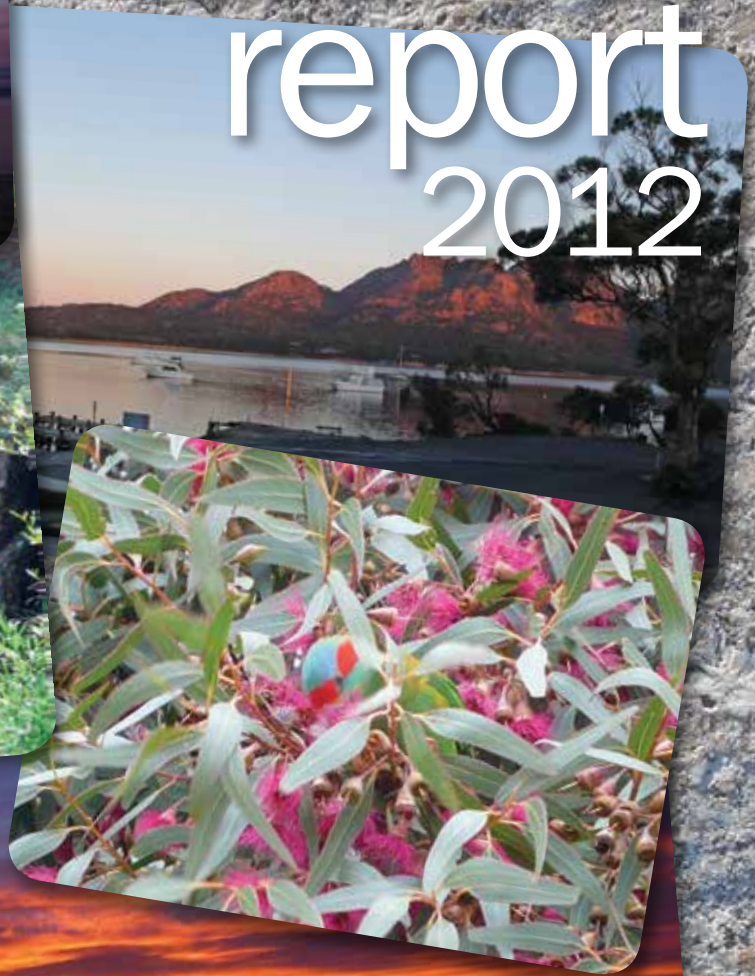


annual report 2012



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Chair's report

Dear Shareholders

Last year I indicated that we were close to profit in each Branch and as a Company and we expected to become profitable this last financial year. Whilst we have continued to build the business and develop our Community Profile, reduced banking margins has meant we have not reached profitability.

Key results from the year were:

- A breakeven position from a cash flow perspective with a small deficit for the whole year of \$(5,097); [2011: \$(87,039)].
- Before sponsorship and donations we achieved a small loss \$(5,838); [2011: (\$119,184)].
- In order to continue to build our profile we have continued with the policy of distributing our market development funds to the Community. In the main these are donations and sponsorships and are listed as an expense in our financial statements. \$30,465; (2011: \$14,308).
- This year has been a tough year in the Tasmanian economy and that has also applied to the East Coast. We have however continued to grow our loan book and achieved a better balance between Lending and Deposits, which improves our profitability.

For the coming year we have budgeted for additional growth in our overall book and implemented the following strategies to attain the necessary growth to achieve a profitable outcome in the 2012-2013 financial year.

- We have developed talented and committed staff and we are now able to further spread the work load that Lyn Mansfield has carried since we opened for business.
- Cherie Hill has been promoted as a Customer Relationship Manager (CRM) in the Swansea Branch. Cherie is able to deliver a broader range of services including Consumer lending (Housing Loans and Personal Loans). Cherie will also manage the day to day administration of the Swansea Branch
- Other staff will be trained to the CRM level so that we can broaden our services to a wider group of customers.
- Lyn continues as overall Manager of our two branches. However with the above changes we expect that Lyn will have more time to focus on our Customer base in particular our Business Customers.
- With the assistance of Bendigo Bank we are

negotiating to open an Agency outlet in Triabunna to service the Triabunna and Orford area. Our bank staff will support this outlet to further build our business on the East Coast. Discussions with the Community have indicated strong support for this initiative.

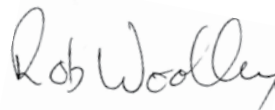
- With the assistance of Bendigo Bank and Peter and Lyn Aulich we have arranged for the installation of an ATM as part of the Aulich's new "Coles Bay Convenience" Store.
- The Board and staff are taking every opportunity to promote the **Community Bank®** and the Community Benefits that will flow from our business.
- In a sense I am preaching to the converted as you have supported the Company as Shareholders and Customers, please keep up the good work and spread the message to potential customers in this region or those who live elsewhere and love the Freycinet Coast.

The Board is also focused on our Community activities. In particular we strongly support the Health and School services in the region. We are also working closely with the Council on the Strategic Planning initiative for the Glamorgan Spring Bay Municipality

We have a great team in our Swansea and Bicheno Branches. The Board and I know our customers appreciate the service they deliver and the front line support they give the **Community Bank®**. Lyn continues to provide strong leadership across the two Branches and we have been ably supported by Business Banking Staff from Bendigo Bank. The Board acknowledges the contribution from our staff and our colleagues at Bendigo Bank.

This year four Directors have retired (Annie Browning, Jeni Crawford, Harvey Cuthill and Miranda Randall) and three new Directors will join the Board in the next month (Tracey Bell, Adele Plunkett and Noel Stanley). Annie, Jeni and Miranda were foundation members of the **Community Bank®** and before part of the Steering Committee. Harvey joined the Board in October, 2008 providing valuable contact and insights regarding Shareholders and potential Customers who own holiday residences in the region.

Thank you to our retiring Directors and ongoing Directors and a warm welcome to the incoming Directors.



Rob Woolley
CHAIR

Manager's report

Swansea Bicheno **Community Bank**[®] is heading into the fifth year of operation. Our business has continued to grow over the last 12 months, although somewhat slower than we expected because of the economic outlook.

The positive manner in which our **Community Bank**[®] Branches have been supported, by not only people in our area and Shareholders, but extended families and businesses outside the region, certainly gives us confidence as we build our **Community Bank**[®].

We have staff with a very strong customer focus. Their professional approach and hard work has been important in building our business and the growth we have achieved demonstrates how important it is to offer good customer service. We continue to grow our Loan and Deposit base and the number of accounts has now passed 2000.

I find one of the most satisfying areas of my job is the contribution back to our Communities from our Market Development Fund. This money is provided by Bendigo Bank to assist us in growing our business by supporting the Community particularly Health Organisations, schools, clubs and other organisations. Since opening in 2008, we have donated in excess of \$60,000. We are looking forward to this increasing considerably when we reach profit.

Our behalf of the staff and myself I would like to thank the Directors and Bendigo Bank in Tasmania for their ongoing support. Our Board of Directors volunteer their time to promote and assist us in growing our business and continue to tell the **Community Bank**[®] story.

To our Shareholders and customers, we thank you for your continued support. I encourage you all to reinforce to family, friends and other community members the benefits of a local banking service and how your local **Community Bank**[®] in turn returns funds to the region.

Moving forward in 2012/2013 our aim is to continue to grow our business to benefit our local area. I look forward to meeting with customers and business owners over the next 12 months.



Lyn Mansfield
BRANCH MANAGER
Swansea and Bicheno

Bendigo and Adelaide Bank Ltd report

Bendigo and Adelaide Bank report

For year ending 30 June 2012

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

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

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

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

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

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

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

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

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

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

Bendigo and Adelaide Bank report (continued)

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

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

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

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

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

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

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

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



Russell Jenkins
Executive Customer and Community

Directors' report

Your Directors submit their report of the Company for the financial year ended 30 June 2012.

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
Director since 15 August 2007

John Austwick

Deputy Chair
Non-Executive Director
Occupation: Retired
Director since 15 August 2007

Ann Browning (resigned 25 June 2012)

Non-Executive Director
Occupation: Retired Community Nurse
Director since 15 August 2007

Jenifer Crawford (resigned 7 May 2012)

Non-Executive Director
Occupation: Deputy Mayor GSBC
Director since 15 August 2007

Kenneth Dean

Non-Executive Director
Occupation: Retired Chartered Accountant
Director since 15 August 2007

Jennifer Logie

Non-Executive Director
Occupation: Office Administrator
Director since 15 August 2007

Miranda Randall (resigned 7 May 2012)

Non-Executive Director
Occupation: Business Manager
Director since 15 August 2007

Harvey Cuthill (resigned 7 May 2012)

Non-Executive Director
Occupation: Pharmacist
Director since 27 October 2008

Shayne Williams

Non-Executive Director
Occupation: Retired
Director since 15 August 2007

Derek Freeman

Non-Executive Director
Occupation: Vigneron
Director since 29 March 2010

Nadine Ozols

Non-Executive Director
Occupation: Program Coordinator
Director since 29 March 2010

Bruce Dunbabin

Non-Executive Director
Occupation: Farmer
Director since 26 July 2010

Gregory Raspin (appointed 26 July 2010)

Non-Executive Director
Occupation: Retailer
Director since 26 July 2010

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 \$24,942 (2011: \$92,628).

Financial position

The net assets of the company have decreased by \$24,942 from 30 June 2011 to \$514,766 in 2012.

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.

Events after the reporting period

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 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.

Future developments

The Company will continue its policy of providing banking services to the community.

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Remuneration Report

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 2012 was \$36,766 (2011: \$35,579).

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	10	10	-
John Austwick	9	10	-
Ann Browning (resigned 25 June 2012)	8	10	-
Jenifer Crawford (resigned 7 May 2012)	7	8	-
Kenneth Dean	8	10	2
Jennifer Logie	9	10	-
Miranda Randall (resigned 7 May 2012)	-	8	8
Shayne Williams	7	10	-
Harvey Cuthill (resigned 7 May 2012)	2	8	1
Derek Freeman	6	10	1
Nadine Ozols	9	10	-
Bruce Dunbabin	9	10	-
Gregory Raspin	9	10	-

A - Number of meetings attended

B - Number of meetings held during the time

C - Leave of absence granted

Company Secretary

Elizabeth Hutchinson was appointed company secretary on 13 December 2010. She 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 Company has established a number of 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 and finance, marketing and promotions, human resources, nomination and review and business and strategic development.

Non audit services

The Directors in accordance with advice from the audit committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external Auditor's independence for the following reasons:

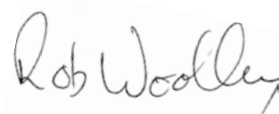
- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect integrity and objectivity of the auditor; and

- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor Independence Declaration

The Auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on the following page of this financial report.

Signed in accordance with a resolution of the Board of Directors at Swansea on 28 August 2012.



Robert Woolley, Director



Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 36, Bendigo, VIC 3552

Telephone: (03) 5445 4200
Fax: (03) 5444 4344
Email: rsd@rsdadv.com.au

www.rsdadvisors.com.au

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

To the Directors of Freycinet Coast Financial Services Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the period ended 30 June 2012 there has been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Warren Sinnott
Partner
Dated at Bendigo, 28 August 2012

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme
approved under Professional
Standards Legislation

Partners:
Warren Sinnott
Cera Hall
Brett Andrews
Philip Delahunty
Kathie Teasdale
David Richmond

Financial statements

Statement of Comprehensive Income For year ending 30 June 2012

	Notes	2012 \$	2011 \$
Revenue	2	541,369	436,397
Employee benefits expense	3	(248,927)	(246,547)
Depreciation and amortisation expense	3	(42,155)	(42,098)
Finance costs		-	(1,229)
Other expenses		(256,125)	(265,707)
Operating Loss before charitable donations & sponsorships		(5,838)	(119,184)
Charitable donations and sponsorships		(30,465)	(14,308)
Loss before income tax benefit		(36,303)	(133,492)
Income tax benefit	4	(11,361)	(40,864)
Net loss for the year		(24,942)	(92,628)
Other comprehensive income		-	-
Total comprehensive income for the year		(24,942)	(92,628)
Earnings per share (cents per share)			
- basic for loss for the year	21	(2.13)	(7.91)
- diluted for loss for the year	21	(2.13)	(7.91)

The accompanying notes form a part of these financial statements.

Balance Sheet

As at 30 June 2012

	Notes	2012 \$	2011 \$
Assets			
Current Assets			
Cash and cash equivalents	6	93,488	98,585
Receivables	7	54,552	45,400
Total Current Assets		148,040	143,985
Non-current Assets			
Property, plant and equipment	8	197,497	237,652
Deferred tax assets	4	229,880	218,519
Intangible assets	9	1,931	3,931
Total Non-Current Assets		429,308	460,102
Total Assets		577,348	604,087
Liabilities			
Current Liabilities			
Payables	10	41,459	39,695
Provisions	11	21,123	24,684
Total Current Liabilities		62,582	64,379
Total Liabilities		62,582	64,379
Net Assets		514,766	539,708
Equity			
Issued capital	12	1,153,788	1,153,788
Accumulated losses	13	(639,022)	(614,080)
Total Equity		514,766	539,708

The accompanying notes form a part of these financial statements.

Financial statements continued...

Statement of Cash Flows For year ending 30 June 2012

	Notes	2012 \$	2011 \$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		582,076	467,174
Cash payments in the course of operations		(591,115)	(564,285)
Interest received		3,942	11,301
Interest paid		-	(1,229)
Net cash flows used in operating activities	14b	(5,097)	(87,039)
Cash Flows From Financing Activities			
Repayment of asset purchase loan		-	(16,729)
Net cash flows used in financing activities		-	(16,729)
Net decrease in cash held		(5,097)	(103,768)
Cash and cash equivalents at start of year		98,585	202,353
Cash and cash equivalents at end of year	14a	93,488	98,585

The accompanying notes form a part of these financial statements.

Statement of Changes in Equity For year ending 30 June 2012

	Notes	2012 \$	2011 \$
ISSUED 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		(614,080)	(521,452))
Net loss for the year		(24,942)	(92,628)
Dividends paid	19	-	-
Balance at end of year		(639,022)	(614,080)

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 2012 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing community banking services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement of fair value of selected non current assets, financial assets and financial liabilities.

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 28 August 2012.

(b) 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.

(c) 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.

d) Impairment 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.

(e) 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.

(f) 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.

(g) Intangibles

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

(h) 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.

(i) Revenue

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

(j) 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.

k) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

(l) 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)

(m) 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.

(n) Comparative Figures

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

(o) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis.

Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

The company assesses impairment at the end of each reporting period by calculating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(p) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtor are experiencing significant financial difficulty or changes in economic conditions.

	2012	2011
	\$	\$

2. Revenue from continuing operations

Revenue from continuing operations

- services commissions	488,006	385,896
- other revenue	50,000	43,333
	538,006	429,229
Other revenue		
- interest received	3,363	7,168
- other revenue	-	-
	3,363	7,168
	541,369	436,397

3. Expenses

Employee benefits expense

- wages and salaries	225,890	220,648
- superannuation costs	20,551	18,686
- workers' compensation costs	1,122	1,067
- other costs	1,364	6,146
	248,927	246,547

Depreciation of non-current assets:

- plant and equipment	40,155	40,098
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Amortisation of non-current assets:

- intangibles	2,000	2,000
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Finance costs

Interest paid	-	1,229
Bad debts	150	-

Notes to the financial statements continued...

	2012	2011
	\$	\$

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%	(10,891)	(40,048)
Add/(less) tax effect of:		
- (Deductible) / non-deductible expenses	(470)	(816)
<i>Current income tax benefit</i>	(11,361)	(40,864)
Income tax benefit	(11,361)	(40,864)

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.

229,880	218,519
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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	3,900
- Taxation services	500	500
- Share registry services	1,650	1,600
	6,050	6,000

6. Cash and Cash Equivalents

Cash at bank and on hand	93,488	98,585
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The average effective interest rate on short term deposits was 5.36% (2011 - 5.83%)

7. Receivables

Interest receivable	768	1,347
Trade debtors	53,784	44,053
	54,552	45,400

	2012 \$	2011 \$
8. Plant and Equipment		
<i>Leasehold improvements</i>		
At cost	132,222	132,222
Less accumulated depreciation	(52,840)	(39,618)
	79,382	92,604
<i>Computer software</i>		
At cost	16,690	16,690
Less accumulated depreciation	(13,421)	(10,083)
	3,269	6,607
<i>Furniture and fittings</i>		
At cost	174,312	174,312
Less accumulated depreciation	(73,781)	(55,396)
	100,531	118,916
<i>Motor vehicle</i>		
At cost	31,259	31,259
Less accumulated depreciation	(18,756)	(14,067)
	12,503	17,192
<i>Plant & equipment</i>		
At cost	3,345	3,345
Less accumulated depreciation	(1,533)	(1,012)
	1,812	2,333
Total written down amount	197,497	237,652

Notes to the financial statements continued...

	2012 \$	2011 \$
8. Plant and Equipment (continued)		
Movements in carrying amounts		
Leasehold improvements		
Carrying amount at beginning of year	92,604	105,826
Additions	-	-
Disposals	-	-
Depreciation expense	(13,222)	(13,222)
Carrying amount at end of year	79,382	92,604
Computer software		
Carrying amount at beginning of year	6,607	9,945
Additions	-	-
Disposals	-	-
Depreciation expense	(3,338)	(3,338)
Carrying amount at end of year	3,269	6,607
Furniture and fittings		
Carrying amount at beginning of year	118,916	137,300
Additions	-	-
Disposals	-	-
Depreciation expense	(18,385)	(18,384)
Carrying amount at end of year	100,531	118,916
Motor vehicle		
Carrying amount at beginning of year	17,192	21,881
Additions	-	-
Disposals	-	-
Depreciation expense	(4,689)	(4,689)
Carrying amount at end of year	12,503	17,192

	2012	2011
	\$	\$

8. Plant and Equipment (continued)

Plant & equipment

Carrying amount at beginning of year	2,333	2,798
Additions	-	-
Disposals	-	-
Depreciation expense	(521)	(465)
Carrying amount at end of year	1,812	2,333

9. Intangible Assets

Franchise Fee

At cost	10,000	10,000
Less accumulated amortisation	(8,069)	(6,069)
	1,931	3,931

10. Payables

Trade creditors	14,912	20,358
GST payable	11,140	7,781
Other creditors and accruals	15,407	11,556
	41,459	39,695

11. Provisions

Employee benefits	21,123	24,684
Movement in employee benefits		
Opening balance	24,684	23,096
Additional provisions recognised	18,142	18,430
Amounts utilised during the year	(21,703)	(16,842)
Closing balance	21,123	24,684

Notes to the financial statements continued...

	2012 \$	2011 \$
12. 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.
The company has authorised share capital amounting to 1,171,615 ordinary shares.

13. Accumulated Losses

Balance at the beginning of the financial year	(614,080)	(521,452)
Loss after income tax	(24,942)	(92,628)
Dividends	-	-
Balance at the end of the financial year	(639,022)	(614,080)

14. Statement of Cash Flows

(a) Cash and cash equivalents

Cash assets	93,488	98,585
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(b) Reconciliation of loss after tax to net cash used in operating activities

Loss after income tax	(24,942)	(92,628)
Non cash items		
- Depreciation	40,155	40,098
- Amortisation	2,000	2,000
Changes in assets and liabilities		
- (Increase) decrease in receivables	(9,152)	(845)
- (Increase) decrease in deferred tax asset	(11,361)	(40,864)
- Increase (decrease) in payables	1,764	3,612
- Increase (decrease) in provisions	(3,561)	1,588
Net cash flows used in operating activities	(5,097)	(87,039)

15. Director and Related Party Disclosures

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

Robert Woolley
John Austwick
Ann Browning (resigned 25 June 2012)
Jenifer Crawford (resigned 7 May 2012)
Kenneth Dean
Jennifer Logie
Miranda Randall (resigned 7 May 2012)
Shayne Williams
Harvey Cuthill (resigned 7 May 2012)
Derek Freeman
Nadine Ozols
Bruce Dunbabin
Gregory Raspin

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 2012 was \$36,766 (2011: \$35,579).

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

Directors shareholdings	2012	Movement	2011
Robert Woolley	21,501	-	21,501
John Austwick	6,001	-	6,001
Ann Browning (resigned 25 June 2012)	31,501	-	31,501
Jenifer Crawford (resigned 7 May 2012)	6,001	-	6,001
Kenneth Dean	3,501	-	3,501
Jennifer Logie	20,001	-	20,001
Miranda Randall (resigned 7 May 2012)	3,001	-	3,001
Shayne Williams	10,001	-	10,001
Harvey Cuthill (resigned 7 May 2012)	10,001	-	10,001
Derek Freeman	-	-	-
Nadine Ozols	-	-	-
Bruce Dunbabin	7,000	-	7,000
Gregory Raspin	6,000	-	6,000

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

Notes to the financial statements continued...

16. Events after the reporting period

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 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.

17. Contingent Liabilities and Assets

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

18. Operating Segments

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.

The company has a franchise agreement in place with Bendigo & Adelaide Bank Limited who account for 100% of the revenue (2011: 100%).

19. Dividends paid or provided for on ordinary shares

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

20. Corporate Information

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

The registered office is:

Shop 3/64 Burgess Street Bicheno, TAS 7215

The principal places of business are:

Shop 1/1 Victoria Street, Swansea

Shop 1/64 Burgess Street, Bicheno

21. Earnings per share

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:

	2012	2011
	\$	\$
Loss after income tax expense	(24,942)	(92,628)
Weighted average number of ordinary shares for basic and diluted earnings per share	1,171,615	1,171,615

22. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.

The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

		2012	2011
	Note	\$	\$
Financial assets			
Cash & cash equivalents	6	93,488	98,585
Receivables	7	54,552	45,400
Total financial assets	-	148,040	143,985
Financial liabilities			
Payables	10	41,459	39,695
Total financial liabilities	-	41,459	39,695

Financial risk management policies

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

Specific financial risk exposure and management

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

There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

Notes to the financial statements continued...

22. 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	
	2012	2011
	\$	\$
Cash assets	93,488	98,585
Receivables	54,552	45,400
	148,040	143,985

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 (2011: 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.

Financial liability and financial asset maturity analysis

	Total	Within 1 year	1 to 5 years	Over 5 years
30 June 2012	\$	\$	\$	\$
Financial liabilities due for payment				
Payables	(41,459)	(41,459)	-	-
Total expected outflows	(41,459)	(41,459)	-	-
Financial assets - cashflow realisable				
Cash & cash equivalents	93,488	93,488	-	-
Receivables	54,552	54,552	-	-
Total anticipated inflows	148,040	148,040	-	-
Net inflow on financial instruments	106,581	106,581	-	-

30 June 2011	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial liabilities due for payment				
Payables	(39,695)	(39,695)	-	-
Total expected outflows	(39,695)	(39,695)	-	-
Financial assets - cashflow realisable				
Cash & cash equivalents	98,585	98,585		
Receivables	45,400	45,400		
Total anticipated inflows	143,985	143,985	-	-
Net inflow on financial instruments	104,290	104,290	-	-

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at June 30 2012 and June 30 2011.

(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	
	2012 \$	2011 \$
Fixed rate instruments		
Financial assets	51,916	68,025
Financial liabilities	-	-
	51,916	68,025
Floating rate instruments		
Financial assets	41,572	30,560
Financial liabilities	-	-
	41,572	30,560

Notes to the financial statements continued...

22. 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. For the analysis performed on the same basis as at 30 June 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

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 2012 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, the Directors of the company declare that:

1. the financial statements and notes of the Company as set out on pages 10 to 28 are in accordance with the Corporations Act 2001 and:
 - (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (ii) give a true and fair view of the company's financial position as at 30 June 2012 and of the performance for the year ended on that date;
2. in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Robert Woolley, Director

Signed at Swansea on 28 August 2012.

Independent audit report



Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

Telephone: (03) 5445 4200
Fax: (03) 5444 4344
Email: rsd@rsd advisers.com.au

www.rsadvisers.com.au

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

Report on the Financial Report

We have audited the accompanying financial report of Freycinet Coast Financial Services Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company for the period ended 30 June 2012.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Richmond Sinnott & Delahanty
ABN 60 616 244 309
Liability limited by a scheme
approved under Professional
Standards Legislation

Partners:
Warren Sinnott
Cara Hall
Brett Andrews
Philip Delahanty
Kathie Teasdale
David Richmond

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

- (a) the financial report of Freycinet Coast Financial Services Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1(a).

Richmond Sinnott & Delahunty
RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott
W. J. SINNOTT
Partner

Dated at Bendigo, 28 August 2012

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

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

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