



Roleystone-Karragullen
Financial Services Limited

ABN 66 121 609 390

**ANNUAL
REPORT
2013**

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Chairman's report

For year ending 30 June 2013

It is most gratifying for the Board of Directors, Branch Manager and his enthusiastic staff of the Roleystone-Karragullen **Community Bank**[®] Branch. Not forgetting of course, past Board members and staff who have all contributed individually to this developing business and are now able to foresee the very real prospect of posting our inaugural dividend to our shareholders. This is the product and culmination of six years of dedicated work and support by Directors, staff and shareholders.

Currently our 'Book Balance' stands at \$97.4 million, a huge increase of almost 100% since the appointment of Manager, Tony Jacobs. Tony is eager to meet with those shareholders wishing to support our business further. This in turn will enhance our "point of difference" in our community.

Community funding

Nationally the **Community Bank**[®] network has now returned a fantastic \$100 million in support of local communities. Our **Community Bank**[®] branch has contributed to the above milestone, by returning nearly \$35,000 back into our unique local community this year.

Recipients throughout 2012/2013 include; Roleystone Cricket Club, Roleystone Community College, Armadale Trades College, Roleystone Basketball Club, Roleystone T-Ball Club, Hills Orchard Improvement Group, The City of Armadale, Roleystone Markets, Roleystone Gymnastics, Roleystone Scout Group, Dale Care Foundation, Roleystone Family Centre, Roleystone Junior Football Club, Roleystone Country Club, Roleystone Theatre, Roleystone Seniors Club, and The Roleystone Tennis Club.

We are of course committed to the future support of local community groups.

Interest movements

The past year has seen unprecedented interest rate movements which has brought with it associated difficulties which we have dealt with in the best possible manner. Our branch is committed to adjusting interest rates in a manner which reflects a fair balance between, stakeholders-borrowers-depositors-shareholders, staff and the community at large.

Funding costs

Thanks to the diligence of both Board and staff, overhead increases have been kept to minimum, in some cases actually reduced, this of course helping with our profitability.

Closing

In closing, I wish to thank all concerned with the managing of our **Community Bank**[®] branch for their input in bringing home a most encouraging result. I look forward to your continued support for the betterment of our local community.



Roy Hamilton.
Chairman

Manager's report

For year ending 30 June 2013

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 2013, reached \$97.39 million, which is an increase of \$31.81 million from the previous year.

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 very 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 branch, 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

Directors' report

For the financial year ended 30 June 2013

Your directors submit the financial statements of the company for the financial year ended 30 June 2013.

Directors

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

Roy Hamilton

Chairman

Occupation: Retired Company Director

Qualifications, experience and expertise: 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 16 years.

Special responsibilities: Chairman, Marketing Committee

Interest in shares: Nil

John Herbert Dowling

Secretary

Occupation: Retired

Qualifications, experience and expertise: Extensive management experience in the public sector; and local, state and national committees of volunteer organisations. Local resident 34 years.

Special responsibilities: Company Secretary

Interest in shares: 15,001

Pamela Jane Edwards

Director

Occupation: Retired HR Manager, International Mining Company, now independent HR consultant

Qualifications, experience and expertise: Local resident for 16 years. Committee member of Local Progress Association; Secretary, Roleystone Market Committee and Community Garden.

Special responsibilities: Human Resources

Interest in shares: 1,000

Thomas Alexander Stokes

Treasurer

Occupation: Accountant CPA

Qualifications, experience and expertise: Own business for past 18 years. Accountant in commerce 26 years. Previous member of school boards 7 years. Local resident 37 years.

Special responsibilities: Company Treasurer

Interest in shares: 1,001

Maria Annunziata Ford

Director

Occupation: Business Owner / Administration

Qualifications, experience and expertise: Small business owner 10 years. Community experience with Roleystone Schools P&C, Roleystone Gumnut Playgroup, Girls on the Porch, Roleystone Markets and the Roleystone Autumn Festival. Local resident for 38 years.

Special responsibilities: Share Registry, Property

Interest in shares: 1,000

Evelyn Elizabeth Dunn

Director

Occupation: Events Officer

Qualifications, experience and expertise: Small business owner 4 years, Administration/Events Officer for 18 years. Local resident 23 years, committee experience in sporting and community groups.

Special responsibilities: Marketing Development Fund Committee

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Christine Ann Heavey

Director

Occupation: Teacher

Qualifications, experience and expertise: Teacher for 26 years (now Roleystone Community College).

Farmed with husband for 7 years. P&C and Community Garden Member. Return to Roleystone resident 14 Years

Special responsibilities: Special Projects

Interest in shares: 500

Fraser Ellis Williams

Director (Appointed 4 February 2013)

Occupation: Real Estate Agent

Past 6 years operating as a Real Estate Agent in Roleystone/Karragullen, previous 6 years in banking with key responsibilities including Head of Retail Credit and experience in Commercial Credit, assisting in managing bank merger and creating/improving bank policies and procedures.

Special responsibilities: Nil

Interest in shares: Nil

Philip Michael Aked

Director (Resigned 7 May 2013)

Occupation: Retired

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

Special responsibilities:

Interest in shares: Nil

Christopher Graham Johnson

Director (Resigned 12 January 2013)

Occupation: Project Manager

Qualifications, experience and expertise: Project Manager and Director of Project Management Consulting firm. Local resident 28 years.

Special responsibilities:

Interest in shares: 2,501

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

No directors have material interests in contracts or proposed contracts with the company.

Company Secretary

The company secretary is John Herbert Dowling. John was appointed to the position of secretary on 6 February 2012. John has a Bachelor of Science, Graduate Diploma DP and Graduate Diploma Business. He has extensive management experience in the public sector and in various volunteer organisations.

Principal Activities

The principal activities of the company during the course of the financial year were in facilitating **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Operating Results

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was:

	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
	267,643	15,847

Directors' report (continued)

Remuneration Report

No Director of the company receives remuneration for services as a company director or Committee member.

There are no Executives within the company whose remuneration is required to be disclosed.

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

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

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 19 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and Insurance of Directors and Officers

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

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

Directors' report (continued)

Directors' Meetings

The number of directors' meetings attended by each of the directors of the company during the year were:

Director	Board Meetings Attended	
	Eligible	Attended
Roy Hamilton	12	12
Thomas Alexander Stokes	12	10
John Herbert Dowling	12	10
Maria Annunziata Ford	12	11
Pamela Jane Edwards	12	9
Evelyn Elizabeth Dunn	12	9
Christine Anne Heavey	12	11
Fraser Ellis Williams (Appointed 4 February 2013)	1	1
Phillip Michael Aked (Resigned 7 May 2013)	11	9
Christopher Graham Johnston (Resigned 12 January 2013)	8	6

Non Audit Services

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

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

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Directors' report (continued)

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Signed in accordance with a resolution of the board of directors at Roleystone, Western Australia on 27 September 2013.

A handwritten signature in black ink, appearing to read 'R Hamilton', with a horizontal line extending to the right.

**Roy Hamilton,
Chairman**

Auditor's independence declaration



Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Roleystone-Karragullen Financial Services Limited

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'David Hutchings', is positioned above the printed name.

David Hutchings
Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 27 September 2013

Liability limited by a scheme approved under Professional Standards Legislation. ABR: 51 061 795 337.

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Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
Revenues from ordinary activities	4	560,497	544,309
Employee benefits expense		(289,846)	(268,522)
Charitable donations, sponsorship, advertising and promotion		(45,471)	(31,900)
Occupancy and associated costs		(54,973)	(46,133)
Systems costs		(20,645)	(26,443)
Depreciation and amortisation expense	5	(13,864)	(30,321)
Finance costs	5	(14,184)	(21,001)
General administration expenses		(86,395)	(104,142)
Profit before income tax (expense)/credit		35,119	15,847
Income tax (expense)/credit	6	232,524	-
Profit after income tax (expense)/credit		267,643	15,847
Total comprehensive income for the year		267,643	15,847
Earnings per share (cents per share)		c	c
- basic for profit for the year	21	40.62	2.41

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2013

	Note	2013 \$	2012 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	1,047	2,357
Trade and other receivables	8	50,291	50,076
Total Current Assets		51,338	52,433
Non-Current Assets			
Intangible assets	9	51,991	65,855
Deferred tax assets	10	232,524	-
Total Non-Current Assets		284,515	65,855
Total Assets		335,853	118,288
LIABILITIES			
Current Liabilities			
Trade and other payables	11	33,881	35,194
Borrowings	12	269,461	318,228
Provisions	13	22,392	12,917
Total Current Liabilities		325,734	366,339
Non-Current Liabilities			
Trade and other payables	11	31,205	46,358
Provisions	13	5,680	-
Total Non-Current Liabilities		36,885	46,358
Total Liabilities		362,619	412,697
Net Assets		(26,766)	(294,409)
Equity			
Issued capital	14	658,850	658,850
Accumulated losses	15	(685,616)	(953,259)
Total Equity		(26,766)	(294,409)

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the Year Ended 30 June 2013

	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2011	658,850	(969,106)	(310,256)
Total comprehensive income for the year	-	15,847	15,847
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2012	658,850	(953,259)	(294,409)
Balance at 1 July 2012	658,850	(953,259)	(294,409)
Total comprehensive income for the year	-	267,643	267,643
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2013	658,850	(685,616)	(26,766)

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cashflows for the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
Cash Flows From Operating Activities			
Receipts from customers		615,879	538,595
Payments to suppliers and employees		(554,238)	(416,134)
Interest received		-	7
Interest paid		(14,184)	(21,001)
Net cash provided by operating activities	16	47,457	101,467
Cash Flows From Investing Activities			
Payments for intangible assets		-	(70,558)
Net cash used in investing activities		-	(70,558)
Net increase in cash held		47,457	30,909
Cash and cash equivalents at the beginning of the financial year		(315,871)	(346,780)
Cash and cash equivalents at the end of the financial year	7(a)	(268,414)	(315,871)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Historical cost convention

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

Comparative figures

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

Adoption of new and amended Accounting Standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. Amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met. This amendment has not affected the presentation of the statement of comprehensive income of the company in the current period and is not likely to affect future periods.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2012.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**[®] branch at Roleystone-Karragullen.

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

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, 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, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Bendigo and Adelaide Bank Limited 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**[®] branch;
- 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.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as “day to day” banking business (i.e. ‘margin business’). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (i.e. 'commission business'). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 and February 2013 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank**[®] partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank**[®] companies remain balanced.

The third source of revenue is a proportion of the fees and charges (ie, what are commonly referred to as 'bank fees and charges') charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

c) Income Tax

Current tax

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

Deferred tax

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

Current and deferred tax for the period

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

d) Employee Entitlements

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.

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

e) Cash and Cash Equivalents

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

f) Trade Receivables and Payables

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

g) Property, Plant and Equipment

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The establishment/renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

i) Payment Terms

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

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

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

Financial instruments are initially measured at fair value plus transaction costs. 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 entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Classification and subsequent measurement

(i) 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.

(ii) 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 entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) Financial liabilities

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

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to 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 period.

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.

m) Provisions

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

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

n) Contributed Equity

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

o) Earnings Per Share

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

p) Goods and Services Tax

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

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

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

Notes to the financial statements (continued)

Note 2. Financial Risk Management

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

Risk management is carried out directly by the board of directors.

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the balance sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the distribution limit.

(i) the distribution limit is the greater of:

(a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period; and

(ii) the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

Notes to the financial statements (continued)

Note 2. Financial Risk Management (continued)

(vi) Capital management (continued)

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2013 can be seen in the statement of comprehensive income.

There were no changes in the company's approach to capital management during the year.

Note 3. Critical Accounting Estimates and Judgements

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

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

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Notes to the financial statements (continued)

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets

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

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

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

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

	2013 \$	2012 \$
Note 4. Revenue from Ordinary Activities		
Operating activities:		
- services commissions	560,497	544,302
- other revenue	-	-
Total revenue from operating activities	560,497	544,302
Non-operating activities:		
- interest received	-	7
Total revenue from non-operating activities	-	7
Total revenues from ordinary activities	560,497	544,309

Notes to the financial statements (continued)

	Note	2013 \$	2012 \$
Note 5. Expenses			
Amortisation of non-current assets:			
- franchise agreement		2,310	3,467
- franchise renewal fee		11,554	26,854
		13,864	30,321
Finance costs:			
- interest paid		14,184	21,001
Bad debts		123	74

Note 6. Income Tax Expense/Credit

The components of tax expense comprise:

- Current tax		-	-
- Movement in deferred tax		(8,435)	-
- Recoup of prior year tax loss		23,914	-
- Previous period deferred tax benefit brought to account		(248,003)	-
- Under/(Over) provision of tax in the prior period		-	-
		(232,524)	-

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

Operating profit		35,119	15,847
Prima facie tax on profit from ordinary activities at 30%		11,253	4,754
Add tax effect of:			
- non-deductible expenses		4,247	-
- timing difference expenses		8,414	-
		23,914	4,754
Movement in deferred tax	10	(8,435)	-
Previous period deferred tax benefit brought to account		(248,003)	-
Under/(Over) provision of income tax in the prior year		-	-
Future income tax benefit not brought to account		-	(4,754)
		(232,524)	-

Notes to the financial statements (continued)

	Note	2013 \$	2012 \$
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Note 7. Cash and Cash Equivalents

Cash at bank and on hand		1,047	2,357
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The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

Note 7.(a) Reconciliation of cash

Cash at bank and on hand		1,047	2,357
Bank overdraft	12	(269,461)	(318,228)
		(268,414)	(315,871)

Note 8. Trade and Other Receivables

Trade receivables		43,592	42,838
Prepayments		6,699	7,238
		50,291	50,076

Note 9. Intangible Assets

Franchise fee

At cost		21,554	21,554
Less: accumulated amortisation		(12,310)	(10,000)
		9,244	11,554

Renewal processing fee

At cost		57,768	57,768
Less: accumulated amortisation		(15,021)	(3,467)
		42,747	54,301

Total written down amount		51,991	65,855
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Note 10. Tax

Non-Current:

Deferred tax assets

- accruals		-	-
- employee provisions		8,422	-
- tax losses carried forward		224,089	-
		232,511	-

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 10. Tax (continued)		
Deferred tax liability		
- accruals	-	-
- deductible prepayments	-	-
- property plant and equipment	(13)	-
	(13)	-
Net deferred tax asset/(liability)	232,524	-
Movement in deferred tax charged to statement of comprehensive income	(232,524)	-

Note 11. Trade and Other Payables

Current:

Trade creditors	33,881	35,194
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Non-Current:

Trade creditors	31,205	46,358
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Note 12. Borrowings

Current:

Bank overdrafts	269,461	318,228
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The Bendigo Bank Business Solutions overdraft facility limit is \$500,000, interest rate is currently 4.82%, varying from time to time. The overdraft is secured by floating charge over the company's assets.

Note 13. Provisions

Current:

Provision for annual leave	22,392	12,917
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Non-Current:

Provision for long service leave	5,680	-
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Note 14. Contributed Equity

658,850 Ordinary shares fully paid (2012: 658,850)	658,850	658,850
Less: equity raising expenses	-	-
	658,850	658,850

Notes to the financial statements (continued)

Note 14. Contributed Equity (continued)

Rights attached to shares

(a) Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank**[®] branch have the same ability to influence the operation of the company.

Rights attached to shares (continued)

(b) Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 300. As at the date of this report, the company had 334 shareholders.

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

Notes to the financial statements (continued)

Note 14. Contributed Equity (continued)

Prohibited shareholding interest (continued)

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

	2013 \$	2012 \$
Note 15. Accumulated Losses		
Balance at the beginning of the financial year	(953,259)	(969,106)
Net profit from ordinary activities after income tax	267,643	15,847
Balance at the end of the financial year	(685,616)	(953,259)

Note 16. Statement of Cashflows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

Profit from ordinary activities after income tax	267,643	15,847
Non cash items:		
- amortisation	13,864	30,321
Changes in assets and liabilities:		
- increase in receivables	(215)	(5,707)
- (increase)/decrease in other assets	(232,524)	1,467
- increase/(decrease) in payables	(16,466)	55,899
- increase in provisions	15,155	3,640
Net cashflows provided by operating activities	47,457	101,467

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 17. Leases		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	33,901	32,813
- between 12 months and 5 years	92,403	123,168
- greater than 5 years		
	126,304	155,981

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The current lease expires in April 2017.

Note 18. Auditors' Remuneration

Amounts received or due and receivable by the auditor of the company for:

- audit and review services (RSM Bird Cameron Partners)	-	7,500
- audit and review services (AFS & Associates)	3,850	-
- non audit services (RSM Bird Cameron Partners)	-	5,650
- non audit services (AFS & Associates)	600	-
	4,450	13,150

Note 19. Director and Related Party Disclosures

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

Roy Hamilton
Thomas Alexander Stokes
John Herbert Dowling
Maria Annunziata Ford
Pamela Jane Edwards
Evelyn Elizabeth Dunn
Christine Anne Heavey
Fraser Ellis Williams (Appointed 4 February 2013)
Phillip Michael Aked (Resigned 7 May 2013)
Christopher Graham Johnston (Resigned 12 January 2013)

Stokes & Associates Pty Ltd of which Thomas Stokes is a director, received \$2,485 (2012: \$1,639) for Corporate Secretarial work performed for Roleystone-Karragullen FSL for the period 1 July 2012 to 30 June 2013.

Maria Ford received reimbursement for expenses for Karragullen Expo 2012, totalling \$130.

Notes to the financial statements (continued)

Note 19. Director and Related Party Disclosures (continued)

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

Directors Shareholdings	2013	2012
Roy Hamilton	-	-
Thomas Alexander Stokes	1,001	1,001
John Herbert Dowling	15,001	15,001
Maria Annunziata Ford	1,000	1,000
Pamela Jane Edwards	1,000	1,000
Evelyn Elizabeth Dunn	-	-
Christine Anne Heavey	500	500
Fraser Ellis Williams (Appointed 4 February 2013)	-	-
Phillip Michael Aked (Resigned 7 May 2013)	-	-
Christopher Graham Johnston (Resigned 12 January 2013)	2,501	2,501

There was no movement in directors shareholdings during the year.

Note 20. Key Management Personnel Disclosures

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

	2013	2012
	\$	\$

Note 21. Earnings Per Share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share

267,643 15,847

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	658,850	658,850

Note 22. Events Occurring After the Balance Sheet Date

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

Notes to the financial statements (continued)

Note 23. Contingent Liabilities

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

Note 24. Segment Reporting

The economic entity operates in the service sector where it facilitates **Community Bank**[®] services in Roleystone pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 25. Registered Office/Principal Place of Business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
Stokes & Associates Pty Ltd	Shop 8/21 Jarrah Road
10 Wygonda Road	Roleystone WA 6111
Roleystone WA 6111	

Note 26. Financial Instruments

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

Credit Risk

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

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

Notes to the financial statements (continued)

Note 26. Financial Instruments (continued)

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 %	2012 %
Financial Assets												
Cash and cash equivalents	1,047	2,357	-	-	-	-	-	-	-	-	0.00	0.05
Receivables	-	-	-	-	-	-	-	-	50,291	42,838	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	269,461	318,228	-	-	-	-	-	-	-	-	5.94	5.52
Payables	-	-	-	-	-	-	-	-	33,881	35,195	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of Roleystone-Karragullen Financial Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.



Roy Hamilton,
Chairman

Signed on the 27th of September 2013.

Independent audit report



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, which comprises the balance sheet as at 30 June 2013, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and 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 fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the 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 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 our 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, we consider internal controls relevant to the entity's preparation and presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

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

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

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Independent audit report (continued)

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

Auditor's opinion on the financial report

In our opinion:

- 1) The financial report of Roleystone-Karragullen Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2013 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
- 2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. 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.

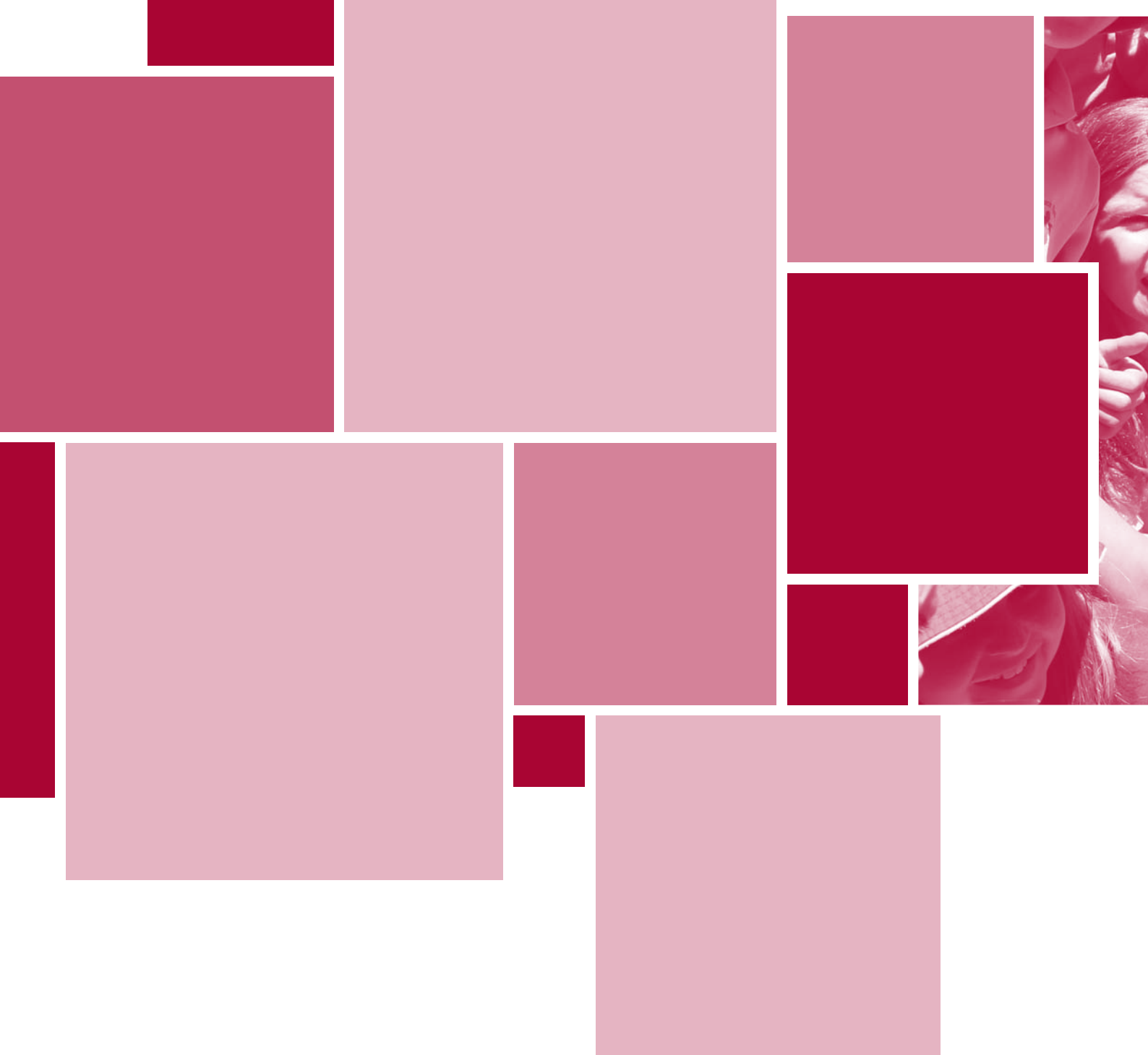
Auditor's opinion

In our opinion, the remuneration report of Roleystone-Karragullen Financial Services Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.



David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 27 September 2013



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Roleystone WA 6111
Phone: (08) 9397 7466

Franchisee: Roleystone-Karragullen Financial Services Limited
10 Wygonda Road, Roleystone WA 6111
Phone: (08) 9397 7601
ABN: 66 121 609 390

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