Roleystone-Karragullen **Community Bank®** Branch

2012

annual report

Roleystone-Karragullen
Financial Services Limited

ABN 66 121 609 390

Contents

Chairman's report

For year ending 30 June 2012

Thanks to the support of the **Community Bank®** customers and shareholders Australia–wide, the network has returned more than $80 million to support and strengthen local communities.

Our **Community Bank®** branch has played a key role in this milestone, returning more than $200,000 to our local community.

These community grants and sponsorships have made a significant difference to a number of local organizations, including, Roleystone Bowls Club, Dale Athletics, Karragullen Expo, Kelmscott Soccer Club, Roleystone Tennis Club, Roleystone Scouts, City of Armadale, Seniors Week, Girls on the Porch, Roleystone Gumnut Group, Dale Cottages, Roleystone Men's Shed, Armadale Trades College, Roleystone Community Garden, Roleystone Theatre, Dale Hockey Club, Hills Orchard Group, Roleystone Family Centre, The Kelmscott Show and Armadale Film Festival. We look forward to continuing our support for the community as more people bank with us and we become more successful.

We continue to work hard and grow the business so we can reward the support of our local shareholders by paying them a dividend.

Interest rate movement

Our **Community Bank®** company and our partner, Bendigo and Adelaide Bank, encourage transparency when setting interest rates and fees.

We believe it is our shared responsibility to ensure customers understand the environment banks operate in, so they can make educated calls on whom they choose to bank with.

Our **Community Bank®** branch is committed to appropriately adjusting its interest rates (be it up or down) to ensure a fair balance is achieved between stakeholders-borrowers-depositors, shareholders, staff and the communities we partner with.

Cost of funding

There is no doubt that all banks face higher funding costs, following changes in the economic environment triggered by the GFC. We support our partner Bendigo and Adelaide bank in its decision-making and believe it is committed to striking a fair balance between all key stakeholders-borrowers-depositors, shareholders staff and the wider community when it sets interest rates.

Ratings upgrade

In December 2011, Bendigo and Adelaide Bank joined Australia's A-rated banks following an upgrade announced by Standard and Poor's (S&P). S&P's decision means the Bank, including its **Community Bank®** partners, is now rated 'A' by all three of the world's leading credit rating agencies.

Restoring the balance update

Funding for all banks is expensive and likely to remain so. As a result, margins have been eroded across the industry. Credit growth is sluggish at best and subsequently, the profitability of all banks remains under pressure.

Not surprisingly, these factors continue to place pressure on our **Community Bank®** company's margin share with our franchise partner Bendigo and Adelaide Bank. We still share margin (in part based on fixed trails) but this is continuing to reflect a skew in margin share between the Bank and its **Community Bank®** partners.

Chairman's report (continued)

We have been working together to take action to reduce this imbalance (which is in favour of the **Community Bank®** partners) and see the share revenue on core banking products closely aligned to the key principal of 50/50 revenue share. Recent market developments are challenging this goal, however we remain committed to addressing this with our partner.

Government Guarantee.

In September 2011, the Federal Government announced changes to its Financial Claims Scheme (FCS) also known as the "government guarantee", lowering it from $1 million to $250,000 effective from 1 February 2012.

All **Community Bank®** branches operate under Bendigo and Adelaide Bank's banking licence and as such, all deposits held with a **Community Bank®** branch are guaranteed by the Federal Government and supported by capital supplied by their franchise partner, Bendigo and Adelaide Bank. Lowering the cap reflects the strength of Australian banks, including Bendigo and Adelaide Bank, and the combination of healthy, profitable banks and strong prudential regulation is the best guarantee our customers have that their money is safe at Roleystone-Karragullen **Community Bank®** Branch.

At this point all that remains is for me to issue a big thank you to our shareholders, account holders, Branch Manager, staff and not least the **Community Bank®** company's Board of Directors for their continued support and hard work over the past year.

Roy Hamilton
Chairman

Manager's report

For year ending 30 June 2012

The last financial year has produced a positive result for Roleystone-Karragullen **Community Bank®** Branch. Thanks to the continued support of those shareholders and customers who have availed themselves of our services, the business has shown good growth which has reflected in a small profit being achieved this financial year.

Funds under management, as at 30 June 2012, reached $65.58 million, which is an increase of $15.98 million from the previous year. To the branch's credit, we have a minimum of $9.5 million of assets / liabilities which will settle during the July-September quarter.

Special thanks go to staff members Shelley, Debbie, Wendy and Tania, and also to the Board members who have supported the branch efforts all the way.

Although it is a good result on the previous year, despite a competitive financial environment, we cannot rest on our laurels.

We again urge our shareholders, customers and the local community to continue to support our unique **Community Bank®** branch.

To those shareholders and local community residents who do no business, or only a portion of their business with our bank, please avail yourselves of our lending and deposit products, or at least give us the opportunity to tender for your business.

In doing so, this will only increase the strength of the Roleystone-Karragullen **Community Bank®** Branch which in turn will flow onto the shareholders, customers and the community in general.

Tony Jacobs
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2012

Thanks to your support as shareholders the **Community Bank®** network has achieved a significant milestone this year, contributing more than $80 million to support the communities these unique companies operate within.

This figure was almost unimaginable when the **Community Bank®** model was first launched in 1998, in partnership with the people from the small Victorian wheat farming towns of Rupanyup and Minyip. For these communities the **Community Bank®** model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. However, in the years since the **Community Bank®** model has become so much more.

In the past financial year a further 20 **Community Bank®** branches have opened, this growth is in-line with our forecast and consistent with what we have seen in recent years. Demand for the model remains strong and there are currently another 32 **Community Bank®** sites in development, with many more conversations happening with communities Australia wide.

At the end of the financial year 2011/12 the **Community Bank®** network had achieved the following:

- Returns to community – $80 million
- **Community Bank®** branches – 295
- **Community Bank®** branch staff – more than 1,400
- **Community Bank®** branch Directors – 1,905
- Volume footings – $21.75 billion
- Customers – 500,000
- Shareholders – 71,197
- Dividends paid to shareholders – $28.8 million

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, so they can not only enhance banking services, but more importantly aggregate the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community.

In the past 14 years we have witnessed the **Community Bank®** network's returns to communities grow exponentially each year, with $470,000 returned within the first five years, $8.15 million within the first eight and $22.58 million by the end of the first decade of operation.

Today that figure is an astonishing $80 million and with the continued growth and popularity of the **Community Bank®** model, returns should top $100 million by the end of 2013. These dollars add up to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco (telecommunications solution), sponsorships, scholarships and Community Enterprises that provide **Community Bank®** companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank®** company has a committed and strong partner and over the last financial year our company has also seen much success.

Bendigo and Adelaide Bank report (continued)

Last December, our Bank joined the ranks of Australia's A-rated banks following an upgrade announced by Standard & Poor's. Its decision to raise our long-term rating from BBB+ to A– means the Bank (and its **Community Bank®** partners) are now rated 'A' by all three of the world's leading credit rating agencies. This is a huge boost to the Bank and will allow us to access new funding opportunities. It will also enable our group to service supporters who were precluded from banking with us because we were not A rated.

The rating upgrade is a welcome boost for the Bank and its partners at a time when funding is expensive and likely to remain so, margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on our Bank's margin and as **Community Bank®** margin share is still in part based on fixed trails, this is continuing to reflect a skew in margin share between the Bank and its **Community Bank®** partners.

We've been working with the **Community Bank®** network to take action to reduce this imbalance (which is in favour of the **Community Bank®** partners) and see the share of revenue on core banking products closely aligned to the key principal of 50/50 revenue share. Recent market developments are challenging this goal, but the Bank and its partners remain committed to addressing this.

It's Bendigo and Adelaide Bank's vision to be Australia's leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank®** shareholders to support us as we work with our partners to deliver on our goals and ensure our sustained and shared success.

As **Community Bank®** shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about banking and the role it plays in modern society.

We thank you all for the part you play in driving this success.

Russell Jenkins
Executive Customer and Community

Directors' report

For the financial year ended 30 June 2012

Your Directors present their report, together with the financial statements of the company for the financial year ended 30 June 2012.

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.

Position:	Non–Executive Director
Occupation:	company Director and Office Manager
Background Information:	Book keeper Collegium Musicum Choir, Committee member Collegium Symphonic Chorus, Alto Coach Carradine Choir. Local resident 28 years.
Interest in shares and options:	2,501 shares

Christopher Graham Johnston B Eng (Distinction).

Position:	Non-Executive Director
Occupation:	Project Manager
Background Information:	Project Manager & Director of Project Management Consulting firm. Local resident 28 years.
Interest in shares and options:	2,501 shares

Thomas Alexander Stokes CPA

Position:	Non-Executive Director / Treasurer
Occupation:	Accountant CPA
Background Information:	Own business 14 years. Accountant in commerce 26 years. Previous member of school boards 7 years. Local resident 33 years.
Interest in shares and options:	1,001 shares

John Herbert Dowling

Position:	Non-Executive Director/Company Secretary
Occupation:	Asset Management Coordinator
Background Information:	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 30 years.
Interest in shares and options:	15,001 shares

Pamela Jane Edwards B.Comm (HR/IR), MA (Future Studies)

Position:	Non-Executive Director
Occupation:	HR Manager, International Mining Company
Background Information:	Local resident for 12 years, Committee member of Local Progress Association
Interest in shares and options:	1,000 shares

Directors (continued)

Evelyn Elizabeth Dunn

Position:	Non-Executive Director
Occupation:	Administration/Events Officer
Background Information:	Small business owner 4 years, Administration/Events Office for 15 years. Local resident 20 years, committee experience sporting and community groups.
Interest in shares and options:	Nil

Maria Annunziata Ford

Position:	Non-Executive Director / Company Secretary
Occupation:	Business Owner / Administration
Background Information:	Small business owner 6 years. Community experience with Roleystone Schools P & C, Roleystone Gumnut Playgroup and the Roleystone Autumn Festival. Local resident for 33 years.
Interest in shares and options:	1,000 shares

Roy Hamilton

Position:	Non-Executive Director/ Chairperson
Occupation:	Retired company Director
Background Information:	M.D. Food manufacturing/Wholesale/Retail (R & SA Hamilton Meat Products UK), President/Secretary/Treasurer of the Armadale Nerrigen Brook Rotary Club. Main Sponsors of Yarmouth Town FC. UK (5 years.) Roleystone resident 12 years.
Interest in shares and options:	Nil

Philip Michael Aked

Position:	Non-Executive Director
Occupation:	Retired
Background Information:	Commercial Helicopter Pilot 43 years, Ex-Chief Pilot (Rotary) WA Police Air Wing, Coordinator Roleystone Men's Community Shed, and Former Chairman Araluen Estate Progress Association. Roleystone resident 18 years.
Interest in shares and options:	Nil

Christine Anne Heavey

Position:	Non-Executive Director
Occupation:	Teacher
Background Information:	Teacher for 25 years. Farmed with husband for 7 years. P&C and Community Garden Member. Return to Roleystone resident 13 years.
Interest in shares and options:	500

Company Secretary

Maria Annunziata Ford

John Herbert Dowling

Directors' report (continued)

Directors' meetings attended

During the financial year, 12 meetings of Directors (including committees 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
Christine Anne Heavy	10	10
Christopher Graham Johnston	12	10
Thomas Alexander Stokes	12	9
Philip Michael Aked	9	8
John Herbert Dowling	12	10
Evelyn Elizabeth Dunn	12	8
Pamela Jane Edwards	12	7
Maria Annunziata Ford	12	10
Roy Hamilton	12	12

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 and Adelaide Bank, pursuant to a franchise agreement.

Operating results

The profit of the company after providing for income tax amounted to $15,847.

Dividends paid or recommended

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

Financial position

The net liabilities of the company have decreased from $310,256 as at 30 June 2011 to $294,409 as at 30 June 2012.

The Directors believe the company is approaching 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.

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.

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 2001. The Directors are satisfied that the services disclosed below did not compromise the external Auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the 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.

Non-audit services (continued)

The following fees for non-audit services were paid/payable to the external Auditors during the year ended 30 June 2012:

- Taxation services: $5,650

Auditor's Independence Declaration

The lead Auditor's independence declaration under s 307C of the Corporations Act 2001 for the year ended 30 June 2012 is included within the financial statements.

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

Thomas Stokes
Director

Dated 28 September 2012

Auditor's independence declaration

RSM Bird Cameron Partners

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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 2012, 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

TUTU PHONG
Partner

Perth, WA
Dated: 28 September 2012

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue	2	544,309	468,714
Employee benefits expense		(268,522)	(219,199)
Depreciation and amortisation expense		(30,321)	(43,244)
Finance costs		(21,001)	(24,843)
Other expenses	3	(208,618)	(242,398)
Profit (loss) before income tax		15,847	(60,970)
Income tax expense	4	-	-
Profit (loss) for the year		**15,847**	**(60,970)**
Other comprehensive income		**-**	**-**
Total comprehensive income for the year attributable to members		**15,847**	**(60,970)**

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2012

	Note	2012 $	2011 $
Current assets			
Cash and cash equivalents	6	2,357	2,567
Trade and other receivables	7	42,838	37,131
Other current assets	8	7,238	8,705
Total current assets		**52,433**	**48,403**
Non-current assets			
Plant and equipment	9	-	24,372
Intangible assets	10	65,855	1,246
Total non-current assets		**65,855**	**25,618**
Total assets		**118,288**	**74,021**
Current liabilities			
Trade and other payables	11	35,195	25,653
Short-term financial liabilities	12	318,228	349,347
Short-term provisions	13	12,917	9,277
Total current liabilities		**366,340**	**384,277**
Non-current liabilities			
Trade and other payables	11	46,358	-
Total liabilities		**412,698**	**384,277**
Net assets		**(294,409)**	**(310,256)**
Equity			
Issued capital	14	658,850	658,850
Accumulated losses		(953,259)	(969,106)
Total equity		**(294,409)**	**(310,756)**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2012

	Share capital $	Accumulated losses $	Total $
Balance at 1 July 2010	658,850	(908,136)	(249,286)
Total comprehensive income for the year	-	(60,970)	(60,970)
Balance at 30 June 2011	**658,850**	**(969,106)**	**(310,256)**
Balance at 1 July 2011	658,850	(969,106)	(310,256)
Total comprehensive income for the year		15,847	15,847
Balance at 30 June 2012	**658,850**	**(953,259)**	**(294,409)**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Receipts from customers		538,595	457,552
Payments to suppliers and employees		(416,134)	(458,255)
Interest received		7	1
Finance costs		(21,001)	(24,858)
Net cash provided by/(used in) operating activities	**15**	**101,467**	**(25,560)**
Cash flows from investing activities			
Franchise fee		(70,558)	-
Net cash used in investing activities		**(70,558)**	**-**
Cash flows from financing activities			
Repayment of borrowings		-	-
Net cash provided by/(used) in financing activities		**-**	**-**
Net increase/(decrease) in cash held		**30,909**	**(25,560)**
Cash and cash equivalents at beginning of financial year		(346,780)	(321,220)
Cash and cash equivalents at end of financial year	**6**	**(315,871)**	**(346,780)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Statement of significant accounting policies

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

The financial report covers the company as an individual entity. The company 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. 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 and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements were authorised for issue on 28 September 2012 by the Directors of the company.

The financial report has been prepared on an accruals basis and is based on historical costs modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the company had net current liabilities of $313,907 and net liabilities of $294,409 at 30 June 2012.

The Directors believe that it is reasonably foreseeable that the company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

1. The company was profitable and generated positive cash flows from operations for the year ended 30 June 2012;
2. The business activities are supported by Bendigo and Adelaide Bank, including assistance with the preparation and review of the company's annual cash flow budgets;
3. Bendigo and Adelaide Bank has confirmed that it currently provides working capital by way of an overdraft facility for $500,000; and
4. The provision of additional funding by Bendigo and Adelaide Bank is dependent upon the company fulfilling its ongoing responsibilities under the Franchise Agreement and continuing to work closely with Bendigo and Adelaide Bank management to further develop the business. The company believes that it is fulfilling these responsibilities.

(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.

Note 1. Statement of significant accounting policies (continued)

(a) Income tax (continued)

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

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) Plant and equipment

Each class of 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 company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the 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.

Note 1. Statement of significant accounting policies (continued)

(a) Income tax (continued)

Depreciation (continued)

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

Class of fixed asset	Depreciation rate
Plant and equipment	20% - 37.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 statement of comprehensive income.

(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 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.

Note 1. Statement of significant accounting policies (continued)

(d) Financial instruments (continued)

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.

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 statement of comprehensive income 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 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 significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Note 1. Statement of significant accounting policies (continued)

(d) Financial instruments (continued)

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.

(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 statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the company 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 statement of financial position.

(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.

Note 1. Statement of significant accounting policies (continued)

(j) Revenue and other income (continued)

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).

(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 statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows 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 Australian 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.

<u>Key estimates – impairment</u>

The company assesses impairment at each reporting date by evaluating conditions specific to the company 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 2012. 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 2012 amounting to $65,855.

Note 1. Statement of significant accounting policies (continued)

(o) New accounting standards for application in future periods

At the date of this financial report the following standards, which may impact the entity in the period of initial application, have been inserted but are not yet effective.

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
AASB 9	Financial Instruments	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2013	No expected impact on the entity.

The company has decided against early adoption of these standards.

	2012 $	2011 $
Note 2. Revenue		
Franchise margin income	544,302	468,713
Interest revenue	7	1
	544,309	**468,714**
Note 3. Expenses		
Advertising and marketing	31,755	24,388
ATM leasing and running costs	9,445	8,868
Bad debts	74	227
Community sponsorship and donations	22,226	23,305
Freight and postage	18,655	11,881
Insurance	7,811	11,861
IT leasing and running costs	26,443	27,724
Occupancy running costs	6,339	6,342
Printing and stationary	8,274	9,862
Rental on operating lease	27,954	29,356
Repairs and maintenance	2,374	419
Other operating expenses	47,268	88,165
	208,618	**242,398**

	2012 $	2011 $
Note 3. Expenses (continued)		
Remuneration of the Auditors of the company		
Audit services	7,500	7,450
Other Services	5,650	5,150
	13,150	**12,600**

Note 4. Income tax expense

No income tax is payable by the company as it has recouped tax losses previously brought to account for income tax purposes.

a. The prima facie tax on profit before income tax is reconciled to the income tax as follows:

	2012 $	2011 $
Prima facie tax payable on profit before income tax at 30% (2011: 30%)	4,754	(18,291)
Add:		
Tax effect of:		
• Future income tax benefit not brought to account	4,754	17,684
• non-deductible depreciation and amortisation	-	600
• other non-allowable items	-	7
Less:		
Tax effect of:		
• other allowable items	-	-
Income tax attributable to the company	**-**	**-**

At reporting date, the company had tax losses of $842,743 (2011: $846,739) which are available to offset future years' taxable income.

The future income tax benefit of these tax losses is $252,823 (2011: $254,022). 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:

i. 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;

ii. the company continues to comply with the conditions for deductibility imposed by the law; and

iii. 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)

Note 5. Key management personnel compensation

a. Names and positions

Name	Position
Roy Hamilton	Chairperson
Anne Rosemary Johnston	Non-Executive Director
Christopher Graham Johnston	Non-Executive Director
Thomas Alexander Stokes	Non-Executive Director/Treasurer
John Herbert Dowling	Non-Executive Director/Company Secretary
Pamela Jane Edwards	Non-Executive Director
Elizabeth Dunn	Non-Executive Director
Maria Annunziata Ford	Non-Executive Director/Company Secretary
Phil Aked	Non-Executive Director
Christine Heavey	Non-Executive Director

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

b. Remuneration of key management positions

No Director of the company receives remuneration for services as a company Director.

c. Shareholdings

Number of ordinary shares held by key management personnel.

2012	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
John Herbert Dowling	15,001	-	-	15,001
Pamela Jane Edwards	1,000	-	-	1,000
Elizabeth Dunn	-	-	-	-
Maria Annunziata Ford	1,000	-	-	1,000
Roy Hamilton	-	-	-	-
Phil Aked	-	-	-	-
Christine Heavey	-	500	-	500
	23,004	**500**	**-**	**23,504**

	2012 $	2011 $

Note 6. Cash and cash equivalents

Cash at bank and in hand	**2,357**	**2,567**
Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	2,357	2,567
Bank overdrafts	(318,228)	(349,347)
	(315,871)	**(346,780)**

Note 7. Trade and other receivables

Trade debtors	**42,838**	**37,131**

a. Provision for impairment of receivables

Current trade and term receivables are non-interest bearing loans and generally on 30-day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is an objective evidence that an individual trade or term receivable is impaired. These amounts will be included in the other expenses item of the statement of comprehensive income.

There is no provision for impairment of receivables.

Note 8. Other assets

Current		
Prepayments	6,608	8,705
GST Withholding	630	-
	7,238	**8,705**

Note 9. Plant and equipment

Plant and equipment		
Cost	212,253	212,253
Accumulated depreciation	(212,253)	(187,881)
	-	**24,372**

	2012 $	2011 $

Note 9. Plant and equipment (continued)

Movement in carrying amount

Balance at the beginning of the year	24,372	63,616
Disposals	-	-
Depreciation expense	(24,372)	(39,244)
Carrying amount at the end of the year	**-**	**24,372**

Note 10. Intangible assets

Franchise fee

Cost	69,322	10,000
Accumulated amortisation	(3,467)	(8,754)
	65,855	**1,246**

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

Note 11. Trade and other payables

Trade creditors and accruals	35,195	18,924
GST payable	-	6,729
	35,195	**25,653**
Non-current		
Trade and other creditors	**46,358**	**-**

Note 12. Financial liabilities

Current

Bank overdraft	**318,228**	**349,347**

Security:

The bank overdraft is secured by a floating charge over the company's assets.

Note 13. Provisions

Current

Provision for employee entitlements	**12,917**	**9,277**
Number of employees at year end	**5**	**5**

Notes to the financial statements (continued)

	2012 $	2011 $

Note 14. Equity

658,850 (2011: 658,850) fully paid ordinary shares	**658,850**	**658,850**

Note 15. Cash flow information

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

Profit after tax	15,847	(60,970)
Depreciation and amortisation	30,321	41,236
Net loss on sale of plant and equipment		-
Movement in assets and liabilities		
Receivables	(5,707)	(11,161)
Other assets	1,467	223
Payables	55,899	4,521
Provisions	3,640	591
Net cash from operating activities	**101,467**	**(25,560)**

b. Credit standby arrangement and loan facilities

The company has a bank overdraft facility amounting to $500,000 (2011: $500,000). This may be terminated at any time at the option of the bank. At 30 June 2012, $318,228 of this facility was used (2011 : $349,347). Interest rates are variable.

Note 16. Related party transactions

Director Thomas Stokes through his accountancy practice, Stokes and Associates, was paid $1,639 plus GST for company secretarial services throughout the year ended 30 June, 2012.

Note 17. Leasing commitments

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

Payable		
Not longer than 1 year	32,813	2,017
Longer than 1 year but not longer than 5 years	123,168	-
	155,981	**2,017**

Note 18. Dividends

No distributions were paid during the year.

Note 19. Financial risk management

The company's financial instruments consist mainly of deposits with banks, local money market instruments, 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.

a. Financial risk management policies

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 2012.

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.

ii. Liquidity risk

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

iiii. Credit risk

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

There are no material amounts of collateral held as security at 30 June 2012.

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 2012 and 30 June 2011 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

Note 19. Financial risk management (continued)

c. Financial instrument composition and maturity analysis

The table below 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 statement of financial position.

	Weighted average effective interest rate	Variable	Fixed			
2012		**Floating interest rate**	**Within 1 year**	**Within 1 to 5 years**	**Non interest bearing**	**Total**
Financial assets						
Cash and cash equivalents	0.05%	2,357	-	-	-	2,357
Trade and other receivables		-	-	-	42,838	42,838
Total financial assets		**2,357**	**-**	**-**	**42,838**	**45,195**
Financial liability						
Bank overdraft secured	5.52%	318,228	-	-	-	318,228
Trade and other payables		-	-	-	35,195	35,195
Total financial liabilities		**318,228**	**-**	**-**	**35,195**	**353,423**

	Weighted average effective interest rate	Variable	Fixed			
2011		**Floating interest rate**	**Within 1 year**	**Within 1 to 5 years**	**Non interest bearing**	**Total**
Financial assets						
Cash and cash equivalents	0.05%	2,567	-	-	-	2,567
Loans and receivables		-	-	-	37,131	37,131
Total financial assets		**2,567**	**-**	**-**	**37,131**	**39,698**
Financial liability						
Bank overdraft secured	6.9%	349,347	-	-	-	349,347
Trade and other payables		-	-	-	25,653	25,653
Total financial liabilities		**349,347**	**-**	**-**	**25,653**	**375,000**

	2012 $	**2011 $**
Trade and sundry payables are expected to be paid as followed:		
Less than 6 months	**35,195**	**25,653**

Note 19. Financial risk management (continued)

d. Net fair values

The net fair values of investments have been valued at the quoted market bid price at reporting 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 statement of financial position and in the notes to the financial statements.

Fair values are materially in line with carrying values.

e. Sensitivity analysis

i. Interest rate risk

The company has performed a sensitivity analysis relating to its exposure to interest rate risk at reporting 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 the reporting date 30 June 2012, 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:

2012	**Carrying amount $**	**-2%**		**+2%**	
		Profit $	**Equity $**	**Profit $**	**Equity $**
Financial assets					
Cash and cash equivalents	2,357	(47)	(47)	47	47
Financial liability					
Bank overdraft secured	318,228	6,365	6,365	(6,365)	(6,365)

2011	**Carrying amount $**	**-2%**		**+2%**	
		Profit $	**Equity $**	**Profit $**	**Equity $**
Financial assets					
Cash and cash equivalents	2,567	(51)	(51)	51	51
Financial liability					
Bank overdraft secured	349,347	6,987	6,987	(6,987)	(6,987)

Note 20. Operating segments

Types of products and services by segment

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

Major customers

The company operates under the terms of a franchise agreement with Bendigo and Adelaide Bank, which accounts for all of the franchise margin income.

Note 21. Events after the statement of financial position 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 22. Contingent liabilities and contingent assets

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

	2012 $	2011 $
Note 23. Tax		
a. Liability		
Current		
Income tax	-	-
b. Reconciliations		
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 below:		
• Tax losses: operating losses	252,823	254,022
	252,823	**254,022**

Note 24. Economic dependency – Bendigo and Adelaide Bank

The company has entered into franchise agreement with Bendigo and Adelaide Bank that governs the management of the **Community Bank®** branches at Roleystone-Karragullen, Western Australia.

The branches operates as a franchise of Bendigo Bank, using the name “Bendigo Bank” and the logo and system of operations of Bendigo Bank. The company manages the **Community Bank®** branches on behalf of the Bendigo Bank, however all transactions with customers conducted through the **Community Bank®** branches are effectively conducted between the customers and Bendigo Bank.

Note 24. Economic dependency – Bendigo and Adelaide Bank (continued)

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, o increasing or changing the terms of an existing debt owed to Bendigo Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

Bendigo Bank provides significant assistance in establishing and maintaining the **Community Bank®** branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branches;
- Training for the Branch Manager and other employees in banking management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sales techniques and proper customer relations.

Note 25. Company details

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

10 Wygonda Road, Roleystone WA 6111

Directors' declaration

The Directors of the company declare that:

1. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 and:
    a. comply with Australian Accounting Standards; and
    b. give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the company;
2. the financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1; and
3. in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Thomas Stokes
Director

Dated 28 September 2012

Independent audit report

RSM Bird Cameron Partners

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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 statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements 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 about 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.

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

RSM Bird Cameron Partners

Independence

In conducting our audit, 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 Roleystone-Karragullen Financial Services Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(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 2012 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Rsm Bird Cameron Partners
RSM BIRD CAMERON PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 28 September 2012

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