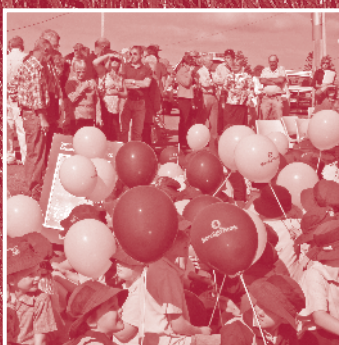


annual report 2009



THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

Contents

| | |
|--------------------------------------|----|
| Chair's report | 4 |
| Manager's report | 6 |
| Bendigo and Adelaide Bank Ltd report | 7 |
| Directors' report | 8 |
| Financial statements | 12 |
| Income statement | 12 |
| Balance sheet | 13 |
| Statement of cash flows | 15 |
| Statement of changes in equity | 16 |
| Notes to the financial statements | 17 |
| Directors' declaration | 32 |
| Independent audit report | 33 |

Chair's report

Dear Shareholders

The second year of operations has passed quickly and as noted in the report from Bendigo and Adelaide Bank it has been a year full of challenges. We are proud of our achievements to date and this is best captured in our stated purpose:

To manage responsible banking facilities which support and benefit community projects within our region

During the financial year and to the date of this report the Board and staff have:-

- Settled in the operations of our branches at Swansea and Bicheno.
- Continued the development and training of our staff.
- Maintained a primary focus on growing the business base of the **Community Bank®** branches.
- Put in place strategies and programs to integrate the **Community Bank®** as an important element in our community.
- Continued with our focus on good corporate governance and strong internal control.

Now for some detail on our achievements:-

- Despite the economic downturn, banking business in both branches has grown in line with our prospectus forecast.
- The Board has undertaken ongoing initiatives to support a range of community projects. This support has been delivered in the form of both sponsorships and active participation from our Directors and staff:-
 - ◆ In conjunction with the State Government and Bendigo and

Adelaide Bank we have continued funding to support the operations of the community vehicles in Swansea and Bicheno (Bicheno Community Health Group Car and the May Shaw Health Centre Bus).

- ◆ In conjunction with the Community Enterprise Foundation™ we continue our sponsorship and active support of the Devil Island project.
- ◆ We have sponsored the Swansea Primary School Association Swimming Program by paying for new swimwear and transport costs.
- ◆ We have made a contribution to the Bicheno Dance Group thereby reducing the costs to families to a manageable level for the participation of their children.
- ◆ We have made contributions to a number of other community activities; Bicheno Hall Committee; Golf Days at Swansea, Bicheno, Freycinet and the Swansea Farmers Golf Day; Show & Shine (Bicheno); and the Devil Dash Run.
- ◆ The Board with the Swansea community is organising a major Fundraising Function for the May Shaw Health Centre – Accident and Emergency Unit (October 2009).

Chair's report continued...

- The Board has worked hard throughout the year and we have members from all parts of the Freycinet community. We share the work load through our committee structure:-

Marketing and Promotion

The purpose of the Marketing and Promotions committee is to facilitate all promotional aspects of the Company (Freycinet Coast Financial Services Limited).

Human Resources

The purpose of the Human Resources (HR) committee is to monitor and administer all aspects of HR issues on behalf of the Board.

Asset Management

The purpose of the Asset Management committee is to monitor the condition of, ensure appropriate maintenance of, and provide guidance and recommendation for all the company property.

Audit and Governance

The purpose of the Audit and Governance committee is to help ensure the correct and full accountability of both the Board and Management and to oversee the company compliance issues.

Finance and Budget

The purpose of the Finance and Budget committee is to allow for deeper examination of the financial aspects of the company than normally afforded in the limited time allowed in a board meeting.

Nomination and Review

The objective of the Nominating and Review committee is to ensure that the company has available to it a Board with the appropriate competencies to enable it to effectively

discharge its mandate.

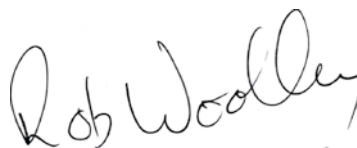
As you are aware the company has contracted with Miranda Randall who is paid a fixed amount as Company Secretary. This paid role has been in addition to Miranda's role as an honorary non-executive Director. Miranda has retired from the paid role as from 31 August this year and is continuing as a Director of the Company. Everyone associated with the company is indebted to Miranda for her major contribution and smooth operation of the company.

The Board has appointed Sue McCormack as Company Secretary and Administrative Support.

The Board are all honorary non-executive Directors. I thank all the Board including those who retired during the year (Ian Wallace, Mandy Burbury, Reg Waldren and Mike Harrison) for their tireless and effective contribution to building this wonderful community enterprise.

The whole Board is looking forward to delivering the most significant milestone by achieving consistent profitability followed by the payment of our first dividend. To do this we need your support through direct banking business and sending new clients to us from your family and friends.

The **Community Bank®** model is a powerful community force and the community can make it happen.



Rob Woolley
Chair

Manager's report

I am very happy to report a successful twelve months for our Swansea **Community Bank®** Branch and at the time of writing my Annual Report, Bicheno **Community Bank®** Branch has been operating successfully for nine months.

Future success... yes, our plans are heading in the right direction. Thank you to our many Shareholders who have further supported our **Community Bank®** with the opening of accounts and associated lending. As our Shareholders, we hope that you are our best advocates, tell your friends and associates about the personal banking service we offer and encourage them to open accounts and by doing so, support their local **Community Bank®** branch.

Over the last twelve months staff have provided excellent service. Their knowledge and confidence has increased and ongoing training is assisting with this. Along with Cherie and Suzanne, staff have actively participated in community events and we are committed to making our branches a success. Last July we welcomed Susan Sinclair, Bianca Melling and Leissa Dane to our group and in November, Hanna Woolley joined our Bicheno **Community Bank®** Branch.

As at 30th June 2009 we are holding funds of \$23,313,676 and accounts total 920. During the year we have been able to support our community with sponsorships and donations and this will continue.

Support from across the Bendigo network is ongoing. **Community Bank®** branches around Australia have grown to 237, with 20

branches opening in the last twelve months. We are working closely with our business bankers from Bendigo Bank in Launceston and Hobart to offer additional business banking expertise. The business bankers are readily available and they visit the coast regularly to assist clients.

To our supporters in the Freycinet Coast Region, we thank you. As our Swansea/ Bicheno **Community Bank®** branches continue to grow, we aim to be able to reach profit and return funds back to you and the community. We ask for your continued support and promotion of this concept.



Lyn Mansfield
Branch Manager

Bendigo and Adelaide Bank Ltd report

2008/09 will go down as one of the most tumultuous financial years in history. The global financial crisis and its aftermath wiped trillions of dollars off the world's net wealth. Some of the biggest names in international banking disappeared; many other banks – vastly bigger than Bendigo and Adelaide Bank Ltd – turned to governments to bail them out. Not surprisingly, confidence sagged, reflected in rising unemployment and stock markets falling by around half their former valuations.

In short, we have seen the biggest financial meltdown since the Great Depression of nearly 80 years ago.

Amidst all that turmoil, though, our grassroots banking movement marched steadily on. Twenty new **Community Bank®** branches joined Bendigo and Adelaide Bank Ltd's national network. Around 120,000 new customers switched to the Bendigo style of banking. And 70 more communities continued their local campaign to open a **Community Bank®** branch.

Those statistics are impressive in themselves, but it is the story behind them that is really important.

That's the story of ordinary people – an awful phrase, but you know what I mean – who inherently understand that the role of a bank is to feed into prosperity, rather than profit from it. That lesson was forgotten by many bankers across the globe, with devastating consequences. But it is now well understood by the residents of 237 towns and suburbs that own their own **Community Bank®** branch, because every day they see the fruits of their investment in locally owned banking.

Again, the statistics are impressive enough – \$29 million paid out in community projects and nearly \$11 million in local shareholder dividends. But again, the real stories lie behind the numbers – new community centres and fire trucks, more local nurses, new walking tracks and swimming pools, safer young drivers, more trees and fewer wasteful incandescent globes, innovative water-saving projects... the list goes on.

And of course more money retained and spent locally. And more jobs. Fifteen hundred or so just in the branches alone. More because of the flow-on, or multiplier, effect of those wages being spent locally. And yet more because of the extra shopping now done in communities made more prosperous and active by having their own bank branch.

Community Bank® branches have not escaped the fallout from the global turmoil. Like Bendigo and Adelaide Bank Ltd, they have received less income than in normal times. But also like Bendigo and Adelaide Bank Ltd, they have not needed anyone's help to get through this crisis. And every day we are reminded that banks that are relevant and connected locally will be valued by their customers and communities. For the better of all.



Russell Jenkins
Chief General Manager

Directors' report

Your Directors submit their report of the company for the financial year ended 30 June 2009.

Directors

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

Robert Woolley

Chair
Non-Executive Director
Occupation: Company Director

John Austwick

Deputy Chair
Non-Executive Director
Occupation: Vigneron

Ann Browning

Non-Executive Director
Occupation: Community Nurse

Amanda Burbury

Non-Executive Director
Occupation: Company Director
(Resigned 27 January 2009)

Jennifer Crawford

Non-Executive Director
Occupation: Deputy Mayor GSBC

Martin Crawford

Non-Executive Director
Occupation: Retired Businessman

Kenneth Dean

Non-Executive Director
Occupation: Retired Chartered Accountant

Jeffrey Doyle

Non-Executive Director
Occupation: Retired Financial Planner

Miranda Randall

Non-Executive Director
Company Secretary (Resigned 31 August 2009)
Occupation: Business Manager/Company Secretary

Jennifer Logie

Non-Executive Director
Occupation: Retired HR Consultant

Reginald Waldren

Non-Executive Director
Occupation: Retired
(Resigned 24 November 2008)

Ian Wallace

Non-Executive Director
Occupation: Retired
(Resigned 24 November 2008)

Shayne Williams

Non-Executive Director
Occupation: Retired

Harvey Cuthill

Non-Executive Director
Occupation: Pharmacist
(Appointed 27 October 2008)

Christina Birkett

Non-Executive Director
Occupation: Tourism Business Owner
(Appointed 23 February 2009)

Michael Harrison

Non-Executive Director
Occupation: Retired
(Appointed 23 February 2009)
(Resigned 31 August 2009)

Directors were in office for this entire year unless otherwise stated. Other than stated in this report no Director has a material interest in a contract or a proposed contract with the company.

Directors' report continued...

Principal activities

The principal activities of the company during the course of the financial year were in providing community banking 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

The loss of the company for the financial year after income tax benefit was \$181,726 (2008: \$190,098).

Dividends

No dividends were paid or declared during the year.

Incorporation

The company was incorporated on 15 August 2007 and commenced operations on 19 March 2008.

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.

Significant events after the balance date

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 providing banking services to the community.

Directors' Benefits

During the year Miranda Randall (Company Secretary) received \$18,000 (2008: \$10,405) for secretarial and related services to the company. This payment was made on normal commercial terms.

Ann Browning, Ken Dean, Jeffrey Doyle, Robert Woolley and Shayne Williams are Directors of VSW Pty Ltd that own the property which is leased to the company for use as the Bicheno **Community Bank®** premises. Rent paid during the year ended 30 June 2009 was \$26,706 (2008: Nil).

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

Indemnification and Insurance of Directors and Officers

The company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as Directors or Managers 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

Directors' report continued...

insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors Meetings

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

| | A | B | C |
|---|----|----|---|
| Robert Woolley | 10 | 11 | |
| John Austwick | 11 | 11 | |
| Ann Browning | 8 | 11 | |
| Amanda Burbury (resigned 27 January 2009) | 4 | 6 | |
| Jennifer Crawford | 6 | 11 | 3 |
| Martin Crawford | 10 | 11 | |
| Kenneth Dean | 10 | 11 | 1 |
| Jeffrey Doyle | 6 | 11 | |
| Jennifer Logie | 9 | 11 | |
| Miranda Randall | 11 | 11 | |
| Reginald Waldren (resigned 24 November 2008) | 2 | 5 | |
| Ian Wallace (resigned 24 November 2008) | 4 | 5 | |
| Shayne Williams | 10 | 11 | |
| Harvey Cuthill (appointed 27 October 2008) | 4 | 8 | |
| Christina Birkett (appointed 23 February 2009) | 5 | 5 | |
| Michael Harrison (appointed 23 February 2009) | 4 | 5 | |

A - Number of meetings attended

B - Number of meetings held during the time the Director held office during the year

C - Leave of absence granted

Company Secretary

Miranda Randall has been the company secretary of Freycinet Coast Financial

Services Limited since incorporation in 2007. Ms Randall's qualifications include a Diploma of Business and experience includes managing her own family business for a number of years. Ms Randall resigned from this position 31 August 2009.

Susan McCormack has been appointed as Company Secretary as of 31 August 2009. Mrs McCormack has a wide range of secretarial/administration experience.

Corporate Governance

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

- (a) The establishment of an audit committee. Members of the audit committee are K Dean (Chair), M Crawford, I Wallace (until retirement from Board), J Doyle (appointed during the year) and M Randall (appointed during the year);
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

Committees

To assist in the execution of its responsibilities, the Board has established a number of Board Committees with specific terms of reference which are reviewed on a regular basis. Each Director is involved in one or more of these committees. The committees in place during the year were:-

Asset Management, Audit & Governance, Finance & Budget, Marketing & Promotions, Human Resources, Nomination & Review & Business & Strategic Development.

Directors' report continued...

Auditor Independence Declaration

The directors received the following
declaration from the auditor of the company:

Richmond Sinnott & Delahunty

Chartered Accountants



172-176 McIvor Rd
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: [rsd@
rsd advisors.com.au](mailto:rsd@rsd advisors.com.au)

Auditor's Independence Declaration

In relation to our audit of the financial report of Freycinet Coast Financial Services Limited for the financial year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott

Partner

Richmond Sinnott & Delahunty

Bendigo

31 August 2009

Signed in accordance with a resolution of the Board of Directors at Swansea on
31 August 2009.

Robert Woolley, Director

Financial statements

Income statement For year ending 30 June 2009

| | | 2009 | 2008 |
|---|-------|------------------|------------------|
| | Notes | \$ | \$ |
| Revenue from ordinary activities | 2 | 211,131 | 36,564 |
| Employee benefits expense | 3 | (194,936) | (78,321) |
| Charitable donations and sponsorship | | (3,549) | (610) |
| Depreciation and amortisation expense | 3 | (37,675) | (4,396) |
| Finance costs | | (2,635) | - |
| Establishment and set up costs | | - | (112,630) |
| Other expenses from ordinary activities | | (232,583) | (65,042) |
| Loss before income tax benefit | | (260,247) | (224,435) |
| Income tax benefit | 4 | (78,521) | (34,337) |
| Loss after income tax benefit | | (181,726) | (190,098) |
| Earnings per share (cents per share) | | | |
| - basic for loss for the year | 21 | (15.51) | (16.23) |
| - diluted for loss for the year | 21 | (15.51) | (16.23) |

The accompanying notes form a part of these financial statements.

Financial statements continued...

Balance sheet As at 30 June 2009

| | Notes | 2009 \$ | 2008 \$ |
|--------------------------------------|-------|----------------|------------------|
| Current Assets | | | |
| Cash assets | 6 | 373,035 | 712,151 |
| Receivables | 7 | 29,961 | 81,391 |
| Total Current Assets | | 402,996 | 793,542 |
| Non-current Assets | | | |
| Property, plant and equipment | 8 | 315,521 | 179,014 |
| Deferred income tax asset | 4 | 112,858 | 34,337 |
| Intangible assets | 9 | 7,931 | 9,737 |
| Total Non-Current Assets | | 436,310 | 223,088 |
| Total Assets | | 839,306 | 1,016,630 |
| Current Liabilities | | | |
| Payables | 10 | 14,142 | 48,622 |
| Provisions | 11 | 17,443 | 4,318 |
| Interest bearing liabilities | 12 | 9,028 | - |
| Total Current Liabilities | | 40,613 | 52,940 |
| Non-current Liabilities | | | |
| Interest bearing liabilities | 12 | 16,729 | - |
| Total Non-current Liabilities | | 16,729 | - |
| Total Liabilities | | 57,342 | 52,940 |
| Net Assets | | 781,964 | 963,690 |
| Equity | | | |
| Share capital | 13 | 1,153,788 | 1,153,788 |
| Accumulated losses | 14 | (371,824) | (190,098) |
| Total Equity | | 781,964 | 963,690 |

The accompanying notes form a part of these financial statements.

Financial statements continued...

Balance sheet As at 30 June 2009

| | Notes | 2009 \$ | 2008 \$ |
|--------------------------------------|-------|----------------|------------------|
| Current Assets | | | |
| Cash assets | 6 | 373,035 | 712,151 |
| Receivables | 7 | 29,961 | 81,391 |
| Total Current Assets | | 402,996 | 793,542 |
| Non-current Assets | | | |
| Property, plant and equipment | 8 | 315,521 | 179,014 |
| Deferred income tax asset | 4 | 112,858 | 34,337 |
| Intangible assets | 9 | 7,931 | 9,737 |
| Total Non-Current Assets | | 436,310 | 223,088 |
| Total Assets | | 839,306 | 1,016,630 |
| Current Liabilities | | | |
| Payables | 10 | 14,142 | 48,622 |
| Provisions | 11 | 17,443 | 4,318 |
| Interest bearing liabilities | 12 | 9,028 | - |
| Total Current Liabilities | | 40,613 | 52,940 |
| Non-current Liabilities | | | |
| Interest bearing liabilities | 12 | 16,729 | - |
| Total Non-current Liabilities | | 16,729 | - |
| Total Liabilities | | 57,342 | 52,940 |
| Net Assets | | 781,964 | 963,690 |
| Equity | | | |
| Share capital | 13 | 1,153,788 | 1,153,788 |
| Accumulated losses | 14 | (371,824) | (190,098) |
| Total Equity | | 781,964 | 963,690 |

The accompanying notes form a part of these financial statements.

Financial statements continued...

Statement of cash flows As at 30 June 2009

| | Notes | 2009 \$ | 2008 \$ |
|--|------------|------------------|------------------|
| Cash Flows From Operating Activities | | | |
| Cash receipts in the course of operations | | 241,044 | 36,216 |
| Cash payments in the course of operations | | (474,805) | (284,946) |
| Interest received | | 43,899 | 240 |
| Finance costs | | (2,635) | - |
| Net cash flows used in operating activities | 15b | (192,497) | (248,490) |
| Cash Flows From Investing Activities | | | |
| Payment for intangible assets | | - | (10,000) |
| Payments for property, plant and equipment | | (172,376) | (183,147) |
| Net cash flows used in investing activities | | (172,376) | (193,147) |
| Cash Flows From Financing Activities | | | |
| Proceeds from issue of shares | | - | 1,153,788 |
| Proceeds of asset purchase loan | | 34,233 | - |
| Repayment of asset purchase loan | | (8,476) | - |
| Net cash flows from financing activities | | 25,757 | 1,153,788 |
| Net increase in cash held | | (339,116) | 712,151 |
| Add opening cash brought forward | | 712,151 | - |
| Closing cash carried forward | 15a | 373,035 | 712,151 |

The accompanying notes form a part of these financial statements.

Financial statements continued...

Statement of changes in equity As at 30 June 2009

| | 2009 \$ | 2008 \$ |
|-------------------------------|------------------|------------------|
| SHARE CAPITAL | | |
| Ordinary shares | | |
| Balance at start of year | 1,153,788 | - |
| Issue of share capital | - | 1,171,615 |
| Share issue costs | - | (17,827) |
| Balance at end of year | 1,153,788 | 1,153,788 |
| ACCUMULATED LOSSES | | |
| Balance at start of year | (190,098) | - |
| Loss after income tax benefit | (181,726) | (190,098) |
| Dividends paid | - | - |
| Balance at end of year | (371,824) | (190,098) |

The accompanying notes form a part of these financial statements.

Notes to the financial statements

1. Basis of preparation of the Financial Report

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 31 August 2009.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting

policies have been consistently applied and are consistent with those applied in the 30 June 2008 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Notes to the financial statements continued...

1. Basis of preparation of the Financial Report (continued)

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

| Class of Asset | Depreciation Rate |
|------------------------|-------------------|
| Leasehold improvements | 10% |
| Furniture & fittings | 5-20% |
| Computer software | 20% |
| Motor vehicles | 15% |

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater 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.

Recoverable amount of assets

At each reporting date, the company assesses whether there is any indication that an asset is impaired. Where an indicator of

impairment exists, the company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

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 cash flow statement on a gross basis.

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

Employee Benefits

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

Notes to the financial statements continued...

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

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

Receivables and Payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. 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.

Interest Bearing Liabilities

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

Provisions

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

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

Contributed Capital

Issued and paid up capital is 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.

Comparative figures

The entity commenced operations during the prior period, and hence comparative figures are for the period ended 30 June 2008.

Notes to the financial statements continued...

| | 2009 | 2008 |
|--|------|------|
| | \$ | \$ |

2. Revenue from ordinary activities

Operating activities

| | | |
|--|----------------|---------------|
| - services commissions | 156,842 | 15,787 |
| - other revenue | 16,250 | - |
| Total revenue from operating activities | 173,092 | 15,787 |
| Non-operating activities: | | |
| - interest received | 29,168 | 20,686 |
| - other revenue | 8,871 | 91 |
| Total revenue from non-operating activities | 38,039 | 20,777 |
| Total revenue from ordinary activities | 211,131 | 36,564 |

3. Expenses

Employee benefits expense

| | | |
|-------------------------------------|----------------|---------------|
| - wages and salaries | 167,633 | 46,630 |
| - superannuation costs | 14,778 | 4,103 |
| - workers' compensation costs | 774 | 840 |
| - other costs | 11,751 | 26,748 |
| | 194,936 | 78,321 |
| Depreciation of non-current assets: | | |
| - plant and equipment | 35,869 | 4,133 |
| Amortisation of non-current assets: | | |
| - intangibles | 1,806 | 263 |
| | 37,675 | 4,396 |

Notes to the financial statements continued...

| | 2009 | 2008 |
|--|------|------|
| | \$ | \$ |

4. Income Tax Expense

The prima facie tax on loss before income tax is reconciled to the income tax expense as follows:

| | | |
|---|-----------------|-----------------|
| Prima facie tax on loss before income tax at 30% | (78,074) | (67,330) |
| Add/(less) tax effect of: | | |
| - Deductible & Non-deductible expenses | (447) | 32,993 |
| Current income tax benefit | (78,521) | (34,337) |
| Income tax benefit | (78,521) | (34,337) |
| Deferred income tax asset | | |
| Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable. | 112,858 | 34,337 |

5. Auditors' Remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:

| | | |
|--|--------------|---------------|
| - Audit or review of the financial report of the company | 3,650 | 2,700 |
| - Completion of feasibility study | - | 6,000 |
| - Accounting work for prospectus | - | 3,000 |
| - Taxation services | 450 | - |
| - Share registry services | 1,800 | - |
| | 5,900 | 11,700 |

6. Cash Assets

| | | |
|---------------------------------|----------------|----------------|
| Cash at bank and on hand | 373,035 | 712,151 |
|---------------------------------|----------------|----------------|

Notes to the financial statements continued...

| | 2009 \$ | 2008 \$ |
|----------------------------------|----------------|----------------|
| 7. Receivables | | |
| Interest receivable | 5,715 | 20,446 |
| Trade debtors | 24,246 | 60,945 |
| | 29,961 | 81,391 |
| 8. Plant and Equipment | | |
| Leasehold improvements | | |
| At cost | 132,222 | 59,062 |
| Less accumulated depreciation | (13,174) | (1,477) |
| | 119,048 | 57,585 |
| Computer software | | |
| At cost | 16,690 | 8,345 |
| Less accumulated depreciation | (3,407) | (417) |
| | 13,283 | 7,928 |
| Furniture and fittings | | |
| At cost | 173,866 | 84,481 |
| Less accumulated depreciation | (18,612) | (2,239) |
| | 155,254 | 82,242 |
| Motor vehicle | | |
| At cost | 31,259 | 31,259 |
| Less accumulated depreciation | (4,689) | - |
| | 26,570 | 31,259 |
| Plant & equipment | | |
| At cost | 1,486 | - |
| Less accumulated depreciation | (120) | - |
| | 1,366 | - |
| Total written down amount | 315,521 | 179,014 |

Notes to the financial statements continued...

| | 2009 \$ | 2008 \$ |
|---|----------------|---------------|
| 8. Plant and Equipment (continued) | | |
| Movements in carrying amounts | | |
| Leasehold improvements | | |
| Carrying amount at beginning of year | 57,585 | - |
| Additions | 73,160 | 59,062 |
| Disposals | - | - |
| Depreciation expense | (11,697) | (1,477) |
| Carrying amount at end of year | 119,048 | 57,585 |
| Computer software | | |
| Carrying amount at beginning of year | 7,928 | - |
| Additions | 8,345 | 8,345 |
| Disposals | - | - |
| Depreciation expense | (2,990) | (417) |
| Carrying amount at end of year | 13,283 | 7,928 |
| Furniture and fittings | | |
| Carrying amount at beginning of year | 82,242 | - |
| Additions | 89,385 | 84,481 |
| Disposals | - | - |
| Depreciation expense | (16,373) | (2,239) |
| Carrying amount at end of year | 155,254 | 82,242 |
| Motor vehicle | | |
| Carrying amount at beginning of year | 31,259 | - |
| Additions | - | 31,259 |
| Disposals | - | - |
| Depreciation expense | (4,689) | - |
| Carrying amount at end of year | 26,570 | 31,259 |

Notes to the financial statements continued...

| | 2009 \$ | 2008 \$ |
|---|---------------|---------------|
| Plant & equipment | | |
| Carrying amount at beginning of year | - | - |
| Additions | 1,486 | - |
| Disposals | - | - |
| Depreciation expense | (120) | - |
| Carrying amount at end of year | 1,366 | - |
| 9. Intangible Assets | | |
| Franchise Fee | | |
| At cost | 10,000 | 10,000 |
| Less accumulated amortisation | (2,069) | (263) |
| | 7,931 | 9,737 |
| 10. Payables | | |
| Trade creditors | 9,228 | 45,130 |
| GST payable | 2,938 | 486 |
| Other creditors and accruals | 1,976 | 3,006 |
| | 14,142 | 48,622 |
| 11. Provisions | | |
| Employee benefits | 17,443 | 4,318 |
| Number of employees at year end | 7 | 7 |
| 12. Interest Bearing liabilities | | |
| Current | | |
| Lease liability | 9,028 | - |
| Non-current | | |
| Lease liability | 16,729 | - |

Notes to the financial statements continued...

| | 2009 \$ | 2008 \$ |
|--|------------------|------------------|
| 13. Share Capital | | |
| 1,171,615 Ordinary Shares fully paid of \$1 each | 1,171,615 | 1,171,615 |
| Less: Equity raising costs | (17,827) | (17,827) |
| | 1,153,788 | 1,153,788 |
| All the above shares were issued during the period ended 30 June 2008. | | |
| 14. Accumulated Losses | | |
| Balance at the beginning of the financial year | (190,098) | - |
| Loss after income tax | (181,726) | (190,098) |
| Dividends | - | - |
| Balance at the end of the financial year | (371,824) | (190,098) |
| 15. Cash Flow Statement | | |
| (a) Reconciliation of cash | | |
| Cash assets | 373,035 | 712,151 |
| (b) Reconciliation of loss after tax to net cash used in operating activities | | |
| Loss after income tax | (181,726) | (190,098) |
| Non cash items | | |
| - Depreciation | 35,869 | 4,133 |
| - Amortisation | 1,806 | 263 |
| Changes in assets and liabilities | | |
| - (Increase) decrease in receivables | 51,430 | (81,391) |
| - (Increase) decrease in deferred tax asset | (78,521) | (34,337) |
| - Increase (decrease) in payables | (34,480) | 48,622 |
| - Increase (decrease) in provisions | 13,125 | 4,318 |
| Net cash flows used in operating activities | (192,497) | (248,490) |

Notes to the financial statements continued...

16. Director and Related Party Disclosures

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

Robert Woolley

John Austwick

Ann Browning

Amanda Burbury (resigned 27 January 2009)

Jennifer Crawford

Martin Crawford

Kenneth Dean

Jeffrey Doyle

Jennifer Logie

Miranda Randall

Reginald Waldren (resigned 24 November 2008)

Ian Wallace (resigned 24 November 2008)

Shayne Williams

Harvey Cuthill (appointed 27 October 2008)

Christina Birkett (appointed 23 February 2009)

Michael Harrison (appointed 23 February 2009)
(resigned 31 August 2009)

Miranda Randall (Company Secretary) has received a fee for providing secretarial and related services to the company. The amount paid during the year was \$18,000 (2008: \$10,405).

Ann Browning, Ken Dean, Jeffrey Doyle, Robert Woolley and Shayne Williams are Directors of VSW Pty Ltd that own the property which is leased to the company for use as the Bicheno **Community Bank®** premises. Rent paid during the year ended 30 June 2009 was \$26,706 (2008: Nil).

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.

Notes to the financial statements continued...

| Directors shareholdings | 2009 | Movement | 2008 |
|--|-------------|-----------------|-------------|
| Robert Woolley | 21,501 | 1,500 | 20,001 |
| John Austwick | 6,001 | - | 6,001 |
| Ann Browning | 31,501 | 1,500 | 30,001 |
| Amanda Burbury (resigned 27 January 2009) | 5,001 | - | 5,001 |
| Jennifer Crawford | 6,001 | 3,000 | 3,001 |
| Martin Crawford | 10,001 | - | 10,001 |
| Kenneth Dean | 3,501 | - | 3,501 |
| Jeffrey Doyle | 20,001 | - | 20,001 |
| Jennifer Logie | 20,001 | - | 20,001 |
| Miranda Randall | 3,001 | - | 3,001 |
| Reginald Waldren (resigned 24 November 2008) | 5,001 | - | 5,001 |
| Ian Wallace (resigned 24 November 2008) | 501 | - | 501 |
| Shayne Williams | 10,001 | - | 10,001 |
| Harvey Cuthill (appointed 27 October 2008) | 10,001 | - | 10,001 |
| Christina Birkett (appointed 23 February 2009) | 5,000 | - | 5,000 |
| Michael Harrison (appointed 23 February 2009) (resigned 31 August 2009) | 5,000 | - | 5,000 |

Each share held has a paid up value of \$1 and is fully paid.

17. Subsequent Events

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

18. Contingent Liabilities

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

19. Segment Reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Freycinet Coast, Tasmania.

Notes to the financial statements continued...

20. Corporate Information

Freycinet Coast Financial Services Limited is a company limited by shares incorporated in Australia.

The registered office is:

Shop 3/64 Burgess Street Bicheno, TAS 7215

The principal places of business are:

Shop 1/1 Victoria Street, Swansea

Shop 1/64 Burgess Street, Bicheno

21. Earnings per share

| | 2009 | 2008 |
|--|------|------|
| | \$ | \$ |

Basic earnings per share amounts are calculated by dividing loss after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing loss after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

| | | |
|--|------------------|------------------|
| Loss after income tax expense | (181,726) | (190,098) |
| Weighted average number of ordinary shares for basic and diluted earnings per share | | |
| | 1,171,615 | 1,171,615 |

22. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports

Notes to the financial statements continued...

regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

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. The Company's maximum exposure to credit risk at reporting date was:

| | Carrying Amount | |
|-------------|------------------------|----------------|
| | 2009 | 2008 |
| | \$ | \$ |
| Cash assets | 373,035 | 712,151 |
| Receivables | 29,961 | 81,391 |
| | 402,996 | 793,542 |

The Company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables are due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Notes to the financial statements continued...

22. Financial risk management (continued)

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

| | Carrying amount | Contractual cash flows | 1 year or less | over 1 to 5 years | more than 5 years |
|------------------------------|----------------------------|-----------------------------------|---------------------------|------------------------------|------------------------------|
| 30 June 2009 | \$ | \$ | \$ | \$ | \$ |
| Payables | 14,142 | (14,142) | (14,142) | - | - |
| Interest bearing liabilities | 25,757 | (29,069) | (11,111) | (17,958) | - |
| | 39,899 | (43,211) | (25,253) | (17,958) | - |
| 30 June 2008 | | | | | |
| Payables | 48,622 | (48,622) | (48,622) | - | - |
| | 48,622 | (48,622) | (48,622) | - | - |

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest Rate Risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

| | Carrying Amount | |
|---------------------------|-----------------|----------------|
| | 2009 | 2008 |
| | \$ | \$ |
| Variable rate instruments | | |
| Financial assets | 373,035 | 712,151 |
| Financial liabilities | (25,757) | - |
| | 347,278 | 712,151 |

Notes to the financial statements continued...

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. This assumes all other variables remain constant.

(d) 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 year end.

(e) 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%.

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 2009 can be seen in the Income Statement.

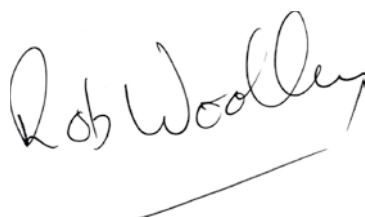
There were no changes in the Company's approach to capital management during the year.

Directors' declaration

In accordance with a resolution of the Directors of Freycinet Coast Financial Services Limited, I 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 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; 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.

A handwritten signature in black ink that reads "Rob Woolley". The signature is written in a cursive, flowing style. Below the signature is a short, horizontal line.

Robert Woolley, Director

Signed at Swansea on 31 August 2009.

Independent audit report

Richmond Sinnott & Delahunty Chartered Accountants



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF FREYCINET COAST FINANCIAL SERVICES LIMITED

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

SCOPE

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Freycinet Coast Financial Services Limited, for the year ended 30 June 2009.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Woodbury Court, 172 Melvor Road Bendigo 3550. PO Box 30 Bendigo 3552. Ph: (03) 5443 1177. Fax: (03) 5444 4344. Email: rsd@rsdadvisors.com.au

ABN 60 616 244 309

Liability limited by a scheme approved under Professional Standards Legislation

Independent audit report continued...

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Freycinet Coast Financial Services Limited is in accordance with:

- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date;
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahanty

RICHMOND SINNOTT & DELAHUNTY

Chartered Accountants

W. J. Sinnott

W. J. SINNOTT

Partner
Bendigo

Date: 31 August 2009

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

Swansea **Community Bank**[®] Branch
Shop 1/1 Victoria Street, Swansea TAS 7190
Phone: (03) 6257 8825 Fax: (03) 6257 8994

Bicheno **Community Bank**[®] Branch
Shop 1/64 Burgess Street, Bicheno TAS 7215
Phone: (03) 6375 1772 Fax: (03) 6375 1788

Franchisee: Freycinet Coast Financial Services Limited
PO Box 125, Bicheno TAS 7215
Phone: (03) 6375 1681 Fax: (03) 6375 1683
ABN 32 127 068 222

www.bendigobank.com.au
Bendigo and Adelaide Bank Limited, The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178, AFSL 237879. (BMPAR8038) (08/09)