the current or prior periods.

	December 2010 \$'000	December 2009 \$'000
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2 INTEREST REVENUE AND INTEREST EXPENSE

Interest Revenue

Deposits with other financial institutions	1,131	1,312
Investment securities	8,158	4,004
Loans and advances	30,225	28,261
TOTAL INTEREST REVENUE	39,514	33,577

Interest Expense

Retail deposits	10,917	5,764
Borrowings and subordinated term debt	16,108	14,016
Derivatives - net of interest received	1,228	5,772
TOTAL INTEREST EXPENSE	28,253	25,552

3 FEES COMMISSIONS AND OTHER INCOME

Loan fee income	531	856
Transaction fee income	2,173	2,391
Commissions	1,033	990
Income from property	8	8
Bad debts recovered	1	2
TOTAL FEES COMMISSIONS AND OTHER INCOME	3,746	4,247

The Rock Building Society Limited
Notes to the Consolidated Financial Statements
for the Half-Year Ended 31 December 2010

	December 2010 \$'000	December 2009 \$'000
4 OTHER EXPENSES		
Fees and commissions	2,728	2,368
Loss on disposal of property, plant and equipment	-	8
General administration	3,268	2,650
TOTAL OTHER EXPENSES	5,996	5,026

	December 2010 \$'000	June 2010 \$'000
5 ISSUED CAPITAL		
Balance at end of period	34,363	34,363
	34,363	34,363

	December 2010 No. 000	December 2009 No. 000
Number of Shares on Issue		
Ordinary Shares (fully paid)	24,957	24,804
Issue of Ordinary Shares during half year	-	5,190
	\$'000	\$'000
Issue of Ordinary Shares during half year	-	11,965

The Rock Building Society Limited
Notes to the Consolidated Financial Statements
for the Half-Year Ended 31 December 2010

	December 2010 \$'000	December 2009 \$'000
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6 DIVIDENDS

Ordinary Shares

Final dividend for year ended 30 June 2010 of 9.0 cents (2009 8.5 cents) per fully paid ordinary share paid on 30 September 2010 (02 October 2009).

Franked @ 30%	2,246	1,668
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Dividends not recognised at the end of the half-year

Subsequent to the reporting date, The Board declared an interim dividend of 6.0 cents per fully paid ordinary share (\$1,497,000) for the half-year ended 31 December 2010 payable on 4 April 2011. The interim dividend is fully franked at 30%. The financial effect of these dividends have not been brought to account in the interim consolidated financial statements for the half-year ended 31 December 2010.

7 REPORTING BY SEGMENTS

The Rock comprises one segment, this being the provision of banking services and products. This determination is based on the risks involved with the provision of these services and products and the consolidated entity's management reporting system.

8 SEASONALITY OF OPERATIONS

There are no significant seasonal impacts on the operations of the consolidated entity.

9 EVENTS SUBSEQUENT TO REPORTING DATE

Dividends

For dividends declared after 31 December 2010 see Note 6.

Other Matters or Circumstances

There were no other matters or circumstances that have arisen since the end of the financial half-year which have significantly affected or may significantly affect:

- (a) the operations of the consolidated entity;
- (b) the results of these operations; or
- (c) the state of affairs of the consolidated entity in subsequent financial periods.

10 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There have been no changes in contingent liabilities or contingent assets since the last annual reporting date, 30 June 2010.

11 ROUNDING OF AMOUNTS

The Rock satisfies the requirements of Class Order 98/0100 issued by the Australian Securities and Investments Commission relating to "rounding off" of amounts in the directors' report and the half-year consolidated financial statements to the nearest thousand dollars. Amounts have been rounded off in the Directors' Report and half-year financial statements in accordance with that Class Order.

The Rock Building Society Limited
Declaration by Directors
for the Half-Year Ended 31 December 2010

The Directors of The Rock Building Society Limited declare that:

1. The consolidated half-year financial statements, comprising the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and accompanying notes, are in accordance with the Corporations Act 2001, and:

(a) Comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

(b) Give a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date.

2. 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 and is signed for and on behalf of the Directors by:



S.E. Lonie
Chairman

22 February 2011
Brisbane

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of the Rock Building Society Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of The Rock Building Society Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of The Rock Building Society Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of The Rock Building Society Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of The Rock Building Society Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (QLD) Pty Ltd



Paul Gallagher
Director

Brisbane, 22 February 2011