

annual report 2011



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Chair's report

Dear Shareholders

We have again achieved our growth plans for the last financial year and are ahead of the expectations set in the Prospectus. We are not far from achieving profit on a month by month basis.

Highlights of the year:

- Swansea and Bicheno have continued the strong growth patterns and these results are in the top level for Bendigo Branches across Tasmania. The branches are of a similar size and in particular have experienced good growth in Lending.
- Feedback from the Bicheno, Swansea and Coles Bay/Swanwick Communities is very positive.
- We are constantly complimented on the great banking service we are providing and that is a real credit to the staff.
- We are delighted with the growing level of recognition from across the region for both our Banking role and our Community role. Last year we worked with over forty Community organisations supporting them and specific projects. In financial terms we made some \$15,000 in donations and sponsorships.

And next year:

The Board sees the two Branches "coming of age" and in the coming year we plan continued and increased Community engagement. We will leverage and grow our ongoing relationships with Community organisations and important services in the area of Schools and Health.

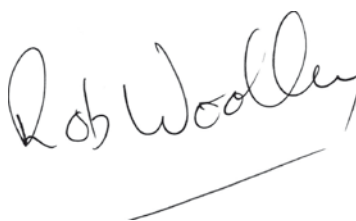
The Board is exploring areas where we can enhance or initiate projects that build the economic base of our Communities. We will consider effective partnering with State and Local Government, and Regional Development Australia. The **Community Bank®** in conjunction with Bendigo Bank provides a particularly effective structure for "getting things done".

Recognition for our people:

We have seen real growth in our staff and the Board recognises the very considerable task that has been undertaken and the very positive results achieved by Lyn and the team at both Swansea and Bicheno. Your **Community Bank®** has built a business from the ground up with the added difficulty of operating out of two sites. By any measure what has been achieved by our people is an outstanding result. Our staff are unfailingly positive with a real "can do" attitude and the leadership from Lyn has been first class from day one.

The Board and I are sure our shareholders thank our staff for the achievements to date and their continuing contribution. They have delivered for the **Community Bank®** and most importantly for our Customers. The Board is very proud of the development within this group.

Our Board has functioned well this year and everyone has put in many hours on behalf of the **Community Bank®** and our shareholders. The Board also recognises the ongoing support of the Community from past Directors. My thanks to all concerned for your contribution and support.



Rob Woolley
CHAIR

Manager's report

Swansea Bicheno **Community Bank**[®] has completed another successful year of operation with constant growth through some tough financial times.

At 30th June our total of Deposits and Lending exceeded \$50 million. We now have 2000 accounts and are operating a great School Banking programme in both towns.

The Swansea and Bicheno Primary Schools have benefited financially over the last twelve months with over \$7000 in Sponsorship Funds from our **Community Bank**[®] being distributed to assist with a School Literacy Program and the purchase of tables to allow children access to seating in their outdoor lunch areas.

Other recipients of sponsorship were Swansea Cricket Club, Bicheno RSL, Triabunna Cricket Club, along with many other Community groups.

Our staff have all been actively involved with the **Community Bank**[®] projects and they are all participants in many of their local community organisations.

As the Manager of the **Community Bank**[®] I particularly enjoy the opportunity to get "out and about" to meet new and existing customers. This is beneficial for me as I develop a closer understanding of our customers and the businesses in the region and it is all part of our service, particularly for those who are not always able to get to the Bank.

Our customers have also benefited from the strong support of Bendigo's Business and Rural Bankers. We now have a proven service record, with senior Business and Rural Bankers regularly attending our Bicheno and Swansea Branches to service our client needs.

As this report is being written, Bicheno Branch will have celebrated it's 3rd Birthday and Swansea has now been open for 3.5 years.

The **Community Bank**[®] Branch network across Australia continues to grow. Over the last 10 years \$50m has been distributed to support Community projects. **Community Bank**[®] contributions have been the foundation funding for much larger projects.

We are all aiming to be part of a positive future for the Freycinet Coast Region. The profits from your **Community Bank**[®] will reward our Shareholders for their support and enable us to contribute more to the Bicheno, Swansea and Coles Bay / Swanwick Communities.



Lyn Mansfield
BRANCH MANAGER

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2011

As **Community Bank**® shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about organising and strengthening community.

Together, we have reached new heights and achieved many great successes, all of which has been underpinned by our commitment and dedication to the communities we're a part of.

Together we're making extraordinary progress, with more than \$58.25 million returned to support community groups and endeavours since the network was established in 1998.

The returns grow exponentially each year, with \$469 thousand returned within the first five years, \$8.15 million within the first eight and \$22.58 million by the end of the first decade of operation. Based on this, we can predict the community returns should top \$100 million within the next three years, which equates to new community facilities, better health care, increased transport services and generally speaking, more prosperous communities.

Together, we haven't just returned \$58.25 million; there is also the flow on economic impact to consider. Bendigo and Adelaide Bank is in the process of establishing an evidential basis that captures the complete picture and the economic outcomes these initiatives generate. However, the tangible outcomes are obvious. We see it in tenanted shops, increased consumer traffic, retained local capital and new jobs but we know that there are broader elements of community strength beyond the economic indicators, which demonstrate the power of our community models.

It is now evident that branches go through a clear maturity phase, building customer support, generating surpluses and establishing a sustainable income stream. This enables Boards to focus less on generating business and more on the community's aspirations. Bendigo is facilitating this through Director engagement and education, community consultations and other community solutions (Community Enterprise Foundation™, Community Sector Banking, Community Telco, Generation Green™ and Community Enterprises) that will provide Boards with further development options.

In Bendigo, your **Community Bank**® Board has a committed and successful partner. Our past efforts and continued commitment to be Australia's leading customer-connected bank, that is relevant, connected and valued, is starting to attract attention and reap rewards.

In January, a Roy Morgan survey into customer satisfaction saw Bendigo Bank achieve an industry leading score among Australian retail banks. This was the first time Bendigo Bank has led the overall results since August 2009.

In May, Fitch Ratings upgraded Bendigo and Adelaide Banks Long-Term Issuer Default Rating (IDR) to A- from BBB+. This announcement saw us become the first Australian bank – and one of the very few banks globally – to receive an upgrade since the Global Financial Crisis.

Standard & Poor's revised credit rating soon followed seeing Bendigo and Adelaide Bank shift from BBB+ stable, to BBB+ positive. These announcements reflect the hard and diligent work by all our staff, our sound risk management practices, low-risk funding and balance sheet structure, sound capital ratios and a sustained improvement in profitability.

The strength of our business model – based on our commitment to our customers and the communities that we operate in – is being recognised by all three ratings agencies.

Over the past year the bank has also added more than 700 additional ATMs through a network sharing agreement with Suncorp Bank, which further enhances our customers' convenience and expands our footprint across the country. In addition to this a further 16 **Community Bank**[®] branches were opened.

The bank has also had a renewed focus on business banking and re-launched our wealth management services through Bendigo Wealth, which oversees the Adelaide Bank, Leveraged Equities, Sandhurst Trustees and financial planning offering.

The **Community Bank**[®] model is unique and successful, it's one of our major points of difference and it enables us to connect with more than 550,000 customers, in excess of 270 communities and make a difference in the lives of countless people.

We are very proud of the model we have developed and we're very thankful for the opportunity to partner with communities to help build their balance sheets.

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



Russell Jenkins
Executive Customer and Community

Directors' report

Your Directors submit their report of the Company for the financial year ended 30 June 2011.

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

Jenifer Crawford

Non-Executive Director
Occupation: Deputy Mayor GSBC

Kenneth Dean

Non-Executive Director
Occupation: Retired Chartered Accountant

Jennifer Logie

Non-Executive Director
Occupation: Office Administrator

Miranda Randall

Non-Executive Director
Occupation: Business Manager

Harvey Cuthill

Non-Executive Director
Occupation: Pharmacist

Shayne Williams

Non-Executive Director
Occupation: Retired

Derek Freeman

Non-Executive Director
Occupation: Vigneron

Nadine Ozols

Non-Executive Director
Occupation: Program 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.

Review of Operations

The loss of the Company for the financial year after income tax benefit was \$92,628 (2010: \$149,628).

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

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility. There are no other 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.

Remuneration Report

Ms Randall resigned as Company Secretary on 31 August 2009. She received \$Nil (2010: \$3,000) for secretarial and related services to the Company while completing this role. This payment was made on normal commercial terms.

Ann Browning, Ken Dean, 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 2011 was \$35,579 (2010: \$33,168).

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 | 8 | 10 | 2 |
| John Austwick | 9 | 10 | - |
| Ann Browning | 9 | 10 | - |
| Jenifer Crawford | 8 | 10 | 2 |
| Kenneth Dean | 7 | 10 | 2 |
| Jennifer Logie | 9 | 10 | 1 |
| Miranda Randall | 3 | 10 | 5 |
| Shayne Williams | 8 | 10 | - |
| Harvey Cuthill | 5 | 10 | 1 |
| Derek Freeman | 8 | 10 | 2 |
| Nadine Ozols | 10 | 10 | - |
| Bruce Dunbabin (appointed 26 July 2010) | 10 | 10 | - |
| Gregory Raspin (appointed 26 July 2010) | 8 | 10 | 2 |

A - Number of meetings attended

B - Number of meetings held during the time

C - Leave of absence granted

Company Secretary

Elizabeth Hutchinson replaced Sue McCormack on 13 December 2010 as company secretary. Ms Hutchinson 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) and Rob Woolley;
- (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:

Freycinet Coast Financial Services Limited
ABN 32 127 068 222
Directors' Report

Auditor Independence Declaration

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



**Richmond
Sinnott &
Delahunty**

Level 2, 10-16 Forest Street
PO Box 30
Bendigo, 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsd advisors.com.au

Chartered Accountants

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 2011, 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
24 August 2011

Signed in accordance with a resolution of the Board of Directors at Bicheno on 24 August 2011.

Robert Woolley, Director

Financial statements

Statement of Comprehensive Income For year ending 30 June 2011

| | Notes | 2011 \$ | 2010 \$ |
|---|-------|------------------|------------------|
| Revenue from ordinary activities | 2 | 436,397 | 322,034 |
| Employee benefits expense | 3 | (246,547) | (205,805) |
| Charitable donations and sponsorship | | (14,308) | (6,681) |
| Depreciation and amortisation expense | 3 | (42,098) | (42,076) |
| Finance costs | | (1,229) | (2,084) |
| Other expenses | | (265,707) | (262,804) |
| Loss before income tax benefit | | (133,492) | (214,425) |
| Income tax benefit | 4 | (40,864) | (64,797) |
| Loss after income tax benefit | | (92,628) | (149,628) |
| Other comprehensive income | | - | - |
| Total comprehensive income | | (92,628) | (149,628) |
| Earnings per share (cents per share) | | | |
| - basic for loss for the year | 22 | (7.91) | (12.77) |
| - diluted for loss for the year | 22 | (7.91) | (12.77) |

The accompanying notes form a part of these financial statements.

Balance Sheet

As at 30 June 2011

| | Notes | 2011 \$ | 2010 \$ |
|--------------------------------------|-------|----------------|----------------|
| Current Assets | | | |
| Cash and cash equivalents | 6 | 98,585 | 202,353 |
| Receivables | 7 | 45,400 | 44,555 |
| Total Current Assets | | 143,985 | 246,908 |
| Non-current Assets | | | |
| Property, plant and equipment | 8 | 237,652 | 277,750 |
| Deferred tax assets | 4 | 218,519 | 177,655 |
| Intangible assets | 9 | 3,931 | 5,931 |
| Total Non-Current Assets | | 460,102 | 461,336 |
| Total Assets | | 604,087 | 708,244 |
| Current Liabilities | | | |
| Payables | 10 | 39,695 | 36,083 |
| Provisions | 11 | 24,684 | 23,096 |
| Loans and borrowings | 12 | - | 9,934 |
| Total Current Liabilities | | 64,379 | 69,113 |
| Non-current Liabilities | | | |
| Loans and borrowings | 12 | - | 6,795 |
| Total Non-current Liabilities | | - | 6,795 |
| Total Liabilities | | 64,379 | 75,908 |
| Net Assets | | 539,708 | 632,336 |
| Equity | | | |
| Share capital | 13 | 1,153,788 | 1,153,788 |
| Accumulated losses | 14 | (614,080) | (521,452) |
| Total Equity | | 539,708 | 632,336 |

The accompanying notes form a part of these financial statements.

Financial statements continued...

Statement of Cash Flows For year ending 30 June 2011

| | Notes | 2011 \$ | 2010 \$ |
|--|-------|------------------|------------------|
| Cash Flows From Operating Activities | | | |
| Cash receipts in the course of operations | | 467,174 | 323,332 |
| Cash payments in the course of operations | | (564,285) | (492,236) |
| Interest received | | 11,301 | 11,639 |
| Finance costs | | (1,229) | (2,084) |
| Net cash flows used in operating activities | 15b | (87,039) | (159,349) |
| Cash Flows From Investing Activities | | | |
| Payments for property, plant and equipment | | - | (2,305) |
| Net cash flows used in investing activities | | - | (2,305) |
| Cash Flows From Financing Activities | | | |
| Repayment of asset purchase loan | | (16,729) | (9,028) |
| Net cash flows from financing activities | | (16,729) | (9,028) |
| Net increase in cash held | | (103,768) | (170,682) |
| Cash and cash equivalents at start of year | | 202,353 | 373,035 |
| Cash and cash equivalents at end of year | 15a | 98,585 | 202,353 |

The accompanying notes form a part of these financial statements.

Statement of Changes in Equity For year ending 30 June 2011

| | Notes | 2011 \$ | 2010 \$ |
|-------------------------------|-------|------------------|------------------|
| 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 | | (521,452) | (371,824) |
| Loss after income tax benefit | | (92,628) | (149,628) |
| Dividends paid | 20 | - | - |
| Balance at end of year | | (614,080) | (521,452) |

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 2011 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 19 August 2011.

(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. These changes are not expected to have a material impact on the Company's financial statements.

(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 2010 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:

| 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 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 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 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.

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.

Notes to the financial statements continued...

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

Share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

shares are recognised directly in equity as a reduction of the share proceeds received.

Any transaction costs arising on the issue of ordinary

| | 2011 \$ | 2010 \$ |
|--|------------|------------|
|--|------------|------------|

2. Revenue from continuing operations

Operating activities

| | | |
|------------------------|---------|---------|
| - services commissions | 385,896 | 282,297 |
| - other revenue | 43,333 | 28,333 |
| | 429,229 | 310,630 |

Non-operating activities:

| | | |
|---------------------|---------|---------|
| - interest received | 7,168 | 11,404 |
| - other revenue | - | - |
| | 7,168 | 11,404 |
| | 436,397 | 322,034 |

3. Expenses

Employee benefits expense

| | | |
|-------------------------------|---------|---------|
| - wages and salaries | 220,648 | 202,428 |
| - superannuation costs | 18,686 | 15,828 |
| - workers' compensation costs | 1,067 | 914 |
| - other costs | 6,146 | 3,644 |
| | 246,547 | 222,814 |

Depreciation of non-current assets:

| | | |
|-----------------------|--------|--------|
| - plant and equipment | 40,098 | 40,076 |
|-----------------------|--------|--------|

Amortisation of non-current assets:

| | | |
|---------------|---------------|---------------|
| - intangibles | 2,000 | 2,000 |
| | 42,098 | 42,076 |

| | 2011 \$ | 2010 \$ |
|--|------------|------------|
|--|------------|------------|

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% | (40,048) | (64,327) |
| Add/(less) tax effect of: | | |
| - (Deductible) / non-deductible expenses | (816) | (470) |
| Current income tax benefit | (40,864) | (64,797) |
| Income tax benefit | (40,864) | (64,797) |
| 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. | 218,519 | 177,655 |

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 | 3,900 |
| - Taxation services | 500 | 450 |
| - Share registry services | 1,600 | 1,625 |
| | 6,000 | 5,975 |

6. Cash and Cash Equivalents

| | | |
|--------------------------|---------------|----------------|
| Cash at bank and on hand | 98,585 | 202,353 |
|--------------------------|---------------|----------------|

7. Receivables

| | | |
|---------------------|---------------|---------------|
| Interest receivable | 1,347 | 5,480 |
| Trade debtors | 44,053 | 39,075 |
| | 45,400 | 44,555 |

Notes to the financial statements continued...

| | 2011 \$ | 2010 \$ |
|----------------------------------|----------------|----------------|
| 8. Plant and Equipment | | |
| Leasehold improvements | | |
| At cost | 132,222 | 132,222 |
| Less accumulated depreciation | (39,618) | (26,396) |
| | 92,604 | 105,826 |
| Computer software | | |
| At cost | 16,690 | 16,690 |
| Less accumulated depreciation | (10,083) | (6,745) |
| | 6,607 | 9,945 |
| Furniture and fittings | | |
| At cost | 174,312 | 174,312 |
| Less accumulated depreciation | (55,396) | (37,012) |
| | 118,916 | 137,300 |
| Motor vehicle | | |
| At cost | 31,259 | 31,259 |
| Less accumulated depreciation | (14,067) | (9,378) |
| | 17,192 | 21,881 |
| Plant & equipment | | |
| At cost | 3,345 | 3,345 |
| Less accumulated depreciation | (1,012) | (547) |
| | 2,333 | 2,798 |
| Total written down amount | 237,652 | 277,750 |

| | 2011 \$ | 2010 \$ |
|--|------------|------------|
|--|------------|------------|

8. Plant and Equipment (continued)

Movements in carrying amounts

Leasehold improvements

| | | |
|---------------------------------------|---------------|----------------|
| Carrying amount at beginning of year | 105,826 | 119,048 |
| Additions | - | |
| Disposals | - | - |
| Depreciation expense | (13,222) | (13,222) |
| Carrying amount at end of year | 92,604 | 105,826 |

Computer software

| | | |
|---------------------------------------|--------------|--------------|
| Carrying amount at beginning of year | 9,945 | 13,283 |
| Additions | - | |
| Disposals | - | - |
| Depreciation expense | (3,338) | (3,338) |
| Carrying amount at end of year | 6,607 | 9,945 |

Furniture and fittings

| | | |
|---------------------------------------|----------------|----------------|
| Carrying amount at beginning of year | 137,300 | 155,254 |
| Additions | - | 446 |
| Disposals | - | - |
| Depreciation expense | (18,384) | (18,400) |
| Carrying amount at end of year | 118,916 | 137,300 |

Motor vehicle

| | | |
|---------------------------------------|---------------|---------------|
| Carrying amount at beginning of year | 21,881 | 26,570 |
| Additions | - | - |
| Disposals | - | - |
| Depreciation expense | (4,689) | (4,689) |
| Carrying amount at end of year | 17,192 | 21,881 |

Notes to the financial statements continued...

| | 2011 \$ | 2010 \$ |
|--|------------|------------|
|--|------------|------------|

8. Plant and Equipment (continued)

Plant & equipment

| | | |
|---------------------------------------|--------------|--------------|
| Carrying amount at beginning of year | 2,798 | 1,366 |
| Additions | - | 1,859 |
| Disposals | - | |
| Depreciation expense | (465) | (427) |
| Carrying amount at end of year | 2,333 | 2,798 |

9. Intangible Assets

Franchise Fee

| | | |
|-------------------------------|--------------|--------------|
| At cost | 10,000 | 10,000 |
| Less accumulated amortisation | (6,069) | (4,069) |
| | 3,931 | 5,931 |

10. Payables

| | | |
|------------------------------|---------------|---------------|
| Trade creditors | 20,358 | 20,851 |
| GST payable | 7,781 | 3,240 |
| Other creditors and accruals | 11,556 | 11,992 |
| | 39,695 | 36,083 |

11. Provisions

| | | |
|----------------------------------|---------------|---------------|
| Employee benefits | 24,684 | 23,096 |
| Movement in employee benefits | | |
| Opening balance | 23,096 | 17,443 |
| Additional provisions recognised | 18,430 | 11,212 |
| Amounts utilised during the year | (16,842) | (5,559) |
| Closing balance | 24,684 | 23,096 |

| | 2011 \$ | 2010 \$ |
|--|------------|------------|
|--|------------|------------|

12. Loans and Borrowings

Current

| | | |
|---------------------|---|--------------|
| Asset Purchase Loan | - | 9,934 |
|---------------------|---|--------------|

Non-current

| | | |
|---------------------|---|--------------|
| Asset Purchase Loan | - | 6,795 |
|---------------------|---|--------------|

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 | (521,452) | (371,824) |
| Loss after income tax | (92,628) | (149,628) |
| Dividends | - | - |
| Balance at the end of the financial year | (614,080) | (521,452) |

Notes to the financial statements continued...

| | 2011 \$ | 2010 \$ |
|--|------------|------------|
|--|------------|------------|

15. Statement of Cash Flows

(a) Cash and cash equivalents

| | | |
|-------------|---------------|----------------|
| Cash assets | 98,585 | 202,353 |
|-------------|---------------|----------------|

(b) Reconciliation of loss after tax to net cash used in operating activities

| | | |
|-----------------------|----------|-----------|
| Loss after income tax | (92,628) | (149,628) |
|-----------------------|----------|-----------|

Non cash items

| | | |
|----------------|--------|--------|
| - Depreciation | 40,098 | 40,076 |
|----------------|--------|--------|

| | | |
|----------------|-------|-------|
| - Amortisation | 2,000 | 2,000 |
|----------------|-------|-------|

Changes in assets and liabilities

| | | |
|--------------------------------------|-------|----------|
| - (Increase) decrease in receivables | (845) | (14,594) |
|--------------------------------------|-------|----------|

| | | |
|---|----------|----------|
| - (Increase) decrease in deferred tax asset | (40,864) | (64,797) |
|---|----------|----------|

| | | |
|-----------------------------------|-------|--------|
| - Increase (decrease) in payables | 3,612 | 21,941 |
|-----------------------------------|-------|--------|

| | | |
|-------------------------------------|-------|-------|
| - Increase (decrease) in provisions | 1,588 | 5,653 |
|-------------------------------------|-------|-------|

| | | |
|--|-----------------|------------------|
| Net cash flows used in operating activities | (87,039) | (159,349) |
|--|-----------------|------------------|

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

Kenneth Dean

Jennifer Logie

Miranda Randall

Shayne Williams

Harvey Cuthill

Derek Freeman

Nadine Ozols

Bruce Dunbabin (appointed 26 July 2010)

Gregory Raspin (appointed 26 July 2010)

Ms Randall resigned as Company Secretary on 31 August 2009. She received \$Nil (2010: \$3,000) for secretarial and related services to the Company while completing this role. This payment was made on normal commercial terms.

Ann Browning, Ken Dean, 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 2011 was \$35,579 (2010: \$33,168).

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 | 2011 | Movement | 2010 |
|---|-------------|-----------------|-------------|
| Robert Woolley | 21,501 | - | 21,501 |
| John Austwick | 6,001 | - | 6,001 |
| Ann Browning | 31,501 | - | 31,501 |
| Jenifer Crawford | 6,001 | - | 6,001 |
| Kenneth Dean | 3,501 | - | 3,501 |
| Jennifer Logie | 20,001 | - | 20,001 |
| Miranda Randall | 3,001 | - | 3,001 |
| Shayne Williams | 10,001 | - | 10,001 |
| Harvey Cuthill | 10,001 | - | 10,001 |
| Derek Freeman | - | - | - |
| Nadine Ozols | - | - | - |
| 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

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

18. Contingent Liabilities and Assets

There were no contingent liabilities or assets 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:

| | 2011 \$ | 2010 \$ |
|--|------------------|------------------|
| Loss after income tax expense | (92,628) | (149,628) |
| 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 | |
|-------------|-----------------|----------------|
| | 2011 \$ | 2010 \$ |
| Cash assets | 98,585 | 202,353 |
| Receivables | 45,400 | 44,555 |
| | 143,985 | 246,908 |

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 (2010: 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 2011 | | | | | |
| Payables | 39,695 | (39,695) | (39,695) | - | - |
| Loans and borrowings | - | - | - | - | - |
| | 39,695 | (39,695) | (39,695) | - | - |
| 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) | - |

(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 | |
|----------------------------------|------------------------|--------------------|
| | 2011 \$ | 2010 \$ |
| Fixed rate instruments | | |
| Financial assets | 68,025 | 184,193 |
| Financial liabilities | - | (16,729) |
| | 68,025 | 167,464 |
| Variable rate instruments | | |
| Financial assets | 30,560 | 18,160 |
| Financial liabilities | 30,560 | 18,160 |

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 2011 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 2011 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards 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 2011.

Independent audit report



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

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 2011.

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.

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

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 2011 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 & Delahunt

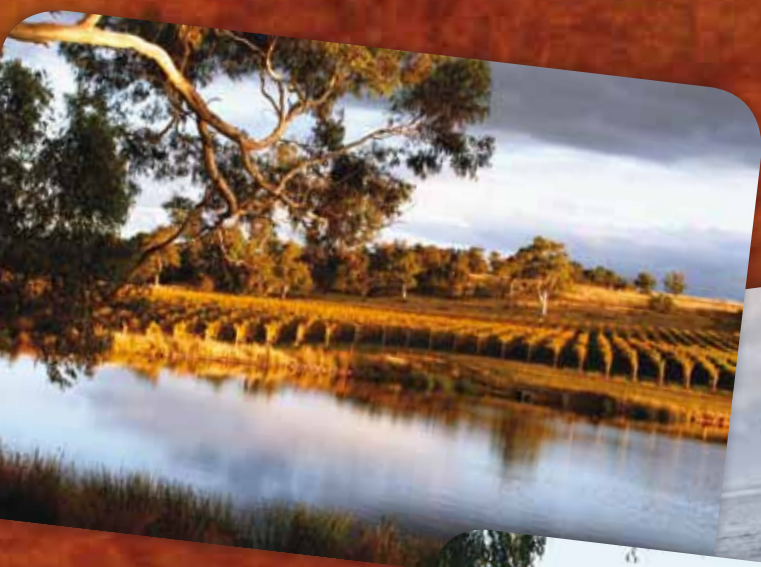
RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 19 August 2011

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Bicheno **Community Bank**[®] Branch
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PO Box 125, Bicheno TAS 7215
Phone: (03) 6375 1681 Fax: (03) 6375 1683
ABN 32 127 068 222