

annual report 2010



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Chair's report

Dear Shareholders

In the third year of operations we have achieved our Prospectus targets and look forward to reaching a profitable performance later this financial year (2010-2011).

Highlights:

- Both branches have similar growth and are now clearly part of the Community structure.
- Our staff have continued their personal development and are competently providing a broader range of services to the Community.
- It was pleasing that the business grew continuously through the slow down caused by the global financial crisis.

We made many contributions to a wide range of community projects and groups:

- Glamorgan Spring Bay Little Athletics to assist with their ongoing maintenance program.
- Bicheno Primary School as a donation towards the new Gym.
- From France to Freycinet for sponsorship support of the Festival.
- Bicheno RSL as a donation towards Show 'N Shine.
- Great Oyster Bay News as a contribution towards the cost of a new printer.
- Devil Island Project as a donation of \$2 for each new account opened at Swansea and Bicheno **Community Bank®** branches.
- May Shaw Health Centre towards the costs of the Community Van.
- Bicheno Community Health Group towards the costs of the Community Car.
- East Coast Primary Producers for sponsorship of a Golf Day.
- Swansea Golf Club for sponsorship of a Golf Day.
- Swansea Primary School Association for sponsorship of the Swansea Primary Swim Squad.

Members of the Board initiated and assisted with the organisational support of the hugely successful "Accidental Dinner & Auction" for the May Shaw Health Centre's Emergency Room (Jan Cameron of Chickenfeed Bargain Stores matched the funds raised) that resulted in a total of \$90,000 for the Emergency Room.

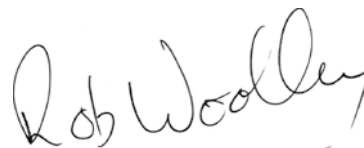
We also supported "The Big Night Out" for Little Penguins Child Care Steering Committee (Jan Cameron of Chickenfeed Bargain Stores donated \$20,600 to match the funds raised) that resulted in raising the funds needed to open Little Penguins Child Care Centre, a much needed facility in Bicheno.

I wish to thank the Board for their commitment and effective contribution to building this Community enterprise. I would like to particularly note the contributions from retiring Directors Martin Crawford and Jeff Doyle who had been members since the formation, and also Michael Harrison and Christie Birkett.

I would like to welcome our new Directors Nadine Ozols, Derek Freeman, Greg Raspin and Bruce Dunbabin whom I'm sure will bring a vast amount of knowledge between them that will enrich our Board as a whole.

My thanks to our committed staff for their enthusiasm and dedication to providing effective banking services to the Community and also to the Community for the fantastic support that you have given us.

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



Rob Woolley

CHAIR

Manager's report

Two years on and Swansea/Bicheno **Community Bank®** is successfully operating in our Communities. Loyal support from our shareholders, existing and new customers has us heading to profit and close to 1,500 accounts opened in less than 2½ years.

Since our last Annual Report our business has gone from strength to strength and through the tough economic climate of the last 12 months, we have been able to increase our Funds Under Management to \$37.9 million by the 30th June 2010.

There are over 250 **Community Bank®** branches in Australia and in the last 10 years over \$40million has been utilised to support community groups and projects right across our country. This milestone strengthens the importance of the **Community Bank®** network as an alternative source of funding for local community initiatives.

The Swansea/Bicheno **Community Bank®** has become an active part of our local communities and it has given us a great deal of pleasure to be able to support many Community groups. Staff from both branches have also been actively involved in Community engagements within the Freycinet Coast region.

It is in our interest to ensure our Communities have a future. We believe people in our Community will support us if we continue to support our Community.

We aim to keep local capital in the Community and provide a source of revenue for Community projects determined by you. Through your ongoing support, we are all looking forward to heading into profit, where we will be able to assist our Community with additional donations, grants and sponsorships.

Staff members, Cherie Hill and Suzanne Whytcross have been appointed to Senior Customer Service Officers. This has enabled them to assist me in the Consumer Lending area and be available for loan interviews and enquiries. We have welcomed Georgia Alexander to our team and Bianca Melling has returned from maternity leave. Together with Susie Sinclair and Leissa Dane our staff continue to provide excellent service with your everyday banking needs.

Brian Graham our Business Banker visits the East Coast on a regular basis to meet business banking clients.

All banking services are offered through Swansea/Bicheno **Community Bank®** branches and we are heading into an exciting period in the growth of our **Community Bank®**. We ask for your ongoing support to reach our major milestone – profit..... and a successful future for our Freycinet Coast region.



Lyn Mansfield

BRANCH MANAGER

Directors' report

Your Directors submit their report of the Company for the financial year ended 30 June 2010.

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: Retired

Ann Browning

Non-Executive Director
Occupation: Retired Community Nurse

Martin Crawford (resigned 31 December 2009)

Non-Executive Director
Occupation: Retired Businessman

Jenifer Crawford

Non-Executive Director
Occupation: Deputy Mayor GSBC

Jeffrey Doyle (resigned 30 April 2010)

Non-Executive Director
Occupation: Retired Financial Planner

Kenneth Dean

Non-Executive Director
Occupation: Retired Chartered Accountant

Jennifer Logie

Non-Executive Director
Occupation: Retired HR Consultant

Miranda Randall

Non-Executive Director
Occupation: Business Manager

Harvey Cuthill

Non-Executive Director
Occupation: Pharmacist

Shayne Williams

Non-Executive Director
Occupation: Retired

Michael Harrison (resigned 24 August 2009)

Non-Executive Director
Occupation: Retired

Christina Birkett (resigned 29 March 2010)

Non-Executive Director
Occupation: Tourism Business Owner

Derek Freeman (appointed 29 March 2010)

Non-Executive Director
Occupation: Vigneron

Nadine Ozols (appointed 29 March 2010)

Non-Executive Director
Occupation: Regional Health Coordinator

Bruce Dunbabin (appointed 26 July 2010)

Non-Executive Director
Occupation: Farmer

Gregory Raspin (appointed 26 July 2010)

Non-Executive Director
Occupation: Retailer

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.

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 \$149,628 (2009: \$181,726).

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 \$3,000 (2009: \$18,000) for secretarial and related services to the Company. This payment was made on normal commercial terms. Ms Randall resigned as Company Secretary on 31 August 2009.

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 bank premises. Rent paid during the year ended 30 June 2010 was \$33,168 (2009: \$26,706 ten months).

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 agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

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:

	A	B	C
Robert Woolley	9	10	
John Austwick	10	10	
Ann Browning	9	10	
Jenifer Crawford	7	10	3
Martin Crawford (resigned 31 December 2009)	5	5	
Kenneth Dean	6	10	4
Jeffrey Doyle (resigned 30 April 2010)	5	8	
Jennifer Logie	9	10	
Miranda Randall	4	10	4
Shayne Williams	9	10	
Harvey Cuthill	5	10	2
Christina Birkett (resigned 29 March 2010)	3	6	
Michael Harrison (resigned 24 August 2009)	1	1	
Derek Freeman (appointed 29 March 2010)	4	4	
Nadine Ozols (appointed 29 March 2010)	4	4	
Bruce Dunbabin (appointed 26 July 2010)	-	-	
Gregory Raspin (appointed 26 July 2010)	-	-	

A - Number of meetings attended

B - Number of meetings held during the time

C - Leave of absence granted

Company Secretary

Miranda Randall was the Company Secretary of Freycinet Coast Financial Services Limited until her resignation on 31 August 2009. Susan McCormack was appointed as Company Secretary on 31 August 2009. Mrs. McCormack has a wide range of secretarial and 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 Ken Dean (Chair), Rob Woolley and Jeff Doyle (until retirement from the Board);
- (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 & Finance, Marketing & Promotions, Human Resources, Nomination & Review and Business & Strategic Development.

Auditor Independence Declaration

The Directors received the following declaration
from the Auditor of the Company:

Richmond Sinnott & Delahunty Chartered Accountants



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

30 August 2010

The Directors
Freycinet Coast Financial Services Limited
PO Box 125
BICHENO TAS 7215

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Freycinet Coast Financial Services Limited for the year ended 30 June 2010, 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

Signed in accordance with a resolution of the Board of Directors at Swansea on
30 August 2010.

Robert Woolley, Director

Woodbury Court, 172 McIvor 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

Financial statements

Statement of Comprehensive Income For year ending 30 June 2010

		2010	2009
	Notes	\$	\$
Revenue from ordinary activities	2	322,034	211,131
Employee benefits expense	3	(205,805)	(194,936)
Charitable donations and sponsorship		(6,681)	(3,549)
Depreciation and amortisation expense	3	(42,076)	(37,675)
Finance costs		(2,084)	(2,635)
Other expenses from ordinary activities		(279,813)	(232,583)
Loss before income tax benefit		(214,425)	(260,247)
Income tax benefit	4	(64,797)	(78,521)
Loss after income tax benefit		(149,628)	(181,726)
Other comprehensive income		-	-
Total comprehensive income		(149,628)	(181,726)
Earnings per share (cents per share)			
- basic for loss for the year	22	(12.77)	(15.51)
- diluted for loss for the year	22	(12.77)	(15.51)

The accompanying notes form a part of these financial statements.

Balance Sheet

As at 30 June 2010

	Notes	2010 \$	2009 \$
Current Assets			
Cash and cash equivalents	6	202,353	373,035
Receivables	7	44,555	29,961
Total Current Assets		246,908	402,996
Non-current Assets			
Property, plant and equipment	8	277,750	315,521
Deferred tax assets	4	177,655	112,858
Intangible assets	9	5,931	7,931
Total Non-Current Assets		461,336	436,310
Total Assets		708,244	839,306
Current Liabilities			
Payables	10	36,083	14,142
Provisions	11	23,096	17,443
Loans and borrowings	12	9,934	9,028
Total Current Liabilities		69,113	40,613
Non-current Liabilities			
Loans and borrowings	12	6,795	16,729
Total Non-current Liabilities		6,795	16,729
Total Liabilities		75,908	57,342
Net Assets		632,336	781,964
Equity			
Share capital	13	1,153,788	1,153,788
Accumulated losses	14	(521,452)	(371,824)
Total Equity		632,336	781,964

The accompanying notes form a part of these financial statements.

Financial statements continued...

Statement of Cash Flows For year ending 30 June 2010

	Notes	2010 \$	2009 \$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		323,332	241,044
Cash payments in the course of operations		(492,236)	(474,805)
Interest received		11,639	43,899
Finance costs		(2,084)	(2,635)
Net cash flows used in operating activities	15b	(159,349)	(192,497)
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(2,305)	(172,376)
Net cash flows used in investing activities		(2,305)	(172,376)
Cash Flows From Financing Activities			
Proceeds of asset purchase loan		-	34,233
Repayment of asset purchase loan		(9,028)	(8,476)
Net cash flows from financing activities		(9,028)	25,757
Net increase in cash held		(170,682)	(339,116)
Cash and cash equivalents at start of year		373,035	712,151
Cash and cash equivalents at end of year	15a	202,353	373,035

The accompanying notes form a part of these financial statements.

Statement of Changes in Equity
For year ending 30 June 2010

	Notes	2010 \$	2009 \$
SHARE CAPITAL			
Balance at start of year		1,153,788	1,153,788
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		1,153,788	1,153,788
ACCUMULATED LOSSES			
Balance at start of year		(371,824)	(190,098)
Loss after income tax benefit		(149,628)	(181,726)
Dividends paid	20	-	-
Balance at end of year		(521,452)	(371,824)

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 preparation

Freycinet Coast Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing community banking services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 30 August 2010.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. 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 2009 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the reporting 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 reporting 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.

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:

<i>Class of Asset</i>	<i>Depreciation Rate</i>
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 Statement of Financial Position. 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 Australian Taxation Office (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 reporting date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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 Statement of Cash Flows, 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 GST.

Notes to the financial statements continued...

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

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.

Loans and borrowings

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.

Share 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.

	2010 \$	2009 \$
2. Revenue from ordinary activities		
Operating activities		
- services commissions	282,297	156,842
- other revenue	28,333	16,250
Total revenue from operating activities	310,630	173,092
Non-operating activities		
- interest received	11,404	29,168
- other revenue	-	8,871
Total revenue from non-operating activities	11,404	38,039
Total revenue from ordinary activities	322,034	211,131
3. Expenses		
Employee benefits expense		
- wages and salaries	182,178	167,633
- superannuation costs	15,828	14,778
- workers' compensation costs	914	774
- other costs	6,885	11,751
	205,805	194,936
Depreciation of non-current assets		
- plant and equipment	40,076	35,869
Amortisation of non-current assets		
- intangibles	2,000	1,806
	42,076	37,675

Notes to the financial statements continued...

	2010	2009
	\$	\$

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%	(64,327)	(78,074)
Add/(less) tax effect of:		
- (Deductible) / non-deductible expenses	(470)	(447)
Current income tax benefit	(64,797)	(78,521)
Income tax benefit	(64,797)	(78,521)

Deferred tax assets

Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.

	177,655	112,858
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5. Auditors' Remuneration

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

- Audit or review of the financial report of the Company	3,900	3,650
- Taxation services	450	450
- Share registry services	1,625	1,800
	5,975	5,900

6. Cash and Cash Equivalents

Cash at bank and on hand	202,353	373,035
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7. Receivables

Interest receivable	5,480	5,715
Trade debtors	39,075	24,246
	44,555	29,961

	2010 \$	2009 \$
8. Plant and Equipment		
Leasehold improvements		
At cost	132,222	132,222
Less accumulated depreciation	(26,396)	(13,174)
	105,826	119,048
Computer software		
At cost	16,690	16,690
Less accumulated depreciation	(6,745)	(3,407)
	9,945	13,283
Furniture and fittings		
At cost	174,312	173,866
Less accumulated depreciation	(37,012)	(18,612)
	137,300	155,254
Motor vehicle		
At cost	31,259	31,259
Less accumulated depreciation	(9,378)	(4,689)
	21,881	26,570
Plant & equipment		
At cost	3,345	1,486
Less accumulated depreciation	(547)	(120)
	2,798	1,366
Total written down amount	277,750	315,521

Notes to the financial statements continued...

	2010 \$	2009 \$
8. Plant and Equipment (continued)		
Movements in carrying amounts		
Leasehold improvements		
Carrying amount at beginning of year	119,048	57,585
Additions	-	73,160
Disposals	-	-
Depreciation expense	(13,222)	(11,697)
Carrying amount at end of year	105,826	119,048
Computer software		
Carrying amount at beginning of year	13,283	7,928
Additions	-	8,345
Disposals	-	-
Depreciation expense	(3,338)	(2,990)
Carrying amount at end of year	9,945	13,283
Furniture and fittings		
Carrying amount at beginning of year	155,254	82,242
Additions	446	89,385
Disposals	-	-
Depreciation expense	(18,400)	(16,373)
Carrying amount at end of year	137,300	155,254
Motor vehicle		
Carrying amount at beginning of year	26,570	31,259
Additions	-	-
Disposals	-	-
Depreciation expense	(4,689)	(4,689)
Carrying amount at end of year	21,881	26,570

	2010 \$	2009 \$
Plant & equipment		
Carrying amount at beginning of year	1,366	-
Additions	1,859	1,486
Disposals	-	-
Depreciation expense	(427)	(120)
Carrying amount at end of year	2,798	1,366

9. Intangible Assets

Franchise Fee

At cost	10,000	10,000
Less accumulated amortisation	(4,069)	(2,069)
	5,931	7,931

10. Payables

Trade creditors	20,851	9,228
GST payable	3,240	2,938
Other creditors and accruals	11,992	1,976
	36,083	14,142

11. Provisions

Employee benefits	23,096	17,443
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12. Loans and Borrowings

Current

Asset Purchase Loan	9,934	9,028
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Non-current

Asset Purchase Loan	6,795	16,729
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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.

Notes to the financial statements continued...

	2010 \$	2009 \$
14. Accumulated Losses		
Balance at the beginning of the financial year	(371,824)	(190,098)
Loss after income tax	(149,628)	(181,726)
Dividends	-	-
Balance at the end of the financial year	(521,452)	(371,824)
15. Statement of Cash Flows		
(a) Cash and cash equivalents		
Cash assets	202,353	373,035
(b) Reconciliation of loss after tax to net cash used in operating activities		
Loss after income tax	(149,628)	(181,726)
Non cash items		
- Depreciation	40,076	35,869
- Amortisation	2,000	1,806
Changes in assets and liabilities		
- (Increase) decrease in receivables	(14,594)	51,430
- (Increase) decrease in deferred tax asset	(64,797)	(78,521)
- Increase (decrease) in payables	21,941	(34,480)
- Increase (decrease) in provisions	5,653	13,125
Net cash flows used in operating activities	(159,349)	(192,497)

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

Jenifer Crawford

Martin Crawford (resigned 31 December 2009)

Kenneth Dean

Jeffrey Doyle (resigned 30 April 2010)

Jennifer Logje

Miranda Randall

Shayne Williams

Harvey Cuthill

Christina Birkett (resigned 29 March 2010)

Michael Harrison (resigned 24 August 2009)

Derek Freeman (appointed 29 March 2010)

Nadine Ozols (appointed 29 March 2010)

Bruce Dunbabin (appointed 26 July 2010)

Gregory Raspin (appointed 26 July 2010)

During the year Miranda Randall (Company Secretary) received \$3,000 (2009: \$18,000) 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 bank premises. Rent paid during the year ended 30 June 2010 was \$33,168 (2009: \$26,706 ten months).

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	2010	Movement	2009
Robert Woolley	21,501	-	21,501
John Austwick	6,001	-	6,001
Ann Browning	31,501	-	31,501
Jenifer Crawford	6,001	-	6,001
Martin Crawford (resigned 31 December 2009)	10,001	-	10,001
Kenneth Dean	3,501	-	3,501
Jeffrey Doyle (resigned 30 April 2010)	20,001	-	20,001
Jennifer Logie	20,001	-	20,001
Miranda Randall	3,001	-	3,001
Shayne Williams	10,001	-	10,001
Harvey Cuthill	10,001	-	10,001
Christina Birkett (resigned 29 March 2010)	5,000	-	5,000
Michael Harrison (resigned 24 August 2009)	5,000	-	5,000
Derek Freeman (appointed 29 March 2010)	-	-	-
Nadine Ozols (appointed 29 March 2010)	-	-	-
Bruce Dunbabin (appointed 26 July 2010)	7,000	-	7,000
Gregory Raspin (appointed 26 July 2010)	6,000	-	6,000

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.

20. Dividends paid or provided for on ordinary shares

No dividends were paid or proposed by the Company during the period.

21. 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

22. Earnings per share

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:

	2010	2009
	\$	\$
Loss after income tax expense	(149,628)	(181,726)
Weighted average number of ordinary shares for basic and diluted earnings per share	1,171,615	1,171,615

23. 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 regularly to the Board.

Notes to the financial statements continued...

23. Financial Risk Management (continued)

(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 reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying Amount	
	2010	2009
	\$	\$
Cash assets	202,353	373,035
Receivables	44,555	29,961
	246,908	402,996

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 (2009: nil 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.

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 2010					
Payables	36,083	(36,083)	(36,083)	-	-
Loans and borrowings	16,729	(17,906)	(11,111)	(6,795)	-
	52,812	(53,989)	(47,194)	(6,795)	-
30 June 2009					
Payables	14,142	(14,142)	(14,142)	-	-
Loans and borrowings	25,757	(29,069)	(11,111)	(17,958)	-
	39,899	(43,211)	(25,253)	(17,958)	-

(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	
	2010	2009
	\$	\$
Fixed rate instruments		
Financial assets	184,193	310,000
Financial liabilities	(16,729)	(25,757)
	167,464	284,243
Variable rate instruments		
Financial assets	18,160	63,035
Financial liabilities	-	-
	18,160	63,035

Notes to the financial statements continued...

23. Financial Risk Management (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 Statement of Financial Position. 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 Statement of Financial Position.

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 2010 can be seen in the Statement of Comprehensive Income.

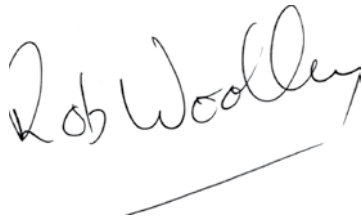
There were no changes in the Company's approach to capital management during the year.

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 2010 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.



Robert Woolley, Director

Signed at Swansea on 30 August 2010.

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 statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Freycinet Coast Financial Services Limited, for the year ended 30 June 2010.

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.

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ABN 60 616 244 309

Liability limited by a scheme approved under Professional Standards Legislation

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 2010 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 & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 30 August 2010

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