

MyState Limited ABN 26 133 623 962
Directors' Report

MyState Limited ABN 26 133 623 962

Directors' Report for the half-year ended 31 December 2013

Your Directors present their report on MyState Limited ABN 133 623 962 (the Company) for the half-year ended 31 December 2013.

Directors and Company Secretary

The Directors and Company Secretaries, who were in office from the beginning of the half-year until the date of this report, unless otherwise indicated, are as follows:

- **Miles L Hampton** BEc(Hons), FCIS, FCPA, FAICD
Chairman and independent non-executive Director (appointed as Chairman 29 October 2013)
- **Michael J Vertigan** AC, BEc(Hons), PhD, Hon LLD, FAICD
Chairman and independent non-executive Director (Resigned as Director and Chairman 29 October 2013)
- **G John Gilbert** B Com, FAICD, FAMI
Managing Director - Executive Director
- **Peter D Armstrong** BEc(Hons), DipED, Dip FP, CPA, FAICD, FAMI
Independent non-executive Director
- **Robert L Gordon** BSc, MIFA, MAICD, FAMI
Independent non-executive Director
- **Colin M Hollingsworth** CPA, MAICD, FAMI
Independent non-executive Director
- **Stephen Lonie** BCom, MBA, FCA, Senior FFin, FAICD, FIMCA
Independent non-executive Director
- **Ian G Mansbridge** CPA, FCIS, FCIM
Independent non-executive Director
- **Sarah Merridew** BEc, FCA, FAICD
Independent non-executive Director
- **Scott A Lukianenko** Cert Gov(Prac), Ad Dip BMgmt, Grad Cert BA, GIA (Cert)
Company Secretary (Appointed 1 November 2013)
- **Lindsay T Scott** B Bus, MBA, FCPA, FCSA, FCIS, MAICD
Company Secretary (Resigned 1 November 2013)

Review of Operations

The half-year results represent a sound performance for the MyState Group, with Net Profit after Tax (NPAT) for the period at \$14.8 million, representing a \$0.3 million or 2.0% increase on the prior corresponding period.

The improvement in half year profit is a sound result given the subdued economic environment. Reduced demand for credit has had an adverse effect on the loan book, which contracted 1.3% for the half.

Across the Group, NIM remained flat over the period, with margin lost on lower asset volume growth made up through reductions in the cost of funds. MyState was also able to access the RMBS market in the half-year with the successful launch of the Conquest 2013-1 Trust.

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Slow new business lending has reduced cross-sales opportunities and non-interest income revenues. In conjunction with deteriorating bank fee income, which is common across the industry, other revenues declined by \$2.1 million or 10.9% against the prior comparative period.

The Group's cost-to-income ratio improved to 65.1%, from 65.7% in the prior comparative period.

The half year result has also benefited from a significant reduction in the credit charge to the Statement of Comprehensive Income, reflecting the high credit quality of the loan book and low arrears profile.

Despite the subdued credit growth environment, MyState's banking business delivered a sound performance in the 6 months to 31 December, increasing Net Profit after Tax \$0.1m / 0.7% against the prior comparative period.

The loan portfolio performance for the half reflects the reduced demand for credit, declining by 1.3% for the Banking Business overall. MyState Financial's portfolio increased by 0.8%, to \$2.1 billion. The Rock's portfolio contracted by 6.8% to \$0.9 billion, as it focuses on restoring its level of third party originations.

The Group's Wealth Management arm, recorded an improved performance on the prior comparative period, with a \$0.2 million increase in Net Profit after Tax to \$2.1 million for the half in comparison to the 2013 first half. Funds under management (FUM) increased 3.8% to \$0.995 billion, which has benefited from the increase in equity markets, as investors seek higher yielding assets.

Looking forward, the Group is challenged by the current economic conditions in Tasmania, with a significant focus on pursuing business grown through the third party broker channel, which now accounts for a significant volume of Australian loan originations.

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Directors' Report

Auditor's Independence Declaration to the Directors

In relation to our review of the financial report of MyState Limited and its controlled entities for the half-year ended 31 December 2013, 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.



D.J. McCarthy
Partner
Wise Lord & Ferguson
Hobart

Date 27th February 2014

Signed in accordance with a resolution of the Directors.



M L Hampton
Chairman



G J Gilbert
Managing Director

Date 27th February 2014
Hobart

MyState Limited
Income Statement
For the half-year ended 31 December 2013

	Notes	Consolidated	
		31 December 2013 \$'000	31 December 2012 \$'000
Interest income	2	93,077	109,194
Interest expense	2	(50,142)	(66,213)
Net Interest Margin		42,935	42,981
Other revenue	3	17,635	19,795
Other expenses	4	(39,438)	(41,250)
Profit before bad and doubtful debts and income tax		21,132	21,526
Less bad and doubtful debts (net of recoveries)	9 (b)	(327)	(965)
Profit before income tax expense	5	20,805	20,561
Income tax expense		5,955	6,003
Net profit after income tax		14,850	14,558
Basic earnings per share (cents per share)	8	17.04	16.73
Diluted earnings per share (cents per share)	8	17.04	16.73

MyState Limited
Statement of Comprehensive Income
For the half-year ended 31 December 2013

	Consolidated	
	31 December 2013	31 December 2012
	\$'000	\$'000
Net profit after income tax	14,850	14,558
Other comprehensive income/(expense):		
Items that may be reclassified subsequently to profit or loss		
Cashflow hedge movements	707	181
Net fair value losses on available for sale financial assets	(500)	(61)
Income tax effect	(62)	(36)
Total other comprehensive income for the period	145	84
Total comprehensive income for the period	14,995	14,642
Total comprehensive income for the period is attributable to:		
Ordinary equity holders of MyState Limited	14,995	14,642
Total comprehensive income for the period	14,995	14,642

MyState Limited
Statement of Financial Position
as at 31 December 2013

	Notes	Consolidated	
		31 December 2013 \$'000	30 June 2013 \$'000
ASSETS			
Cash and cash equivalents		74,009	66,834
Available for sale financial assets		405,983	395,844
Receivables		22,122	25,168
Loans at amortised cost	9 (a)	2,998,728	3,037,785
Other investments		5,020	5,020
Property, plant and equipment		17,277	17,818
Tax assets		6,858	6,216
Other assets		36	36
Intangible assets and goodwill		77,838	74,686
TOTAL ASSETS		3,607,871	3,629,407
LIABILITIES			
Deposits		2,303,792	2,310,298
Interest bearing loans and borrowings		975,276	980,805
Payables and other liabilities		32,877	47,039
Derivatives		1,362	2,988
Tax liabilities		6,262	2,957
Provisions		5,690	5,611
TOTAL LIABILITIES		3,325,259	3,349,698
NET ASSETS		282,612	279,709
EQUITY			
Share capital	12	132,355	132,242
Retained earnings		147,818	145,173
Asset revaluation reserve		2,340	2,340
Employee equity benefits reserve		500	500
Hedging reserve		(401)	(896)
Net unrealised gains reserve		-	350
TOTAL EQUITY		282,612	279,709

MyState Limited
Statement of Changes in Equity

	Attributable to equity holders of the company							Total
	Share Capital \$' 000	Retained Earnings \$' 000	Asset Revaluation Reserve \$' 000	Employee Benefit Reserve \$' 000	Hedging Reserve \$' 000	Net Unrealised Gains Reserve \$' 000	\$' 000	
Consolidated								
At 1 July 2012	131,786	141,094	2,340	526	(2,004)	135	273,877	
Net profit after income tax	-	14,558	-	-	-	-	14,558	
Other comprehensive income/ (expense) (net of tax)	-	-	-	-	127	(43)	84	
Total comprehensive income for the period	-	14,558	-	-	127	(43)	14,642	
Equity issued under employee share scheme	118	-	-	-	-	-	118	
Share based payment expense recognised	-	-	-	165	-	-	165	
Equity issued under Executive long term incentive plan	252	-	-	(252)	-	-	-	
Dividends paid	-	(12,182)	-	-	-	-	(12,182)	
At 31 December 2012	132,156	143,470	2,340	439	(1,877)	92	276,620	
At 1 July 2013	132,242	145,173	2,340	500	(896)	350	279,709	
Net profit after income tax	-	14,850	-	-	-	-	14,850	
Other comprehensive income/ (expense) (net of tax)	-	-	-	-	495	(350)	145	
Total comprehensive income for the period	-	14,850	-	-	495	(350)	14,995	
Equity issued under employee share scheme	113	-	-	-	-	-	113	
Share based payment expense recognised	-	-	-	-	-	-	-	
Dividends paid	-	(12,205)	-	-	-	-	(12,205)	
At 31 December 2013	132,355	147,818	2,340	500	(401)	-	282,612	

The accompanying notes form part of these financial statements.

MyState Limited
Statement of Cash Flows
For the half-year ended 31 December 2013

	Notes	Consolidated	
		31 December 2013	31 December 2012
		\$' 000	\$' 000
Cash flows from operating activities			
Interest received		91,520	105,653
Interest paid		(53,369)	(68,320)
Fees and commissions received		19,523	17,448
Other non-interest income received		300	549
Payments to suppliers and employees		(39,465)	(41,490)
Dividends received		418	507
Income tax paid		(3,353)	(4,990)
Net cash flows from operating activities		15,574	9,357
Cash flows from investing activities			
Net decrease / (increase) in loans to customers		39,348	(13,931)
Net increase in amounts due from other financial institutions		(10,640)	(18,238)
Purchase of intangible assets		(3,928)	(1,011)
Disposal of property, plant and equipment		3,481	3,149
Purchase of property, plant and equipment		(895)	(2,857)
Net cash flows from / (used in) investing activities		27,366	(32,888)
Cash flows from financing activities			
Net (decrease) / increase in deposits		(6,505)	121,696
Net decrease in amounts due to other financial institutions		(17,168)	(119,449)
Employee share issue		113	118
Dividends paid	7	(12,205)	(12,182)
Net cash flows (used in) / from financing activities		(35,765)	(9,817)
Net increase / (decrease) in cash held		7,175	(33,348)
Cash at beginning of the period		66,834	104,560
Closing cash carried forward	13 (a)	74,009	71,212

MyState Limited
Notes to the financial statements for the half-year ended 31 December 2013

1 Summary of significant accounting policies

(a) Basis of accounting

This general purpose condensed financial report for the half-year ended 31 December 2013 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. It comprises the consolidated financial report of MyState Limited and the entities it controlled at the end of, or during the half-year. The financial report has been presented in Australian dollars.

MyState Limited is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998 and, in accordance with that Class Order, amounts in the Directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

For the purpose of these financial statements, the following abbreviations have been applied:

the "Company"	MyState Limited;
the "consolidated entity"	MyState Limited and the entities it controlled at the end of, or during the period;
"MSF Group"	MyState Financial Limited and the entities it controlled at the end of, or during the period;
"MSF"	MyState Financial Limited;
"TPT"	Tasmanian Perpetual Trustees Limited;
"ROK Group"	The Rock Building Society Limited and the entities it controlled at the end of, or during the period;
"ROK"	The Rock Building Society Limited;
the "period"	the half-year ended 31 December 2013;
the "comparative period"	the half-year ended 31 December 2012;
"APRA"	the Australian Prudential Regulation Authority;
"ADI"	Authorised deposit-taking institution;
"ASIC"	Australian Securities and Investments Commission; and
"AFSL"	Australian financial services licence.

This interim financial report does not include all notes of the type normally included within the annual financial report and, therefore, cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that this interim financial report be read in conjunction with the annual report of the Company for the year ended 30 June 2013 and considered together with any public announcements made by the Company during the period.

The comparative information disclosed in the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows is for the corresponding period of six months ended 31 December 2012. The comparative information disclosed in the Statement of Financial Position is as at 30 June 2013.

The accounting policies and methods of compilation are the same as those adopted in the most recent financial report for the year ended 30 June 2013.

	Consolidated	
	31 December 2013	31 December 2012
	\$ '000	\$ '000
2 Interest income and interest expense		
Interest income		
Loans, other than commercial	82,923	95,636
Cash flow hedges	919	1,799
Commercial loans	1,984	1,961
Deposits with other financial institutions	7,251	9,798
Total interest income	93,077	109,194
Interest expense		
Interest on deposits	33,070	42,486
Interest due to other financial institutions	15,358	21,263
Derivatives - net of interest received	1,714	2,464
Total interest expense	50,142	66,213
3 Other revenue		
Revenue from operating activities		
Banking operating income		
Loan fee income	1,495	1,513
Transaction fees	4,178	5,206
Commissions	2,394	3,012
Other income	301	697
Total revenue from operating activities	8,368	10,428
Wealth Management operating income		
Funds management income	4,578	4,492
Fees and commissions	4,271	4,368
	8,849	8,860
Total revenue from operating activities	17,217	19,288
Revenue from non-operating activities includes:		
Dividends and distributions:		
- Other corporations	418	507
Total revenue from non-operating activities	418	507
Total other revenue	17,635	19,795
4 Expenses		
Personnel costs	18,601	20,209
Marketing costs	1,608	1,788
Governance costs	1,526	1,560
Technology costs	3,698	4,037
Occupancy costs	2,763	2,932
Administration costs	9,029	8,544
Depreciation & Amortisation	2,213	2,180
Total expenses	39,438	41,250
5 Profit before income tax expense		
Profit before income tax expense includes the following specific revenues and expenses:		
(i) Revenue		
Special dividend from Cuscal Limited	-	273
(ii) Expenses		
Termination payments	225	905

6 Segment Financial information

For internal reporting purposes, the consolidated entity is divided into two operating divisions and a corporate cost centre. Performance is measured based on profit after income tax of each segment and is determined in accordance with the consolidated entity's accounting policies.

The banking division consists of two broad based financial institutions operating predominantly in Tasmania and Queensland. Its product offerings include: lending, encompassing home loans, personal, overdraft, line of credit and commercial products; transactional savings accounts and fixed term deposits; and, insurance products. It delivers these products and services through its branch network as well as through the mortgage broker channel. The banking division is conducted by the MSF Group and the ROK Group. Both MSF and ROK are ADIs, authorised by APRA.

The wealth management division is a provider of funds management, financial planning and trustee services. It operates predominantly within Tasmania. It holds over \$975 million in funds under management on behalf of personal, business and wholesale investors as the responsible entity for 13 managed investment schemes. The wealth management division is conducted by TPT. TPT is a trustee company licensed within the meaning of Chapter 5D of the Corporations Act 2001 and is the only private trustee company with significant operations in Tasmania. TPT holds an AFSL issued by ASIC.

The corporate cost centre is responsible for the governance of the consolidated entity. The corporate cost centre charges the operating divisions on a cost recovery basis for costs it has incurred.

The consolidated entity's segments have changed from that disclosed in the last annual financial report. The banking division is comprised of what were formerly identified as the MSF and ROK segments. These two businesses, as described in the foregoing, both operate in the same industry sector. The business activities that they engage in and the economic environments in which they operate are similar. ROK was acquired in December 2009 and, since that time, the consolidated entity has, and continues to, integrate the activities of ROK and MSF such that they are operated as one business unit. The consolidated entity expects that, in due course, the activities of this segment will be conducted within one legal entity as a single seamless business unit. Taking these factors into account, it was considered appropriate to revise the basis of the segmentation of the consolidated entity.

The wealth management sector, other than that it has been renamed, is the same as the TPT segment as disclosed in the last annual financial report.

The basis of the measurement of segment results, assets and liabilities has not changed from prior periods. The comparative information has been revised to reflect the new segments.

	Banking	Wealth Management	Corporate and consolidation adjustment	Consolidated Total
	\$ '000	\$ '000	\$ '000	\$ '000
Half-year ended 31 December 2013				
Interest revenue	91,947	119	1,011	93,077
Interest expense	50,142	-	-	50,142
Other revenue	9,185	8,849	(399)	17,635
Income tax expense	4,762	914	279	5,955
Segment net profit after income tax	12,081	2,130	639	14,850
Segment assets	3,528,801	29,229	49,841	3,607,871
Segment liabilities	3,321,590	3,138	531	3,325,259
Half-year ended 31 December 2012				
Interest revenue	107,168	145	1,881	109,194
Interest expense	66,213	-	-	66,213
Other revenue	11,274	8,887	(366)	19,795
Income tax expense	5,184	826	(7)	6,003
Segment net profit after income tax	10,543	1,920	2,095	14,558
Balances as at 30 June 2013				
Segment assets	3,551,640	30,040	47,727	3,629,407
Segment liabilities	3,347,940	3,228	(1,470)	3,349,698

7 Dividends

a) Dividends paid

2013 Final dividend paid: 14 cents per share (2012: 14 cents per share)

Consolidated	
31 December 2013	31 December 2012
\$ '000	\$ '000
12,205	12,182
12,205	12,182

The dividends paid during the period were fully franked at the 30 per cent corporate tax rate.

8 Earnings per share	Consolidated	
	31 December 2013 cents	31 December 2012 cents
Basic earnings per share	17.04	16.73
Diluted earnings per share	17.04	16.73

The following information reflects the income and share data used in the calculation of basic and diluted earnings per share:

	Consolidated	
	31 December 2013 \$ '000	31 December 2012 \$ '000
Net Profit	14,850	14,558

	Consolidated	
	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share:	87,169,357	87,023,793

9 Loans held at amortised cost	Consolidated	
	31 December 2013 \$ '000	30 June 2013 \$ '000
(a) Classification		
Residential	2,761,721	2,789,768
Personal	178,611	191,355
Commercial	58,977	57,312
Total loans	2,999,308	3,038,435
Provision for doubtful debts	9 (b) (580)	(650)
Total net loans	2,998,728	3,037,785
(b) Provision for doubtful debts		
Specific provision		
Opening balance	650	1,030
Charge / (credit) against profit	49	(380)
Write-off of previously provisioned facilities	(119)	-
Closing balance	580	650

	Consolidated	
	31 December 2013 \$ '000	31 December 2012 \$ '000
Charge to profit for bad and doubtful debts comprises:		
Bad debts written off directly	1,156	2,168
Increase / (decrease) in doubtful debts provisions	49	(495)
Bad debts recovered	(878)	(708)
Total charge for bad and doubtful debts	327	965

There are no loans that individually represent 10% or more of shareholders' equity. The banking divisions customers are predominantly in the states of Tasmania, Queensland, New South Wales and Victoria. The majority of Wealth Management loans are advanced to customers in the State of Tasmania.

		Consolidated	
		31 December 2013	30 June 2013
		\$' 000	\$' 000
10 Impaired assets			
Non-accrual loans			
With provisions		3,301	2,211
Specific provision for impairment		(580)	(650)
Net non-accrual loans		2,721	1,561
Specific provision			
Non-accrual loans		(580)	(650)
Total specific provision for impairment	9 (b)	(580)	(650)
Past due loans			
		4,046	5,579

11 Fair value of Assets and Liabilities	31 December 2013		30 June 2013	
	Carrying Value \$' 000	Fair value \$' 000	Carrying Value \$' 000	Fair value \$' 000
Assets				
Cash and Cash Equivalents (1)	74,009	-	66,834	-
Available for sale financial assets (2)	405,983	405,983	395,844	395,844
Receivables (1)	22,122	-	25,502	-
Loans at amortised cost	2,998,728	3,004,237	3,037,785	3,043,938
Other investments (1)	5,020	-	5,020	-
Liabilities				
Deposits	2,303,792	2,304,262	2,310,298	2,310,462
Interest bearing loans and borrowings (1)	975,276	-	980,805	-
Payables and other liabilities (1)	32,877	-	47,373	-
Derivatives (2)	1,362	1,362	2,988	2,988

Fair values have been determined as follows:

- All assets and liabilities with a maturity of less than 12 months were determined based on the assumption that the carrying amounts in the Statement of Financial Position approximate fair value because of their short term to maturity;
- The fair value of available for sale financial assets with more than 12 months to maturity are \$10.06 million;
- The fair value of loans at amortised cost includes loans with a floating interest rate of \$2,708.27 million. Loans with a fixed interest rate and more than 12 months to maturity are \$396.29 million.
- The net fair value of deposits with more than 12 months to maturity assumes the carrying amount is discounted by the market rate.
- The net fair value of fixed loans with more than 12 months to maturity assumes the carrying amount is discounted by the market rate.

The fair value measurements are considered to fall within Level 2 of the fair value hierarchy as the principal inputs into the calculations are observable current market interest rates and yield curves.

- (1) Fair value is not disclosed for this item because the carrying amount is considered to be a reasonable approximation of fair value because of: the short term to maturity; or, that they are receivable on demand.
- (2) This item is carried at fair value in the Statement of Financial Position.

	Consolidated	
	31 December 2013	30 June 2013
	Amount \$	Amount \$
12 Share Capital		
issued and paid up capital		
Ordinary shares fully paid	132,354,963	132,241,756

	Consolidated	
	31 December 2013	
	Number of shares	Amount \$
Movements in share capital		
Ordinary Shares		
Opening balance	87,153,047	132,241,756
Shares issued pursuant to the Employee share scheme of the consolidated entity	24,398	113,207
Closing balance	<u>87,177,445</u>	<u>132,354,963</u>

	30 June 2013	
	Number of shares	Amount \$
	Ordinary Shares	
Opening balance	86,977,573	131,785,926
Shares issued pursuant to the Employee share scheme of the consolidated entity	35,090	117,551
Shares issued under the Executive long term incentive plan	140,384	338,279
Closing balance	<u>87,153,047</u>	<u>132,241,756</u>

13 Statement of Cash Flows

(a) For the purpose of the Statement of Cash Flows, cash includes the items as defined in note 1 (g) of the most recent financial report for the year ended 30 June 2013, which are reconciled to the related items in the Statement of Financial Position.

	Consolidated	
	31 December 2013	31 December 2012
	\$ '000	\$ '000
Cash on hand	74,009	71,212
Total cash and cash equivalents	<u>74,009</u>	<u>71,212</u>

(b) Liquidity facilities

The consolidated entity has an approved overdraft of \$13.5 million. Cuscal Limited holds an equitable charge over all the assets of MSF as security for facilities provided. In addition, there is an MSF uncommitted \$10 million overnight facility with the National Australia Bank. Bendigo and Adelaide Bank Limited (BABL) provides an overdraft facility of \$100,000, a business card facility of \$100,000, an asset purchase/lease facility of \$200,000 and a "within-the-day" facility of \$10 million to TPT. These facilities are secured by a negative pledge from TPT not to mortgage or encumber, without the consent of BABL, the assets owned by TPT. None of the facilities were in use at 31 December 2013.

At 31 December 2013, the ConQuest Securities securitisation program had a number of support facilities provided by Westpac Banking Corporation available, including a \$5 million cash advance facility specifically available to meet cash shortfalls as a result of the timing of the receipt of payments on loans and a \$200 million liquidity facility available for the repayment of maturing ConQuest notes in the event that the notes could not be reissued within the market place at the time of maturity. As at 31 December 2013, this facility had not been used since the inception of the program.

A liquidity facility of \$1.4 million is supplied to the ConQuest 2007-1 Trust by the Commonwealth Bank of Australia Limited for the express purpose of meeting any payment shortfalls as defined in the ConQuest 2007-1 Series Notice. At the reporting date, this facility has not been used.

ConQuest 2010-1R Trust has collateral liquidity of \$1 million held in a separate account with Bankwest to provide liquidity support. As at 31 December 2013, this facility has not been used. The ConQuest 2010-2 Trust has collateral liquidity of \$2.4 million held in a separate account with Bankwest to provide liquidity support. MSF provides a redraw facility to the ConQuest 2010-2 Trust of \$500,000 to meet redraw commitments if there are cash shortfalls. As at 31 December 2013, both facilities had not been used.

Conquest 2013-1 has a liquidity facility of \$4.9 million provided by Westpac Banking Corporation and a Redraw Facility of \$0.507 million for the purpose of meeting payment shortfalls as defined in the ConQuest 2013-1 Series Notice. Conquest 2013-1 also holds a yield reserve of \$500,000 for the purposes of covering any payment shortfall. As at 31 Dec 2013, these facilities had not been used.

13 Statement of Cash Flows (continued)

(c) Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:

- (i) Customer deposits and withdrawals from savings and fixed-term deposit accounts;
- (ii) Movements in investments;
- (iii) Due from other financial institutions;
- (iv) Due to other financial institutions; and
- (v) Customer loans.

	Consolidated	
	31 December 2013	31 December 2012
	\$ '000	\$ '000
14 Contingent liabilities and expenditure commitments		
(a) Loans approved but not advanced	41,712	32,063
(b) Undrawn continuing lines of credit	84,946	92,887
(c) Performance guarantees	1,742	2,416

There have been no material changes in contingent liabilities or expenditure commitments since the end of the last reporting period ended 30 June 2013.

15 Events subsequent to balance date

There were no matters or circumstances that have arisen since the end of the period which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future periods.

MyState Limited
Directors' Declaration
For the half-year ended 31 December 2013

In accordance with a resolution of the Directors of MyState Limited, we state that:

In the opinion of the Directors:

(a) the financial statements and notes of the consolidated entity set out on pages 1 to 12 are in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the period ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that MyState Limited will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board



M L Hampton
Chairman



C M Hollingsworth
Director

Hobart
Dated this 27 February 2014.



Wise Lord & Ferguson
Chartered Accountants
advice to advantage

To the members of MyState Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of MyState Limited, which comprises the condensed statement of financial position as at 31 December 2013, the condensed income statement, condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MyState Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Ian Wheeler, Dean Johnson, Marg Marshall, Paul Lyons, Alicia Leis, Nick Carter
Managers: Melanie Richardson, Simon Jones, Trent Queen, Rachel Burns,
Nathan Brereton, Melissa Johnson, Donna Powell
Consultant: Peter Beven



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MyState Limited is not in accordance with the *Corporations Act 2001*, including:

- a) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DJ MCCARTHY
PARTNER
WISE LORD & FERGUSON
CHARTERED ACCOUNTANTS

Date: 27.2.14.