Roleystone-Karragullen
Financial Services Limited
ABN 66 121 609 390

2008 annualreport

Contents

Chairperson's report

For year ending 30 June 2008

Roleystone-Karragullen Financial Services Limited

July 2007-June 2008

At the end of the reporting period referred to in this report, the Roleystone-Karragullen **Community Bank®** Branch had been open for business for 14 months. We celebrated our first birthday in the knowledge that our business has continued to grow steadily. The efficient and friendly service of our staff is often remarked upon and we thank them most sincerely: Branch Manager Mark Maunder, Customer Service Manager Natasha Kirkwood and Customer Service Officers Amanda Bradford, Jan Armstrong and Nicky Dalbeth.

As part of our commitment to returning funds to the community, we have embarked on a sustained program of support. In our first 12 months of operation we were pleased to sponsor:

- Roleystone District High School
- Roleystone Tee-Ball Club
- Roleystone Volunteer Fire Brigade Inc.
- Roleystone Football Club
- Roleystone Karragullen Cricket Club
- Roleystone Gumnut Play Group Inc.
- Roleystone Neighbourhood Family Centre Inc.
- Roleystone Gymnastics Club Inc.
- Roleystone Karate
- Araluen Botanic Park Foundation Inc.
- Roleybushcare

The activities supported varied from a new letter box, membership registration fees, to an electronic photo album.

Our Directors were also delighted to support the community in other ways, by combining with the bank staff and volunteering our time to man the hot food stall at the Combined Schools' Fair. They also manned a stall at the Karragullen Expo.

We have continued a policy of supporting local business whenever possible, and are proud to use both of the local magazines for our advertising. They in turn have supported us well in printing our news and enabling us to maintain a copious flow of information to our public and shareholders.

The Board of Directors has continued to work through the procedures and requirements of good governance in order to prudently manage the Company. They are all volunteers and during the January break, took time out to reflect on the first eight months of operation and put forward a business plan for the next 12 months. We decided to appoint a minute Secretary to assist with the meeting preparation workload and other professional services.

Chairperson's report continued

Several Directors chose not to continue on the Board in 2008 and we farewelled Fiona Newland, Wally Calway, Buff Smith and Ken Gibbons. Our sincere thanks went with them for the work they gave to the successful establishment of the **Community Bank®** branch.

We also successfully completed the formalities to register with the Low Volume Market for the purpose of trading shares. This has allowed us to make considerable cost savings in this area while at the same time provide a simple method for the trading of shares.

We were heartened by the continuing increase in the number of shareholders who are transferring their business to their branch.

The Board's immediate goals are to continue to provide every assistance to our Branch Manager, Mark Maunder, and to raise the level of business for the branch to reach profit. Our ultimate aims remain: providing a return on your investment and generating funds to grow our community.

In conclusion, I would like to offer my heartfelt thanks to the Board of Directors: Chris Johnston (Company Secretary), Rob Fidock (Vice Chairman), Tom Stokes (Treasurer), and Jack Dowling, John Roberts, Liz Dunn and Pamela Edwards.

Anne Johnston

Chairperson

Manager's report

For year ending 30 June 2008

I am pleased to be able to present the Manager's Report for year ended June 2008 for the Roleystone-Karragullen **Community Bank®** Branch of Bendigo Bank.

Since the Roleystone-Karragullen **Community Bank®** Branch opened on 2 April 2007 we have seen good solid growth with a total business portfolio as at 30 June 2008 of $13,376,000. This comprises a split of $8,229,000 for deposits and $5,147,000 for lending. This means we have grown by $8,985,784 during the financial year representing 607 new accounts over the 12 months. We have an additional $6,900,000 in business waiting to go onto our book in early July 2008. This will give us a good platform for continued growth and development for the next financial year.

This continued growth of our enterprise would not have been achieved without the excellent work put in by the branch team and I would like to acknowledge the support of Natasha, Jan, Amanda and Nicky and their continued commitment to the ongoing success of our **Community Bank®** branch.

I want to express my appreciation to the members of the Board and in particular thank our Chairperson Anne Johnston whose support and guidance has been invaluable. I would like to acknowledge the professional support given by the individual staff employed by our business partners Bendigo and Adelaide Bank. These people have contributed in significant ways to the growth and development of our business.

From a personal perspective it has been very exciting to see our **Community Bank®** branch being able to give out 10 community grants in the first year of operation. This is a very important part of our ethos and commitment to the local community.

In conclusion I would like to thank all of our shareholders and those members of the Roleystone-Karragullen community who have supported us to date by bringing across their banking business. This has given the Roleystone-Karragullen **Community Bank®** Branch a solid foundation on which to build and develop for the future.

Mark Maunder

Branch Manager

Directors' report

For year ending 30 June 2008

Your Directors present their report on the Company for the year ended 30 June 2008.

Directors

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

Anne Rosemary Johnston B.Ed (Distinction), THC.
Chairperson
Company Director and Office Manager,
Book keeper Collegium Musicum Choir, Committee member Collegium Symphonic Chorus, Alto Coach Carradine Choir. Local resident 26 years.
2,501 shares

Christopher Graham Johnston B Eng (Distinction).
Non-Executive Director
Project Manager
Project Manager & Director of Project Management Consulting firm. Local resident 26 years.

2,501 shares

Thomas Alexander Stokes CPA
Non-Executive Director
Accountant CPA/financial planner

Own business 12 years. Accountant in commerce 24 years. Previous member of school boards 5 years. Local resident 31 years.

1,001 shares

Robin Wayne Fidock JP
Non-Executive Director
Managing Director of local real estate and settlement agency
Managing Director local real estate and settlement agency 11 years. Farmer, small business Real Estate and Tourism. Service on numerous boards and committees. Vice President Araluen Botanic Park foundation. Local resident 17 years.
10,001 shares

John Tate Roberts
Non-Executive Director
Tennis Coach
Management/Ownership small – medium businesses. Management consultancy. Post graduate study Law and Accounting. Local resident 4 years, property owner 14 years.
1,001 shares

John (Jack) Herbert Dowling
Non-Executive Director
Asset Management Coordinator
Tertiary Qualifications in Sc., Inf. Systems and Bus. Extensive experience in the public sector, and local, state and national committees of volunteer organisations. Local resident 28 years.
15,001 shares

Fiona Estelle Newland (Resigned)
Non-Executive Director
Administration Officer

Walter Reeve Calway (Resigned)
Non-Executive Director
Retired Company Director
Experienced in small business management, manufacturing and marketing.
5,001 shares

Directors' report continued

Clere (Buff) Bridgman Smith (Resigned)
Non-Executive Director
Retired
Retired Experience as Prison officer, farmer, small business owner. Local resident 5 years.
501 shares

Kenneth John Gibbons (Resigned)
Non-Executive Director
Liquor store proprietor
Proprietor/operator small business, Liquor store proprietor. Tertiary Qualification Applied Science (Biology). Experience in cinema operation, Company Director, Event Coordinator Movies by Burswood. Extensive experience in volunteer organisations.
3,001 shares

Company Secretary

Christopher Graham Johnston

Directors meetings attended

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

Names of Directors	**Directors' meetings**	
	Number eligible to attend	**Number attended**
Anne Rosemary Johnston	11	10
Christopher Graham Johnston	11	11
Thomas Alexander Stokes	11	10
Robin Wayne Fidock	11	9
Fiona Estelle Newland	6	6
John (Jack) Herbert Dowling	11	9
John Tate Roberts	11	9
Walter Reeve Calway	7	5
Clere (Buff) Bridgman Smith	6	4
Kenneth John Gibbons	7	3

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 loss of the Company after providing for income tax amounted to $292,097.

Dividends paid or recommended

The Company did not pay or declare any dividends during the year.

Directors' report continued

Financial position

The net assets of the Company at year end were $102,978 which is a decline on prior year due to the losses incurred by the Company.

The Directors believe the Company is heading towards a stable financial position.

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.

Remuneration report

This report details the nature and amount of remuneration for each key management person of the Company, and for the Executives receiving the highest remuneration.

Remuneration of Directors or Executives

No income was paid or was payable or otherwise made available, to the Directors or Executives of the Company during the years ended 30 June 2008 and 30 June 2007.

Remuneration policy

The remuneration policy of the Company has been designed to align key management personnel 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 key management personnel to run and manage the Company, as well as create goal congruence between Directors, Executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Company is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), and superannuation.

- The Board reviews key management personnel packages annually by reference to the Company's performance, Executive performance and comparable information from industry sectors.

The performance of key management personnel 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 key management personnel 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 key management personnel is valued at the cost to the Company and expensed.

Performance-based remuneration

As part of each key management personnel'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 key management personnel with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the areas each key management personnel is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for Company expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the Company and respective industry standards.

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

In determining whether or not a KPI has been achieved, the Company bases the assessment on audited figures.

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.

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.

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.

Corporate governance

The Company has implemented various corporate governance practices, which include:

a) Director approval of operating budgets and monitoring of progress against these budgets;

b) Ongoing Director training; and

c) Monthly Director meetings to discuss performance and strategic plans

The Company has not appointed a separate audit committee due to the size and nature of operations. The normal functions and responsibilities of an audit committee have been assumed by the Board.

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 2008:

Taxation services:	$6,700

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 29th day of October 2008

RSM Bird Cameron Partners
Chartered Accountants

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Roleystone-Karragullen Financial Services Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners.

RSM BIRD CAMERON PARTNERS
Chartered Accountants

D J WALL
Partner

Perth, WA
Dated: 29 October 2008

Liability 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.

Quality System
Quality Endorsed Company

Financial statements

Income statement
For year ending 30 June 2008

	Note	2008 $	2007 $
Revenue	2	130,097	15,724
Employee benefits expense		(218,399)	(75,083)
Depreciation and amortisation expense		(48,220)	(18,332)
Finance costs		(700)	(319)
Other expenses	3	(154,875)	(185,765)
Loss before income tax		(292,097)	(263,775)
Income tax expense	4	-	-
Loss attributable to members		**(292,097)**	**(263,775)**
Overall operations			
Basic loss per share (cents per share)		(44.36)	(40.37)
Diluted loss per share (cents per share)		(44.36)	(40.37)

The accompanying notes form part of these financial statements.

Balance sheet
As at 30 June 2008

	Note	2008 $	2007 $
Current assets			
Cash and cash equivalents	5	1,000	172,274
Trade and other receivables	6	2,960	909
Other current assets	7	20,872	47,432
Total current assets		**24,832**	**220,615**
Non-current assets			
Property, plant and equipment	8	175,397	194,677
Intangible assets	9	7,244	9,244
Other non-current assets	7	5,244	7,244
Total non-current assets		**187,885**	**211,165**
Total assets		**212,717**	**431,780**
Current liabilities			
Trade and other payables	10	20,766	38,300
Financial liability	11	61,032	-
Short-term provisions	12	4,504	3,905
Total current liabilities		**86,302**	**42,205**
Non-current liabilities			
Financial liability	11	23,437	-
Total non-current liabilities		**23,437**	**-**
Total liabilities		**109,739**	**42,205**
Net assets		**102,978**	**389,575**
Equity			
Issued capital	13	658,850	653,350
Accumulated losses		(555,872)	(263,775)
Total equity		**102,978**	**389,575**

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows
As at 30 June 2008

	Note	2008 $	2007 $
Cash flows from operating activities			
Receipts from customers		126,178	8,524
Payments to suppliers and employees		(361,649)	(273,318)
Interest received		1,868	6,290
Borrowing costs paid		(700)	(319)
Net cash used in operating activities	**14(a)**	**(234,303)**	**(258,823)**
Cash flows from investing activities			
Payments for plant and equipment		(26,940)	(212,253)
Payments for franchise fees		-	(10,000)
Net cash used in investing activities		**(26,940)**	**(222,253)**
Cash flows from financing activities			
Repayment of borrowings		(1,094)	-
Proceeds from borrowings		30,060	-
Issue of shares		5,500	653,350
Net cash provided by in financing activities		**34,466**	**653,350**
Net increase/(decrease) in cash held		**(226,777)**	**172,274**
Cash held at the beginning of the financial year		**172,274**	**-**
Cash held at the end of the financial year	**5**	**(54,503)**	**172,274**

The accompanying notes form part of these financial statements.

Statement of changes in equity
As at 30 June 2008

	Share capital (Ordinary shares)	Accumulated losses	Total
Balance at 1 July 2006	-	-	-
Shares issued	653,350	-	653,350
Profit attributable to the members of the Company	-	(263,775)	(263,775)
Balance at 30 June 2007	**653,350**	**(263,775)**	**389,575**
Balance at 1 July 2007	653,350	(263,775)	(389,575)
Shares issued	5,500	-	5,500
Profit attributable to the members of the Company	-	(292,097)	(292,097)
Balance at 30 June 2008	**658,850**	**(555,872)**	**102,978**

The accompanying notes form part of these financial statements.

Notes to the financial statements

Note 1. Statement of significant accounting policies

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

i) The Company is budgeting to return a profit within the next 2 to 5 years; and

ii) Bendigo Bank has confirmed that it will support the Company such that it will be in a position to meet its financial obligations for the 2008/2009 financial year. The provision of additional funding by Bendigo Bank will be dependent upon the Company fulfilling its ongoing responsibilities under the Franchise Agreement and continuing to work closely with Bendigo Bank management to further develop the business.

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

The financial report is a general purpose financial report that has been prepared in accordance with 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 Roleystone-Karragullen Financial Services Limited as an individual entity. Roleystone-Karragullen Financial Services Limited is a public Company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board (AASB) has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

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

(a) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Note 1. Summary of significant accounting policies (continued)

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. 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 assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(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

Plant and equipment are measured on the cost basis.

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.

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.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Depreciation

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

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

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20%

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

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

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

(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 Company 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 and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade date

Note 1. Summary of significant accounting policies (continued)

accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and subsequent measurement

i. Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. 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 subsequently measured at amortised cost using the effective interest rate method.

iii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

Note 1. Summary of significant accounting policies (continued)

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

The Company does not hold any derivative instruments.

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 un securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

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

Financial guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the Company gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The Company has not issued any financial guarantees.

Note 1. Summary 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 and other income

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 the financial statements continued

Note 1. Summary 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.

(n) 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 Company.

Key estimates — Impairment

The Company 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 2008. 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 2008 amounting to $53,834.

(o) Authorisation for financial report

The financial report was authorised for issue on 24 September 2008 by the Board of Directors.

	2008 $	2007 $

Note 2. Revenue

	2008 $	2007 $
Franchise margin income	128,229	8,975
Interest revenue	1,868	6,749
	130,097	**15,724**

Note 3. Expenses

	2008 $	2007 $
ATM leasing and running costs	7,920	1,189
Community sponsorship and donations	43	1,013
Freight and postage	15,805	2,366
Insurance	13,434	4,181
IT leasing and running costs	29,270	5,247
Legal costs	290	2,227
Occupancy running costs	12,285	5,216
Preliminary costs	-	38,133
Printing and stationary	10,804	7,547
Rental on operating lease	30,805	1,339
Repairs and maintenance	1,061	492
Start-up costs	-	100,000
Other operating expenses	33,158	16,815
	154,875	**185,765**

Remuneration of the Auditors of the Company

	2008 $	2007 $
Audit services	3,943	3,000
Other Services	6,700	
	10,643	**3,000**

Note 4. Income tax expense

	2008 $	2007 $
a) The components of tax expense comprise:		
Current tax	-	-
Deferred tax (Note 21)	-	-
	-	**-**
b) The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit before income tax at 30% (2007: 30%)	(87,629)	(79,133)
Add:		
Tax effect of:		
deferred tax assets not bought to account	93,669	39,685
non-deductible depreciation and amortisation	600	227
other non-allowable items	1,662	41,440
Less:		
Tax effect of:		
æ other allowable items	(8,302)	(2,219)
Income tax attributable to the Company	**-**	**-**

At balance date, the Company had tax losses of $444,513 (2007: $132,282) which are available to offset future years' taxable income.

The future income tax benefit of these tax losses is $133,354 (2007: $39,685). This benefit has not been recognised as an asset in the statement of financial position as there is not a high probability of its realisation. 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 the financial statements continued

	2008 $	2007 $

Note 5. Cash and cash equivalents

	2008 $	2007 $
Cash at bank and in hand	1,000	172,274
Reconciliation of cash		
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:		
Cash and cash equivalents	1,000	172,274
Bank overdrafts	(55,503)	-
	(54,503)	**172,274**

Note 6. Trade and other receivables

	2008 $	2007 $
Trade debtors	2,960	451
Accrued Income	-	458
	2,960	**909**

Note 7. Other assets

	2008 $	2007 $
Current		
Prepayments	9,762	5,582
GST Receivable	8,186	38,926
TFN Withholding	2,924	2,924
	20,872	**47,432**
Non current		
Prepayments	**5,244**	**7,244**

Notes to the financial statements continued

	2008 $	2007 $

Note 8. Property, plant and equipment

Plant and equipment		
Cost	239,192	212,253
Accumulated depreciation	(63,795)	(17,576)
	175,397	**194,677**
Movement in carrying amount		
Balance at the beginning of the year	194,677	-
Additions	26,941	212,253
Depreciation expense	(46,221)	(17,576)
Carrying amount at the end of the year	**175,397**	**194,677**

Note 9. Intangible assets

Franchise fee		
Cost	10,000	10,000
Accumulated amortisation	(2,756)	(756))
	7,244	**9,244**

Pursuant to a five year franchise agreement with Bendigo Bank, the Company operates a branch of Bendigo Bank, providing a core range of banking products and services.

Note 10. Trade and other payables

Trade creditors and accruals	**20,766**	**38,300**

	2008 $	2007 $

Note 11. Financial liabilities

	2008 $	2007 $
Current		
Bank overdraft	55,503	-
Chattel mortgage	5,529	-
	61,032	**-**
Non current		
Chattel mortgage	23,437	-

Security:

The bank overdraft and mortgage loan are secured by a floating charge over the Company's assets.

Note 12. Provisions

	2008 $	2007 $
Current		
Provision for employee entitlements	4,504	3,905
Number of employees at year end	4	4

Note 13. Equity

	2008 $	2007 $
658,850 (2007: 653,350) fully paid ordinary shares	**658,850**	**653,350**

Note 14. Cash flow information

a) Reconciliation of cash flow from operations with profit after tax

	2008 $	2007 $
Profit after tax	125,867	83,295
Depreciation and amortisation	21,927	26,849
Movement in assets and liabilities		
Receivables	(2,051)	(909)
Other assets	28,560	(54,676)
Payables	(17,534)	38,300
Provisions	599	3,905
Net cash used in operating Activities	**(234,303)**	**(258,823)**

Note 14. Cashflow information (continued)

b) Credit standby arrangement and loan facilities

The Company has a bank overdraft facility amounting to $165,000 (2007: $0). This may be terminated at any time at the option of the bank. At 30 June 2008, $55,503 of this facility was used (2007 $0). Interest rates are variable.

Note 15. Related party transactions

The related parties have not entered into a transaction with the Company during the financial years ended 30 June 2008 and 30 June 2007.

	2008 $	**2007 $**

Note 16. Leasing commitments

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

Payable		
Not longer than 1 year	3,354	3,354
Longer than 1 year but not longer than 5 years	8,725	12,079
	12,079	**15,433**

Note 17. Financial instruments

a. Financial risk management

The Company's financial instruments consist mainly of deposits with banks, local money market i nstruments, short-term investments, accounts receivable and payable, loans, bills and leases.

The Directors' overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The main purpose of non-derivative financial instruments is to raise finance for Company operations.

The Company does not have any derivative instruments at 30 June 2008.

b. Financial risk exposures and management

The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

i. Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt.

Note 17. Financial Instruments (continued)

ii. Foreign currency risk

The Company is not exposed to fluctuations in foreign currencies.

Iii. Liquidity risk

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

iv. 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 impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

There are no material amounts of collateral held as security at 30 June 2008.

The Company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Company.

Credit risk is managed reviewed regularly by the Board of Directors. It arises from exposures to customers as well as through deposits with financial institutions.

The Board of Directors monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the Company's strict credit policies may only purchase in cash or using recognised credit cards.

The trade receivables balances at 30 June 2008 and 30 June 2007 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

v. Price risk

The Company is not exposed to any material commodity price risk.

c. Financial Instrument Composition and Maturity analysis

The table overleaf reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

Note 17. Financial instruments (continued)

2008						
		Variable	**Fixed**			
	Weighted average effective interest rate	Floating interest rate	Within 1 year	Within 1 to 5 years	Non interest bearing	Total
Financial assets						
Cash and cash equivalents	0.35%	1,000	-	-	-	1,000
Loans and receivables		-	-	-	2,960	2,960
Total financial assets		**1,000**	**-**	**-**	**2,960**	**3,960**
Financial liability						
Bank overdraft secured	6.00%	55,503	-	-	-	55,503
Trade and other payables		-	-	-	20,766	20,766
Lease liabilities	9.04%	-	5,529	23,436	-	28,965
Total financial liabilities		**55,503**	**5,529**	**23,436**	**20,766**	**105,234**

Note 17. Financial instruments (continued)

2007						
		Variable	**Fixed**			
	Weighted average effective interest rate	Floating interest rate	Within 1 year	Within 1 to 5 years	Non interest bearing	Total
Financial assets						
Cash and cash equivalents	3.00%	172,274	-	-	-	172,274
Loans and receivables		-	-	-	909	909
Total financial assets		**172,274**	**-**	**-**	**909**	**173,183**
Financial liability						
Bank loan secured	7.9%	-	22,197	18,707	-	40,904
Trade and other payables		-	-	-	38,300	38,300
Total financial liabilities		**-**	**-**	**-**	**38,300**	**38,300**

	2008 $	2007 $
Trade and sundry payables are expected to be paid as followed:		
Less than 6 months	20,766	38,300

d. Net fair values

The net fair values of investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the Company intends to hold these assets to maturity.

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

Fair values are materially in line with carrying values.

Note 17. Financial instruments (continued)

e. Sensitivity analysis

i. Interest rate risk

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

ii. Interest rate sensitivity analysis

At 30 June 2008, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

2008					
		-2 %	+ 2%		
	Carrying amount $	Profit $	Equity $	Profit $	Equity $
Financial assets					
Cash and cash equivalents	1,000	(20)	(20)	20	20
Financial liabilities					
Bank overdraft secured	55,503	1,100	1,100	(1,100)	(1,100)

2007					
		-2 %	+ 2%		
	Carrying Amount $	Profit $	Equity $	Profit $	Equity $
Financial assets					
Cash and cash equivalents	172,274	(3,445)	(3,445)	3,445	3,445

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged. The Company has no exposure to fluctuations in foreign currency.

Note 18. Segment reporting

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

Note 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.

Note 20. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets at the reporting date.

Note 21. Tax

	2008 $	2007 $
Reconciliations		
i. Deferred tax assets Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 4(b) occur:		
Provisions	1,351	1,172
Tax losses: operating losses	133,354	39,685
	134,705	**40,857**

Note 22. Key management personnel compensation

a)Names and positions

Name	Position
Anne Rosemary Johnston	Chairperson
Christopher Graham Johnston	Company Secretary
Thomas Alexander Stokes	Treasurer
Robin Wayne Fidock	Non-Executive Director
John Tate Roberts	Non-Executive Director
John (Jack) Herbert Dowling	Non-Executive Director

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' report.

b) Options provided as remuneration and shares issued on exercise of such options

No options were provided as remuneration or shares issued on exercise of options.

c) Option holdings

No options over ordinary shares in the Company are held by any Director of the Company or other key management personnel, including their personally related parties.

Note 22. Key management personnel compensation (continued)

d) Shareholdings

Number of ordinary shares held by key management personnel.

2008				
	Ordinary Shares			
Directors	**Balance at beginning of period**	**Purchased during the period**	**Other changes**	**Balance at end of period**
Anne Rosemary Johnston	2,501	-	-	2,501
Christopher Graham Johnston	2,501	-	-	2,501
Thomas Alexander Stokes	1,001	-	-	1,001
Robin Wayne Fidock	10,001	-	-	10,001
John Tate Roberts	1,001	-	-	1,001
John (Jack) Herbert Dowling	15,001	-	-	15,001
	32,006	**-**	**-**	**32,006**

Note 23. 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 2007–3 Amendments to Australian Accounting Standards	AASB 5	Non-current Assets Held for Sale and Discontinued Operations	The disclosure requirements of AASB 114: Segment Reporting have been replaced due to the issuing of AASB 8: Operating Segments in February 2007. These amendments will involve changes to segment reporting disclosures within the financial report. However, it is anticipated there will be no direct impact on recognition and measurement criteria amounts included in the financial report	1.1.2009	1.7.2009
	AASB 6	Exploration for and Evaluation of Mineral			
	AASB 102	Inventories			
	AASB 107	Cash Flow Statements			
	AASB 119	Employee Benefits			
	AASB 127	Consolidated and Separate Financial Statements			
	AASB 134	Interim Financial Reporting			
	AASB 136	Impairment of Assets			
	AASB 1023	General Insurance Contracts			
	AASB 1038	Life Insurance Contracts			
AASB 8 Operating Segments	AASB 114	Segment Reporting	As above	1.1.2009	1.7.2009

Note 23. Changes in accounting policy (continued)

AASB 2007–6 Amendments to Australian Accounting Standards	AASB 1	First time adoption of AIFRS	The revised AASB 123: Borrowing Costs issued in June 2007 has removed the option to expense all borrowing costs. This amendment will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. However, there will be no direct impact to the amounts included in the financial group as they already capitalise borrowing costs related to qualifying assets.	1.1.2009	1.7.2009
	AASB 101	Presentation of Financial Statements			
	AASB 107	Cash Flow Statements			
	AASB 111	Construction Contracts			
	AASB 116	Property, Plant and Equipment			
	AASB 138	Intangible Assets			
AASB 123 Borrowing Costs	AASB 123	Borrowing Costs	As above	1.1.2009	1.7.2009
AASB 2007–8 Amendments to Australian Accounting Standards	AASB 101	Presentation of Financial Statements	The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income.	1.1.2009	1.7.2009
AASB 101	AASB 101	Presentation of Financial Statements	As above	1.1.2009	1.7.2009

Note 24. Company details

The registered office and principal place of business of the Company is:

10 Wygonda Road
Roleystone WA 6111

Director’s declaration

The Directors of the Company declare that:

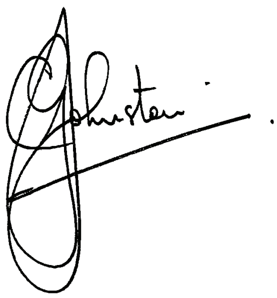
1. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 and:

   a. comply with Accounting Standard and the Corporations Regulations 2001; and

   b. give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the Company

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.



Director

Dated this 29th day of October 2008

Independent audit report

RSM! Bird Cameron Partners
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

ROLEYSTONE-KARRAGULLEN FINANCIAL SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Roleystone-Karragullen Financial Services Limited ("the company"), which comprises the balance sheet as at 30 June 2008 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, other explanatory notes and the directors' declaration.

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, that compliance with the Australian Accounting Standards ensures that the financial statements and notes, comply with International Financial Reporting Standards.

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.

Independent audit report continued

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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion on the Financial Report

a. the financial report of Roleystone-Karragullen 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 2008 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 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 8 of the directors' report for the financial period ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Roleystone-Karragullen Financial Services Limited for the financial period ended 30 June 2008 complies with section 300A of the Corporations Act 2001

RSM BIRD CAMERON PARTNERS
Chartered Accountants

Perth, Western Australia
Date: 29 Ocotober 2008

David Wall
Partner

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