

**MyState**  
LIMITED

From Strength to Strength



ANNUAL REPORT 2009 - 2010

## **Name, ABN and Licence Numbers**

### **MyState Limited**

ABN 26 133 623 962

Regulated by Australian Prudential Regulation Authority (APRA)

### **MyState Financial Limited**

ABN 89 067 729 195

Australian Financial Services Licence (AFSL) No 240896

Regulated by Australian Prudential Regulation Authority (APRA)

### **Tasmanian Perpetual Trustees Limited**

ABN 97 009 475 629

Australian Financial Services Licence (AFSL) No 234630

Registered Superannuation Entity Licence (RSE)  
No L0002943

Regulated by Australian Prudential Regulation Authority (APRA)

## **Registered Office**

23 Paterson Street

Launceston Tasmania 7250

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Internet site: [www.mystatelimited.com.au](http://www.mystatelimited.com.au)

## **Operations and Principal Activities**

MyState Limited is a non-operating holding Company and listed diversified financial products and services group, providing a range of financial products and services to existing and new customers through two wholly-owned subsidiaries:

- MyState Financial (MSF) - the authorised deposit-taking institution; and
- Tasmanian Perpetual Trustees (TPT) - the trustee and wealth management company

## **Share Registry**

Computershare Investor Services

GPO Box 2975EE

Melbourne Vic 3001

Telephone: (03) 9611 5711

Facsimile: (03) 9611 5710

Email: [Melbourne.services@computershare.com.au](mailto:Melbourne.services@computershare.com.au)

**For enquiries relating to shareholdings or dividends you may contact the share registry.**

**The Australian Securities Exchange (ASX) code for the Company's shares is "MYS".**

### **Annual General Meeting**

**Date:** 29 October 2010

**Time:** 10.30am

**Venue:** Hotel Grand Chancellor  
1 Davey Street, Hobart

# MyState LIMITED | Company Profile

**MyState Limited** (MYS), a non-operating holding Company, is a diversified financial services group listed on the ASX and provides a broad range of financial services through two wholly-owned subsidiaries, MyState Financial (MSF), an authorised deposit-taking institution (ADI) and Tasmanian Perpetual Trustees (TPT), a trustee and wealth management company.

Headquartered in Tasmania, its diverse business operations cover:

## Banking Services

- Transactional and internet banking
- Insurance and other alliances
- Savings and investments
- Personal and business lending

## Trustee Services

- Estate planning
- Estate and trust administration
- Power of attorney
- Corporate and custodial trustee

## Wealth Management

- Financial planning
- Managed fund investments
- Portfolio Administration Services
- Portfolio Advisory Services



**MyState Financial** is a retail financial services ADI regulated by the Australian Prudential Regulation Authority (APRA), operating predominately in Tasmania. MyState Financial was established on 1 July 2007 and is the result of a number of credit union consolidations, the most recent being the merger of islandstate and connectfinancial. MyState Financial, which demutualised in August 2009, provides financial services to approximately 117,000 customers and holds an Australian Financial Services Licence (AFSL) issued by the Australian Securities and Investments Commission (ASIC).

The MyState Financial Group also includes:

- MyState Financial Foundation Limited, which provides annual grants to charities to educate and nurture the young people of Tasmania;
- Connect Asset Management Pty Ltd, which manages four securitisation programmes under the name of ConQuest: ConQuest Mortgage Trust and ConQuest 2007-1 Trust; ConQuest 2010-1 Trust and Conquest 2010-2 Trust;
- The Gourmet Club Pty Ltd – a loyalty card programme, offering discounts to members at more than 150 establishments across Tasmania.



**Tasmanian  
Perpetual  
Trustees**

**Tasmanian Perpetual Trustees** was established in 1887 and is a major Tasmanian based provider of financial products and trustee services. Tasmanian Perpetual Trustees is a trustee company authorised under the *Tasmanian Trustee Companies Act 1953* and the federal *Corporations Act*.

Tasmanian Perpetual Trustees also holds a public offer Registered Superannuation Entity (RSE) Licence issued by APRA, together with an AFSL issued by the ASIC.

Tasmanian Perpetual Trustees manages over \$930 million in funds under management on behalf of personal, business and wholesale investors in Tasmania. Tasmanian Perpetual Trustees also has a further \$480 million of assets under advice, through the Company's role as financial adviser, attorney or trustee on behalf of various trusts, estates and other clients.

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From Strength to Strength



# Chairman's Report to Shareholders

**"One thing is very clear from our financial results – MyState Limited is a strong business. We are continuing to consolidate and realise the benefits from the merger and we are actively exploring opportunities for growth."**

Dr Michael Vertigan AC- Chairman

## Dear Shareholder,

Over the last financial year, your Company has undergone significant change.

Through MyState Limited's two respected subsidiaries, MyState Financial and Tasmanian Perpetual Trustees, our Group looks after some or all of the financial interests of around 50% of all adult Tasmanians and therefore plays a significant role in the wider Tasmanian economy and community. From this position of deep responsibility and trust we are constantly mindful of the need for exemplary corporate governance and a measured and prudent approach to our strategic development.

Your Directors believe that the actions we have taken in establishing MyState Limited and setting the strategic course we are now pursuing, will be to the lasting benefit of our Shareholders, staff and customers as well as the wider Tasmanian community.

Since the merger of MyState Financial and Tasmanian Perpetual Trustees was finalised in September 2009, we have now entered a new and exciting chapter that will build upon our combined traditional strengths, whilst seizing new opportunities.

With our comprehensive product range, reputation for service excellence and with our enhanced ability to grasp new opportunities through offering a full range of our financial products and services, the future is very much in our hands. It is now up to Directors, senior management and staff to fully develop the wonderful opportunity we have to find ways to better meet the demands and needs of our clients in the most professional manner possible.

We embark on this task from a very solid position: -

- We have a clear strategy that will steer us towards our goals
- We have solid management systems in place
- Our balance sheet is strong and we are profitable
- We have outstanding people

As our financial results demonstrate – MyState Limited is in good shape. We are continuing to consolidate and realise the benefits from the merger and we are actively exploring opportunities for growth.



## Board and Employees

The merger required a consolidation of the respective Boards of Directors of the two companies. Accordingly, on behalf of my fellow Directors, I would like to express our gratitude to former MyState Financial Directors, Dianne Bowerman and Graeme Little and Tasmanian Perpetual Trustees Limited Directors, Clyde Eastaugh and Damien Bugg. These former Directors served their Members and Shareholders well and their contribution to the merger process was highly valued.

I would also like to express my appreciation to the former Chief Executive Officer of MyState Financial, Chris Brooks and to the former Managing Director of Tasmanian Perpetual Trustees Limited, Mark Scanlon for the leadership of their respective businesses in the period prior to the merger and for their commitment to the merger process.

Our new Managing Director, John Gilbert was appointed in December last year and I also express the Board's gratitude to him for the work he has undertaken to date in guiding the new business. I would also like to state the Board's gratitude to the management and staff of the Company for their patience, perseverance and support during the merger process.

## Dividend

The Board has established a policy of generally paying ordinary dividends each year within the range of 70% - 90% of net profit after tax. The actual dividend distribution each year will be determined taking into account the capital requirements of the Company.

This year Directors have declared a fully franked final dividend of 12.5 cents per share. This dividend will be fully franked for Australian Tax purposes. Record date for entitlement to the dividend will be 3 September 2010 and will be payable on 30 September 2010.

## Outlook

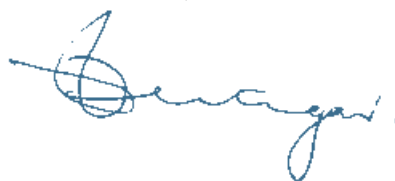
Uncertainty and challenge will continue to characterise the economic environment in which the Company operates. However, this environment will also provide opportunity.

The Directors consider that the forecast synergy benefits detailed at the time the merger was announced, will be achieved earlier than originally envisaged.

With the obvious advantage we have gained through post merger cost synergies and the ability we have to further leverage our outstanding brands and combined strength, significant growth opportunities exist. We will also be seeking to develop and grow the business into new markets.

Finally, I would like to thank Shareholders for supporting the Board during a period that has been both challenging and rewarding. I would also like to encourage Shareholders to attend the Annual General Meeting of your Company in Hobart on 29 October 2010, which will provide further insight into our recent results and our strategy going forward ■

Yours sincerely



**Dr Michael Vertigan AC**

Chairman



# Performance Highlights

## Profit after Tax \*

- Profit after tax of \$17.341 million

## Earnings per Share \*

- After tax earnings per share of 27.46 cents per share

## Dividends

- Final 2009 10 cents per share fully franked paid on 27 November 2009
- Interim 2010 10 cents per share fully franked paid on 31 March 2010
- Final dividend for 2010 12.5 cents per share fully franked declared 24 August 2010 and payable on 30 September 2010

## Expense to Income Ratio \*

- MyState Limited Group expense to income ratio of 73.93%

## Continuing Focus on Trapping

### Merger Synergies

- Net Assets of \$198.4 million
- Market Capitalisation of \$211 million

## Results impacted by One-Off Merger Costs

- Share Sale Facility costs of \$1.151 million
- Substantial redundancy payments totalling \$3.227 million paid by MyState Financial and Tasmanian Perpetual Trustees
- Stamp Duty on antecedent corporate Merger of \$0.400 million
- Executive recruitment costs of \$0.200 million

\* Includes Tasmanian Perpetual Trustees Limited earnings from 1 September 2009.



## MyState Financial Result Highlights (Full Year)

- Strong revenues of \$140.788 million
- Substantial growth in MyState Financial retail term deposits (20.9%) and home lending (17.9%).
- Improved Net Interest Margin of \$60 million
- Reduction in all major expense lines
- Profit after tax of \$15.721 million
- Total assets of \$2 billion
- \$250 million residential mortgage backed security securisation transaction completed immediately post balance date



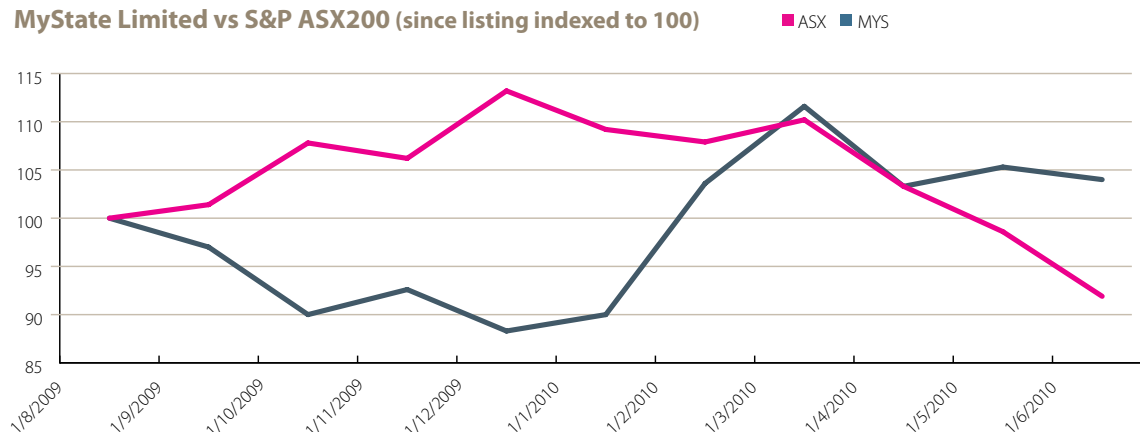
## Tasmanian Perpetual Trustees

## Tasmanian Perpetual Trustees Result Highlights (10 Months)

- Revenue of \$14.88 million
- Management fees, capital and income commissions down due to the impact of the global financial crisis, but stabilised
- Profit after tax of \$1.690 million
- Good cost control
- Reduced labour and property costs as a merger synergy
- Stable funds under management post global financial crisis
- Funds under management of \$934 million
- Funds under Advice of \$485 million

## 2009 - 2010

**MyState Limited vs S&P ASX200 (since listing indexed to 100)**



**The MyState Limited share price has rebounded in the period post the merger Share Sale Facility.**

## Our Achievements

- Finalisation of the MyState Limited executive management and senior staff structure in January 2010.
- Independent research in 2010 confirms MyState Financial has higher customer satisfaction ratings than other banks operating in Tasmania.
- Formation of a Group product research and development team and reinvigorated product strategy.
- Launch of the MyState Financial Online Term Deposit Account with streamlined online application processes.
- Revised MyState Financial Liquidity Policy and Internal Capital Adequacy Assessment Plan.
- Strong and successful strategic partnerships with CGU and St.Lukes Health Insurance.
- Establishment of an internal residential mortgage backed security emergency liquidity facility with the Reserve Bank of Australia.
- Centralisation of Tasmanian Perpetual Trustees' trust and estate administration activities in the three major regions of the State, providing quality and efficiency gains.
- MyState Financial and Tasmanian Perpetual Trustees Private Client and Financial Planning teams have been amalgamated providing synergy benefits and greater focus.
- Completion of the \$250 million MyState Financial securitisation – providing the basis for future business growth.



"I am determined that our clients will continue to recognise and appreciate what our brands stand for and the tradition of excellence that goes with them."

John Gilbert - Managing Director

# Managing Director's Report

Following my appointment as the inaugural Managing Director of MyState Limited in mid December last year, some things became very quickly clear to me. It is the enhanced financial strength of the Group, the enviable reputations of our two brands, MyState Financial and Tasmanian Perpetual Trustees and the quality of our people in the merged enterprise, which underpins our future success.

Management has focused on the need to protect and preserve the brand reputations of MyState Financial and Tasmanian Perpetual Trustees and develop initiatives aimed at unifying and engaging the workforce in a shared collaborative effort. Our internal mantra of "One Team – Two Brands" has become a powerful expression of this early merger implementation focus.

When the merger between MyState Financial and Tasmanian Perpetual Trustees was first proposed, the clear aim was to make the two organisations "stronger together" and to create a fully integrated Tasmanian financial services Group. Our results confirm that we are achieving our aims, now having a stronger balance sheet and an excellent platform upon which to expand and grow.

In recent months the business has undergone rapid internal transformation involving changes to management structures, policies, procedures, systems, staffing, sales and service delivery. These changes have been aimed at ensuring that the benefits of the merger flow as efficiently as possible to all stakeholders and in accordance with the statements made by the Board at the time of the merger.

The coming together of two sound and well-performing businesses has clearly resulted in one even stronger organisation being created. With this however, comes an even a greater level of responsibility to our various stakeholders and we are constantly mindful of the impacts of our decisions on the lives of so many.

There is also one other overriding principle which I intend to follow during my tenure as Managing Director and that is to ensure that MyState Limited will be big enough and strong enough to prosper and grow, but small enough to be personal in the way we interact with our clients. This personal approach, which underpins our strong customer relationships, is a market advantage that we have over many other financial institutions throughout the State. It is also a market differentiator that I am determined we will build upon.

I acknowledge that many of the planned benefits from the merger are still very much work in progress, but when it comes to how we deal with our clients, I firmly believe we remain well ahead of our competitors.

## Our achievements so far

The results reported for the financial year ended 30 June 2010 are the first results for the merged entity and consequently include 12 months of MyState Financial and 10 months of Tasmanian Perpetual Trustees trading following the merger in September 2009. Our Profit after Tax (PAT) of \$17.3 million was slightly ahead of our expectations and is largely a reflection of a better than anticipated Net Interest Margin and the benefits that are flowing from the post merger synergy savings. However, the result was impacted by costs associated with the merger, including one-off redundancy payments which had a significant impact on the contribution from Tasmanian Perpetual Trustees. Earnings per share at 27.46 cents, is again slightly ahead of forecast and is a strong debut performance for the business.

## Our commitment to our clients

I am determined that our reputation as outstanding providers of customer service, both through MyState Financial and Tasmanian Perpetual Trustees will continue. In addition, an enhanced and streamlined customer-centric product range will be progressively rolled-out from early 2011, creating efficiencies for the business while customers will benefit from a simple and transparent product range that offers greater innovation and access, to meet their financial needs.

Following the merger, we have started to leverage our two brands to offer our clients a total financial solution that suits their personal needs at any particular time in their life, ranging from their first savings account through to retirement and estate planning. We have also made significant progress in developing our brand and product distribution model in order to optimise our branch network, with the majority of our branches now offering joint MyState Financial and Tasmanian Perpetual Trustees products and services.

## Our Staff

I was fortunate enough to have the opportunity to put together a new executive and senior management team drawn from both MyState Financial and Tasmanian Perpetual Trustees existing management teams. This has been a great start for the new business. We now have a team of professionals that is both experienced and well qualified and each has embraced the challenges ahead with enthusiasm and vigor. While merging these two iconic Tasmanian businesses during the global financial crisis presented its unique obstacles, I am pleased to say that the executive and senior management teams have emerged as a stronger team and one which is even more united in its desire to realise the full benefits of the merger and to extract maximum Shareholder value.

Without the considerable effort and support of all staff in the Group, the strong results that we have achieved, would not have been possible and for this I am most appreciative.

## The Business Environment

There are positive signs starting to emerge in the general business environment. However, we are still dealing with shock waves in the market place as a result of the global financial crisis. It is fair to say, that we continue to operate in an uncertain global economic environment and it is comforting that we can now face these challenges with an enhanced capability.

While the overall pace of economic activity and growth will likely impact our business, the merger has also opened up new markets within the large customer bases of both brands and we expect in the short term a reasonable level of organic growth, through appropriate cross referral. To facilitate this, we have already made substantial progress in delivering increased cross brand product training to some 200 staff and have focused efforts on establishing referral relationships and processes between the businesses. The early signs of success are most encouraging.

## Going forward

The year ahead will be challenging as we embark upon an ambitious agenda of actions consistent with our Board approved strategic plan. We will continue to restructure the business or change processes in areas where we can identify ways to improve efficiency or effectiveness, in order to deliver additional synergies. We will also continue to develop our human capital and will aim to raise levels of staff engagement through renewed emphasis on training and professional development and communication about our vision, values and strategies.

The global financial crisis has also been a sober reminder of the importance of brand equity and the maintenance of trust between a financial institution and its customers. I am pleased to say that our two strong brands weathered these recent storms relatively well, due to the overwhelming strengths of the brands and loyalty of our customers.

It is therefore vitally important that we remain focused on protection of the equity we have in our brands and we will be putting considerable effort into further developing our brand and product distribution strategies and ensuring we deliver on our brand promises and the expectations in the marketplace. Accordingly, I am determined that our clients will continue to experience and appreciate what our brands stand for and the tradition of excellence that goes with them. This protection of brand equity is not a short term action for me but is a long term goal.

My commitment to Shareholders for the forthcoming year is that we will continue to capitalise on what we have achieved, take market advantage of the scale and inherent strength that we have and leverage our expertise into growth opportunities.

Finally, I would like to offer my thanks to the many Shareholders and clients for the support that I have personally received over recent months since my appointment. I look forward to your continuing support as we build this enterprise together ■



**John Gilbert**

Managing Director



## OUR OPERATIONS



From Strength to Strength





Front right to left: John Gilbert, Managing Director;  
Darren Turner, General Manager – Retail Banking and Distribution;  
Colin Kent, General Manager – Brands, Communications, People and Development.  
Back right to left: Paul Viney, Chief Financial Officer and Company Secretary;  
David Benbow, General Manager – Wealth Management and Trustee Services;  
Tim Rutherford, General Manager – Technology and Operations.

## One Team – Two Brands



# Divisional Overview

## Strategy, Structure and Success

The creation of MyState Limited, was put into effect by the merger of Tasmanian Perpetual Trustees and MyState Financial and has necessitated rapid internal transformation involving changes to management structures, policies, procedures, systems, staffing, sales and service delivery. These changes have been aimed at ensuring that the benefits of the merger flow as efficiently as possible to all stakeholders.

Throughout this merger period, management has focused on the need to protect and preserve the enviable brand reputations of MyState Financial and Tasmanian Perpetual Trustees as well as develop initiatives aimed at unifying and engaging the workforce in a shared collaborative effort. Our internal mantra of *"One Team – Two Brands"* has become a powerful expression of this early merger implementation focus.

Following the implementation of the merger in September 2009, the MyState Limited executive management structure was finalised in January 2010, with shared responsibility for common operational areas across both MyState Financial and Tasmanian Perpetual Trustees and the wider Group. This new streamlined structure was designed to deliver the "one team" efficiencies in areas of shared services while preserving the core elements for the marketplace delivery of our separate brands. In addition, the structure was designed to provide the ongoing flexibility needed for organic growth or further acquisition.

The MyState Limited divisional structure consists of the following:-

- **Brands, Communications, People and Development** – responsible for marketing, internal and external communications, products, human resources and organisational development.
- **Retail Banking and Distribution** – responsible for sales and customer services via our distribution channels, including branch network, internet, call centre, mortgage brokers and our strategic partners.

- **Wealth Management and Trustee Services** – responsible for all aspects of both financial and estate planning advice, administration of deceased estates and ongoing and charitable trusts. The Division also has responsibility for the funds management process of all Managed Investment Schemes including the origination and management of the lending portfolio involving the mortgage assets of the mortgage funds.
- **Technology and Operations** – responsible for information technology, loans processing, credit management and collections, property, major projects and business improvement.
- **Finance and Governance** – responsible for finance, accounting, taxation, treasury, secretariat and governance, risk and legal and compliance services.

The above structure was further consolidated during January and February with the appointment of Senior Managers within each Division. This was quickly followed by a facilitated strategic evaluation and planning workshop in February attended by the Executive and Senior Management team. The workshop was designed to deliver key management insights to the MyState Limited Board Strategic Planning process in March. This planning process has delivered a set of agreed strategic priorities for the future and provided the management team with a set of short to medium term deliverables for each Division. We are pleased to report that early progress against these strategic initiatives has been substantial and this has been achieved while maintaining a careful balance of the needs of all stakeholder groups.



Colin Kent

## Brands, Communications, People and Development

The work of this Division aims to align the brand promises we make to our customers and clients, with the organisation's staff culture and behaviours. The marketing and communications strategies are carefully considered and aligned to the capability of our people, our products and our processes, in order to deliver a potent mix that drives consumers to consider and enquire about our products and services - with those enquiries being converted to acquisition through the Retail Banking and Distribution channels and Wealth Management and Trustee Services.

The Division operates with four aligned business units delivering services across the Group. These are:

- brands and communications
- product research and development
- training and organisational development
- human resource operations

Currently the strategic focus of the Division centres on two main goals – the development of winning brand propositions for MyState Financial and Tasmanian Perpetual Trustees and a fully engaged workforce.

## Brands

MyState Financial and Tasmanian Perpetual Trustees are vastly different brands, which each hold their own unique place in the hearts and minds of their customers and clients. Recent customer research has confirmed that in the post global financial crisis world, the key pre-merger message of “stronger together” has been accepted and embraced by our customers. In addition, the decision to maintain the “two brands” within the Tasmanian marketplace has not only aided customer retention, but also provides greater value to MyState Limited, as each brand increases the overall population penetration by delivering access to different customer segments.

An independent quantitative research study by a leading specialist research firm, MillwardBrown, shows that MyState Financial continues to have higher customer satisfaction ratings than any other bank operating in Tasmania. In addition, MyState Financial is viewed as the most customer-focused banking institution operating in Tasmania – a testament to our people and their commitment to our customers and our community. The brand also continues to lead the competition on net positive perception scores demonstrating strong support from customers which is evident in the growth among key product lines.

Similarly, while slightly less well known, the Tasmanian Perpetual Trustees brand continues to be the envy of our competitors with its rich heritage and long lineage widely understood and appreciated, leading to strong levels of affinity and loyalty to the brand.

Also, a recent qualitative research study undertaken by Roy Morgan Research is being used by management to refine our multi-brand distribution model and resolve the more complex business line branding issues arising from the merger. A fully documented branding, marketing and communications strategy will be an important milestone prior to increased efforts to socialise the brands through the organisations, in order to enhance the brand delivery and experience for customers and clients.

## Products

Management also recognises that a winning brand proposition is meaningless without highly competitive, customer centric products and services. The recent formation of a specialist product research and development team is a significant advancement for the Group. A reinvigorated product strategy is providing a clear blueprint for the direction of product development going forward with an emphasis on simplicity and value creation for both customers and Shareholders.

Part of this strategy involves the removal of legacy products of little value to consumers. Removing legacy products reduces unnecessary administration and technical support costs for the business. These efficiencies are being channeled into better products and channel delivery. An example of this is the Online Term Deposit Account now having vastly streamlined online application processes for consumers which includes electronic verification for anti-money laundering.

Further, an enhanced and streamlined customer-centric product range will be progressively rolled-out from early 2011 creating efficiencies for the business while customers will benefit from a simple and transparent product range that offers greater innovation and access to meet their financial needs. Small business will also benefit as strong emphasis will be placed on enhancing the Group's product and service offer for business customers.



## Promotions

Investments also continue to be made in online distribution with Tasmanian Perpetual Trustees and MyState Financial websites being migrated to more secure and flexible hosting platforms with increased service level agreements and redundancy backup processes. MyState Financial's website was also successfully migrated to a new operating platform which will allow greater marketing focus and penetration into the online financial product market. This is evident in recent increases in MyState Financial's share of online traffic in the financial services sector in Tasmania.

Innovative marketing and communications activity continues to support MyState Financial's successful brand extension into the general insurance market. The marketing program continues to increase in depth and breadth reaching more consumers through diversified channels. This continued push has helped drive acquisition and retention through the distribution network.

Strong promotion of competitive products has led to strong growth in retail term deposits and retail lending. Importantly, for retail term deposits, promotions successfully focused on delivering new funds to the organisation. This growth in retail term deposits enabled strong promotion designed to capitalise on the first home buyer market. Marketing and communications activity helped increase MyState Financial's market share of the first home buyer market from less than 3% to 29% during the financial year.

MyState Financial recently extended its brand into the Financial Planning sphere with immediate results. Dramatic increases in related online traffic and qualified appointments were witnessed soon after the breaking campaign. Continued successful promotion of a key strategic partnership with St.Lukes Health not only ensures that MyState Financial customers are aware of the benefits available to them but that the distribution network is supported in their efforts to provide diversified revenue for the group.



Marketing efforts were further recognised when in August 2009, Tasmanian Perpetual Trustees won two Australian Marketing Institute Awards for Tasmania's best "Business to Consumer Campaign" for its high impact "This is a message for you" which focused on personalised service and for best "Sponsorship Campaign". This award winning sponsorship campaign involved support of the events around



the Errol Flynn Centenary (Errol Flynn was born in Hobart in 1909) and the creation of a high profile campaign aimed at highlighting the importance of having a current Will. The campaign which involved endorsement by his daughter Rory Flynn told the story of how poor planning and advice resulted in Errol's estate being in probate for 14 years and not being distributed as he may have wished, leaving his children with their memories as his legacy.

### Community engagement

The strength of the MyState Financial brand is driven not only by the competitive products and quality service provided to our customers but also in the tangible and valuable way MyState Financial supports the Tasmanian community. In particular, MyState Financial is committed to building a strong and vibrant community with a key focus on developing young people – the future of Tasmania.

The MyState Financial Student Film Festival is now in its eighth year and continues to grow. It encourages young people from primary school to university to participate in film making – a process that builds creativity, team building, and planning and negotiation skills. Over one hundred entries are received from schools and individuals each year. Recent moves for online communication delivery has seen the festival, and the work of Tasmanian students recognised as far away as Japan and Europe.

The MyState Financial Foundation continues the commitment to develop the capability of our young people and helping them to realise their full potential providing grants to charities and community service organisations. In operation for almost a decade, the Foundation has distributed more than \$836,000 to a wide range of worthwhile and effective youth programs across the State.

In 2010, the Foundation distributed 23 grants to 22 organisations totalling \$104,272 to assist in the areas of education, financial literacy, employment and health.

The Foundation also helped forty-two students from rural and regional areas with the Springboard to Higher

Education bursary program with a grant of \$31,500.

Established in 2003 as a joint initiative between UTAS and the Tasmanian Principals Association the Springboard to Higher Education bursary program assists young people from rural and regional areas to move on from secondary schooling to first year tertiary studies.

Similarly, Tasmanian Perpetual Trustees continues to support a wide range of local community events and initiatives across the State, such as Time Out a project for the prevention of youth suicide, the Youth Idol Competition held each year in conjunction with the Rotary Festival in the Park in Ulverstone, the Glover Art Prize and Agfest the largest agricultural expo in the southern hemisphere run by Rural Youth Organisation of Tasmania. Tasmanian Perpetual Trustees sponsorships are designed to reach local audiences and support worthwhile community initiatives that are important to key customer segments. One such recent event is the inaugural *Breath of Fresh Air Film Festival* in Launceston, which was proudly supported by Tasmanian Perpetual Trustees. The Festival which was run by the 1,300 member strong Launceston Film Society provided the community with an opportunity to both view film and create film as well as engage with professional film directors. The Festival was a great success attracting capacity audiences to many events and may over time play an important role in supporting Tasmania's fledgling film industry and the wider creative economy.



Bridgewater Police & Citizens Youth Club - Club Superintendent Byron Howard receiving their 2010 grant from the MyState Financial Foundation.



Left to right: David Benbow, General Manager - Wealth Management and Trustee Services; Steven Hart, Manager - Investment Services; Sally Fletcher (Sally's Ride is a local charity ride in support of mental health services in Tasmania); Miles Farrow, Senior Manager - Legal and Compliance; Phil Kitto, Senior Manager - Lending Services.

## Our people

MyState Limited recognises that great brands and products alone are not sufficient. Success today is also dependent upon the calibre, capability and commitment of staff to deliver exceptional service quality and find innovative solutions to problems. This cannot be achieved without a fully engaged workforce that has embraced the organisation's vision and values and that has been trained and supported to reach their potential.

A fully engaged workforce is a complex and demanding deliverable, particularly during the early phases of a merger. In response, the Division has developed a multi-faceted approach which will be implemented over coming months. The core elements include identification and commitment to shared organisational values, equitable employment conditions and staff benefits, harmonised human resources policies and procedures, comprehensive induction and on-going training and development, common performance planning and appraisal systems,

shared rewards and recognition programs, leadership and talent management and not least, upgraded internal communications.

Prior to implementing the co-located branch structure encompassing products and services for Tasmanian Perpetual Trustees and MyState Financial in November / December 2009, additional training was provided to 80 staff across both brands. The training focused on product knowledge and the related sales and services expectations. Continuing this service commitment to our customers, a further 200 front-line staff were provided with additional up-skilling across the range of products and services offered by MyState Financial and Tasmanian Perpetual Trustees. This cross-pollination of knowledge and skills will enable qualified cross-brand referrals providing benefit for customers and Shareholders alike. It will also have a positive impact on service levels and provide greater staff flexibility within the organisation and will open up the potential for extended transaction services to areas in which Tasmanian Perpetual Trustees are not currently represented.



Ensuring that our people are well trained, fully accredited and comply with legislation is a key component of our people strategy – it ensures that we minimise risk to the business and provide quality advice and service to our customers. To comply with the *National Credit Act*, which replaced the Uniform Consumer Credit Code on 1 July 2010, all staff across both brands involved in lending acquisition, fulfilment or administration processes have completed comprehensive training in the Act. The training was delivered online with staff completing multiple units depending upon their position – in all an estimated 1500 hours of staff time has been invested into this training.

Staff within the Group continue to be supported in their pursuit of relevant tertiary qualifications with 15 staff across both businesses being supported during the last financial year. The study being undertaken not only adds to the career development of the individuals but assists with the succession planning for the Group by having appropriately trained and qualified people ready for advancement. For Tasmanian Perpetual Trustees staff in particular, access to formal study and development opportunities in Trustee Services is provided via the Certificate IV program in Trust Administration accreditation through the University of Western Sydney.

To support key business projects, a number of staff successfully completed Prince2 project management training during the last 12 months. This has been a significant investment and will help ensure that the business has appropriately trained and skilled people available for key projects in the future.

Financial Planning staff also continue to undertake professional development through the Kaplan professional on-track programs to ensure their knowledge is up-to-date and we are fully compliant with our licensing obligations. It also assists to ensure quality advice for our financial planning clients, adding value to them and the business.

To ensure we continue to retain critical skills and knowledge within MyState Limited a Group-wide succession plan and program has been developed. This plan will ensure the Group maintains strong reserves of talent and diverse capability to help position the business

for growth in the future while ensuring our business and our customers benefit from strong leadership and aspiring talent. Promoting from within the business also minimises external recruitment costs for specialist and leadership roles. A new Leadership Development Program focussed on new leaders and emerging leaders will also be launched in coming months and once established, will be a sound ongoing platform and will deliver further development opportunities for around 20% of the work force.

In addition a Group-wide performance appraisal process has recently been implemented and this will help to ensure that all employees have clear objectives aligned to the business strategy, personal development initiatives and a career development plan. The ultimate result will be a more skilled, productive and engaged workforce able to deliver benefits for our customers and Shareholders.

A further key driver of performance and engagement is appropriate reward and recognition. A Group-wide reward and recognition program was recently launched to ensure that employees are well recognised and rewarded for behaviours and actions that are exemplary or beyond the call of duty. A workforce which feels valued by the organisation will result in reduced staff turnover, better customer service and improved overall business performance ■



Clare Clarke and Meg Lawler, two of the friendly faces of our new co-branded Sandy Bay branch.



Darren Turner

## Retail Banking and Distribution

The work of this Division aims to provide timely, appropriate and profitable financial products, solutions and services to customers - and in so doing, satisfy or exceed their expectations so they become advocates for the brands.

The Division operates with three aligned business units delivering services to both brands. These are:

- Retail and Strategic Partners
- Retail Support Services
- Mortgage Broker Management

Currently the strategic focus of the Division centres on building revenue through cross referral between the brands and customer centric processes which deliver improved service and relationship management.

To realise the merger, Tasmanian Perpetual Trustees successfully ended its relationship with Bendigo & Adelaide Bank, resulting in the withdrawal of the Tasmanian Banking Services brand from the market place. This allowed the swift transition to the MyState Financial partnership.

Five MyState Financial branches were enhanced to also offer Tasmanian Perpetual Trustees products and services. These locations were; Glenorchy, Kingston and Rosny, in the South of the State; Kings Meadows in the North; and, Devonport in the North West. Importantly, staffing complements of both brands were maintained as much as possible. This ensured that product expertise and customer relationships held within each business were preserved enabling the continuation of positive service experiences – experiences valued by customers of both brands. This combined distribution structure created immediate efficiencies that not only delivered Shareholder value but delivered complementary products and services and increased convenience for customers of both brands.

### **Integration of service across a broader Retail Branch Network**

We have been pleased to be able to deliver seamless integrated services for both our Tasmanian Perpetual Trustees and MyState Financial customers in Devonport, Kings Meadows, Glenorchy, Rosny and Kingston branches. We believe this has been an important step forward to ensure that, where possible, we can create a service experience for both customer bases that offers convenience and access to our experienced team. We are committed to enhancing services over the coming year, to ensure all our customers, regardless of brand, get a great experience every time, throughout the state.

We have recently launched Tasmanian Perpetual Trustees' services at our Sandy Bay location and have upgraded services in Ulverstone. In addition, plans are well underway to integrate services in Burnie.

### **Greater access to value adding products and service across both businesses**

We have been encouraged by the opportunity to make customers of both brands aware of the great products and services available at both Tasmanian Perpetual Trustees and MyState Financial. In particular, we have seen an uplift in the number of people seeking out Wills and estate planning services and taking the opportunity to talk to our highly experienced financial planning team regarding long term investment strategies.

### **Our strategic partners**

We are proud to have created strategic partnerships with CGU and St.Lukes Health Insurance. These alliances provide all our customers the best in general insurance products and service through CGU and discounted quality health insurance cover solutions through St.Lukes Health. These partnerships also provide significant diversified and recurring, revenue for the MyState Limited Group.

### **Access to competitively priced products**

We have witnessed strong growth across a number of key portfolios. In particular, MyState Financial's retail savings and term deposits have achieved exceptional growth of 20.9% or \$264 million while home lending growth of 17.9% or \$219 million has also remained strong. In addition, MyState Financial's general insurance portfolio has grown by 18.53% and this product now contributes around \$3 million in revenue to the business. We are extremely proud of these achievements and the confidence shown in our products and services following the merger of MyState Financial and Tasmanian Perpetual Trustees. We greatly value the support shown for our products and services and are committed to ensuring we continue to deliver price competitive, and feature rich products to our customers ■



David Benbow

## Wealth Management and Trustee Services

The work of this Division provides high value and expert services dedicated to the management and intergenerational transfer of personal and business wealth.

The Division operates with four business units delivering services to both brands. These are:

- Trustee Services
- Investment Services
- Lending Services
- Financial Planning

The strategic focus of the Division centres on the provision of professional financial and estate planning advice to all clients of the Group. The division manages products and administrative services to assist in wealth management strategy development.

### Trustee Services

Following the successful transition from Tasmanian Banking Services sites to integrated MyState Financial sites in regional areas, the Wealth Management and Trustee Services Division undertook a project to centralise trust administration activities in the three major regions of the State.

The centralisation of administrative functions ensures a consistency in this service coupled with better resource management.

A continuing push to enhance the skills and service delivery in the area of estate planning and trust administration has seen the implementation of the STEP (Society of Trust and Estate Practitioners) continual professional development programme.

This programme will ensure staff in this profession are provided with ongoing development and the ability to progress within a relevant accreditation programme.

### Investment Services

The competitive environment for deposit style products post the global financial crisis has impacted upon the capacity for growth in the Managed Investment Scheme environment with overall funds under management decreasing by 7.2% to \$933m. The Investment Services team is continuing to add value through the careful selection of quality high yielding securities whilst managing individual pool liquidity requirements. Managed Investment Schemes investing in growth style assets have benefited from the improvement in investment markets over the year.

### Lending Services

The Lending Services team has been very successful in sourcing quality mortgages for inclusion in the Tasmanian Perpetual Trustees Managed Investment Schemes. The team is currently developing the strategy for the Group's expanded involvement in the business banking market, in particular the capacity to source loans on behalf of both brands within the Group.

### Financial Planning

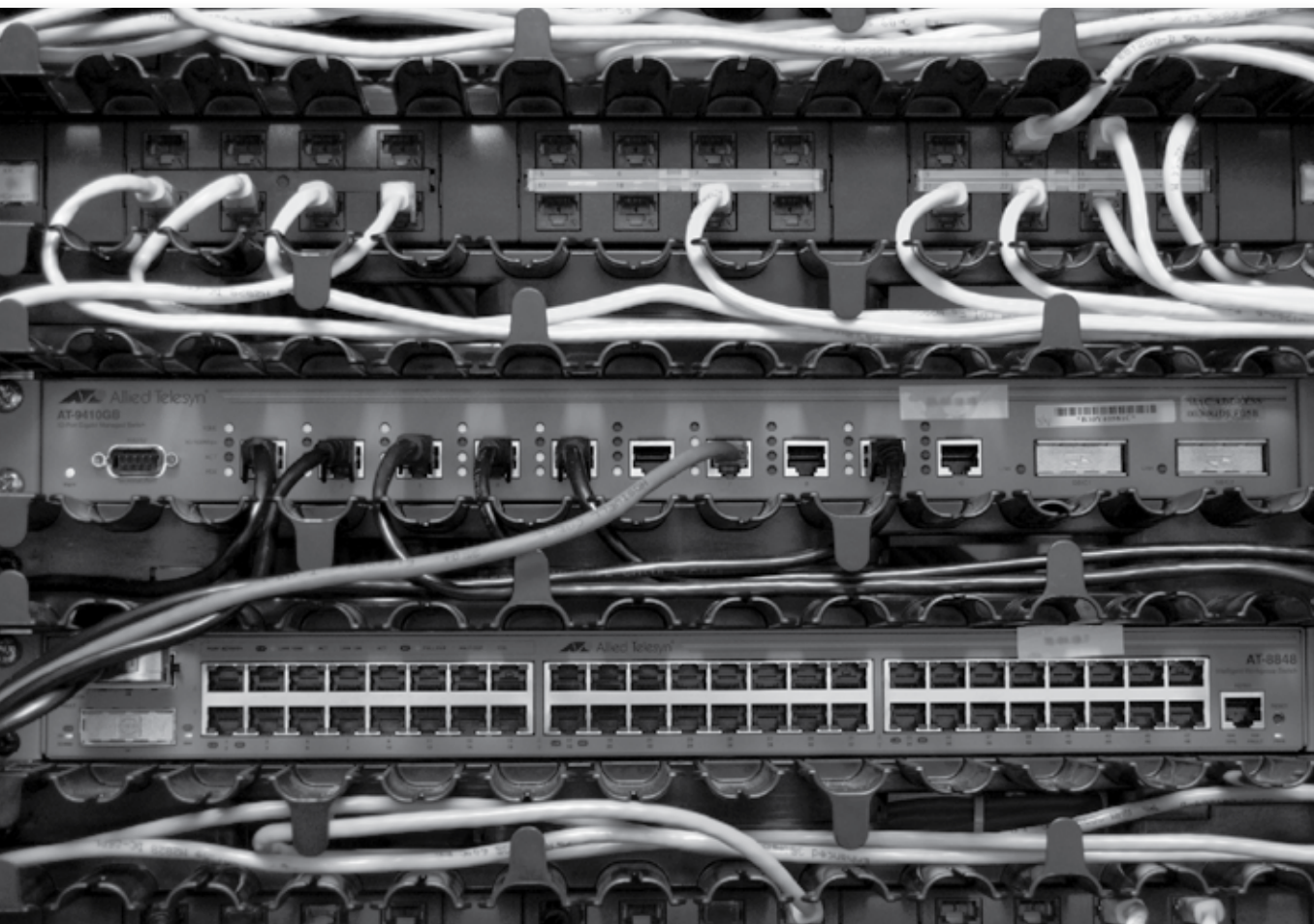
During the Financial Year the ongoing model to support existing and future financial planning clients of both brands was developed and implementation commenced.

A core principle to the future of the ongoing business is to ensure key performance indicators relating to revenue, profit and client numbers per planner are established and maintained in line with industry best practice. The revised client service model clearly segments clients in relation to their individual service needs.

Consequently, the MyState Financial and Tasmanian Perpetual Trustees Private Client and Financial Planning teams have been amalgamated and staffing numbers reduced to support the new model.

Wealth Management and Trustee Services is continuing to integrate the key advice aspects of both businesses - investment and estate planning advice - in order to leverage from the growing need for personal advice in these areas ■





Tim Rutherford

## Technology and Operations

The work of this Division aims to provide best practice tools and services which facilitate highly efficient and effective delivery to the market of financial products and services and aims to provide a flexible and dynamic communications environment which meets the needs of all stakeholders.

The Division operates with four business units delivering services across the Group. These are:

- Network and infrastructure
- Business Applications and Projects research and development
- Operations
- Property

Currently the strategic focus of the Division centres on delivering merger related synergies and integrated systems and operations across the Group.

## Technology and Operations

The merger of MyState Financial and Tasmanian Perpetual Trustees has provided a number of opportunities to review, align and rationalise business applications and technology services. Fundamental to this is the ability to ensure that we provide high quality cost effective solutions for both internal and external customers. This has included the successful integration of the MyState Financial and Tasmanian Perpetual Trustees technology teams to build capability and ensure a consistent service level across both organisations.

We have partnered with Telstra to roll out a single network across the MyState Limited Group, delivering secure, high speed network access across the majority of our office locations. This approach is also being utilised to deliver a single agreement with our internet banking partners as we look to upgrade our capability in this area over the next twelve months.

We have also made significant investments in operations. New software is being utilised by MyState Financial to assist in better recovery outcomes and the ongoing maintenance of accounts that remain in arrears, with SMS technology being utilised to remind customers that they have missed a loan repayment and assist them in minimising any penalties. This has been enhanced by further developing MyState Financial's collections processes to ensure that we continue to balance the need of our customers to meet their obligations, whilst supporting customers undergoing genuine financial hardship.

Within MyState Financial's Loans Centre, we have integrated mortgage operations, broker and business lending in order to ensure that all of our customers receive a consistent level of service regardless of the channel they use, by utilising a broader resource base and delivering improved turnaround times for customers. This has meant that 90% of MyState Financial's loan contracts and documentation are now finalised and sent to customers within 48 hours of receiving the request for that loan documentation (with the completion of the remainder of documentation dependent on external providers).

In all areas we continue to focus on identifying and implementing improvements to processes that either better meet our customers' needs, or reduce the cost of our operations. More than 80 continuous improvement initiatives have been identified and implemented in the past twelve months and a further 50 already identified for consideration in the first half of 2010/11.

In all areas we continue to focus on training and developing the skills and capabilities of our people, with cross skilling an ongoing priority to ensure we provide staff with the opportunity to further develop their careers ■





Paul Viney

## Finance and Governance

The work of this Division aims to ensure the Group's financial capacity is harnessed to achieve maximum performance for Shareholders while managing within robust prudential, legal and corporate governance frameworks.

The Division operates with five business units delivering services across the Group. These are:

- Finance
- Legal and Compliance
- Risk
- Secretariat and Investor Relations
- Treasury

Since merger, the strategic focus of the Division has centred on developing the Group's financial management capability, including capital and liquidity management and consolidation of the overall risk and compliance regime for the Group. This Division is also responsible for the identification, research and assessment of merger and acquisition opportunities. Although the Executive team and management remain busy working on trapping the merger synergies, a significant resource has already been committed towards building a mergers and acquisitions capability to ensure future growth prospects for the MyState Limited Group.

Immediately post merger and following the appointment of the Division's Executive and Senior Management team, the following business units commenced focus on a number of key tasks detailed below.

### Finance

Upon establishment of the new Finance Team, standard financial reporting protocols were established to ensure the Board was immediately able to review and analyse the operational performance of the new Group. Finance and accounting systems and processes have been reviewed and plans are being drawn up to progress towards systems consolidation during the forthcoming year.

The team has also provided support to the Business Risk and Compliance Committee of the Board by reviewing the internal control environment of subsidiary operations in the post merger environment.

In response to a Board request, the Finance Team managed an External Audit tender process, resulting in the re-appointment of Wise Lord & Ferguson. In addition, Internal Audit was also put out to tender, resulting in the appointment of Deloitte as Internal Auditor for the MyState Limited Group of companies. The taxation arrangements of the new Group have received early and intense focus, with a number of key projects finalised by year end June 2010, with support from the Group's tax advisers, KPMG.

The Finance Team has also developed a new capital expenditure policy framework to ensure all capital expenditure meets value creation criteria, or assists the Group to comply with legal, industrial relations or occupational health and safety obligations. This new Policy has been approved by the Board and will support the future capital expenditure evaluation processes for the Group.

### Legal and Compliance

A dedicated MyState Limited Group Legal and Compliance area has been created. This operation draws upon the legal and compliance process strengths of both MyState Financial and Tasmanian Perpetual Trustees to create a well resourced unit charged with ensuring the highest compliance standards are achieved.

Already Group compliance systems and processes have been reviewed and agreed standardisation is underway. Instigation of Group wide risk management incident reporting has taken place and it is pleasing to see such early and widespread adoption of these onerous processes by staff Group wide.

The Legal and Compliance Team is responsible for supervision of the internal audit function, including design of a new internal audit plan for the expanded Group. A new Group internal audit programme will be in place early in the 30 June 2011 financial year. This will include a revised risk identification and assessment process.

## Risk

A new Risk Team has been appointed and has already reviewed the MyState Limited Policy and Procedure framework. A number of new and revised MyState Limited Group policies and procedures have already been issued, including a revised Risk Management Policy, which has been posted to the Company's website.

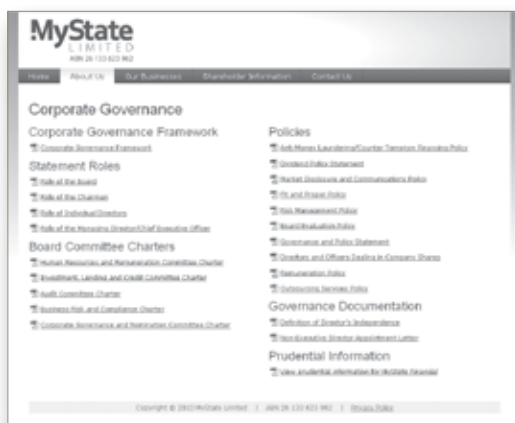
In addition and with particular reference to the needs of MyState Financial, a dedicated credit risk policy formation and supervision area has been formed within the unit. Credit risk oversight will receive particular focus over coming months as the ADI moves to even higher levels of professionalism within the prudential oversight framework.

## Secretariat and Investor Relations

The Secretariat area of MyState Limited has received additional resourcing to cater for the expanded secretariat and investor relations requirements of having a share register of some 80,000 Shareholders in the post merger environment.

Considerable support was provided by this Unit for the September 2009 share sale facility, which was designed to enable former MyState Financial members to sell their new MyState Limited shares in a cost effective way immediately post merger.

Finally, this Unit has provided advice and support for the reconsideration of MyState Limited Group's governance structures post merger. Board Committee structure is currently under review and once the Board finalises the structure and achieves APRA approval, revised Committee arrangements will be posted to the Company's website.



## Treasury

MyState Financial Treasury operations have been bolstered to cater for the expanded requirements of dealing with the new MyState Limited Non-Operating Holding Company Group financial and prudential regulatory arrangements. This included the appointment of a new Treasurer to head up the MyState Financial Treasury area, with additional responsibility for MyState Limited treasury activities as they arise.

The post merger and post demutualisation environment required the Treasury area to develop a revised MyState Financial Liquidity Policy and Internal Capital Adequacy Assessment Plan, requiring APRA approval. These initiatives also involved the holding company operations for MyState Limited, taking into account ownership of the trustee company operations of Tasmanian Perpetual Trustees Limited.

Also important in the post credit union environment for MyState Financial was the establishment of an internal residential mortgage backed security emergency liquidity facility with the Reserve Bank of Australia.

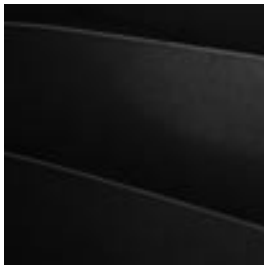
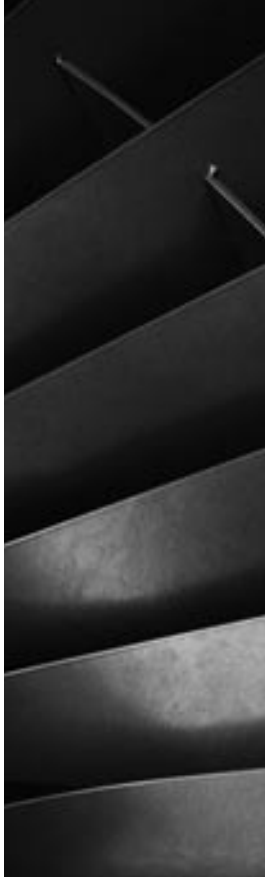
Treasury is also responsible for the revitalisation and support of MyState Financial's Asset and Liability Committee processes.

As an example of the synergies possible between the two merged Companies, commercial arms length discussions have taken place regarding cooperative arrangements between MyState Financial's Treasury unit and Tasmanian Perpetual Trustees regarding balance sheet and investment opportunities. This remains a work in progress, but in the future such arrangements are likely to enhance the effectiveness of both operations.

This Unit has also been heavily involved with the development of a capital management capability for MyState Limited. This work will serve the Group well, supporting future growth opportunities, whether they are through organic growth, or significant step out through acquisition ■



From Strength to Strength



# Board of Directors



**Michael J Vertigan** AC, BEc(Hons), PhD, Hon LLD, FAICD

**Chairman and independent non-executive Director** Appointed 8 October 2008.

Dr Vertigan is currently Chair of the Australian Government Solar Flagships Council, a Director of Eraring Energy and a member of the Advisory Board of Australian Government Education Investment Fund. He was formerly Secretary of the Department of Treasury and Finance in both Tasmania and Victoria. For the past decade, he has had extensive involvement in the finance, investment, energy and utilities sectors. Director of Tasmanian Perpetual Trustees Limited since July 2004 and Chairman since October 2004. Dr Vertigan also serves as Chairman of MyState Limited Board's Corporate Governance and Nomination Committee and a member of the Human Resources and Remuneration Committee.



**G John Gilbert** B Com, FAICD

**Managing Director - Executive Director** Appointed 10 December 2009.

Mr Gilbert was appointed Chief Executive Officer of MyState Financial and subsidiary companies on 27 May 2009 and appointed a Director of Tasmanian Perpetual Trustees Limited on 22 December 2009. He was formerly Chief Executive Officer of Cuscal Limited, a leading provider of wholesale and transactional banking services to specialist retail financial institutions. Mr Gilbert is also a Director of QBE Lenders Mortgage Insurance and Cuesuper Pty Ltd and holds a Bachelor of Commerce from the University of New South Wales. Mr Gilbert is a Fellow of the Australian Institute of Company Directors. He has extensive experience in the financial services sector.



**Nicholas L d'Antoine** MAICD

**Independent non-executive Director** Appointed 12 February 2009.

Mr d'Antoine is a former grazier with extensive experience in agriculture. He holds various private company directorships and has been a Director of Tasmanian Perpetual Trustees Limited since 1983. He was also a Director of Tasmanian Banking Services Limited from June 2004 until August 2009. Mr d'Antoine was also Chairman of Tasmanian Banking Services Limited from August 2005 until August 2009. He is Chairman of the Investment, Lending and Credit Committee and a member of the Human Resources and Remuneration Committee. Mr d'Antoine was appointed as a Director of MyState Financial and subsidiary companies on 22 September 2009.



**Peter D Armstrong** BEc(Hons), DipED, Dip FP, CPA, FAICD, FAMI

**Independent non-executive Director** Appointed 12 February 2009.

Mr Armstrong is Chairman of the MyState Limited Board's Human Resources and Remuneration Committee and a member of the Audit Committee. Mr Armstrong is a former Chairman of connectfinancial and was appointed a Director of MyState Financial and subsidiary companies on 1 July 1998. He was appointed a Director of Tasmanian Perpetual Trustees Limited on 22 September 2009. Mr Armstrong is a Director of the Gourmet Club Pty Ltd and is President of Tennis Tasmania. He is a Certified Practising Accountant and a Fellow of the Australian Institute of Company Directors.



**Robert L Gordon** BSc, MIFA, MAICD, FAMI, CPM

**Independent non-executive Director** Appointed 12 February 2009.

Mr Gordon is the Managing Director of Forestry Tasmania. He has been a company director for fifteen years including six years as Chairman of connectfinancial. Mr Gordon was appointed as a Director of MyState Financial on 1 July 1998. He is also a Director of MyState Financial Community Foundation Limited, the Gourmet Club Pty Ltd and was appointed a Director of Tasmanian Perpetual Trustees Limited on 22 September 2009. He is a member of the MyState Limited Board's Human Resources and Remuneration Committee and the Investment, Lending and Credit Committee.



**Tim M Gourlay** Dip Teach TTC, Grad Cert Mgmt, MAICD

**Independent non-executive Director** Appointed 12 February 2009.

Mr Gourlay is Capital Works and Planning Consultant with the Tasmanian Catholic Education Office and was formerly Manager (Facility Services) with the Department of Education. He was a credit union director for more than twenty years. Mr Gourlay was appointed a Director of MyState Financial on 1 July 1998, and is a Director of The Gourmet Club Pty Ltd and Chairman of the MyState Financial Community Foundation Limited. Mr Gourlay is a member of the MyState Limited Board's Corporate Governance and Nomination Committee and Business Risk and Compliance Committee as well as a member of the Australian Institute of Company Directors. He was appointed a Director of Tasmanian Perpetual Trustees Limited on 22 September 2009.



**Miles L Hampton** B Ec(Hons), FCIS, FCPA, FAICD

**Independent non-executive Director** Appointed 12 February 2009.

Mr Hampton has been a Director of Tasmanian Perpetual Trustees Limited since July 2006. He is Chairman of the Business Risk and Compliance Committee and a member of the Audit Committee. He was appointed a Director of MyState Financial and subsidiary companies on 22 September 2009. Prior to commencing a career as a non-executive director, Mr Hampton was Managing Director of agribusiness and real estate public company, Roberts Limited from 1987 until 2006. Mr Hampton is currently a Director of Australian Pharmaceutical Industries Ltd, Forestry Tasmania, the Van Diemen's Land Company, Tasman Farms Limited and the Tasmanian Water & Sewerage Corporations. Mr Hampton has previously held positions as a Director of public companies Ruralco Holdings Ltd, Wentworth Holdings Ltd, HMA Ltd and Gibsons Ltd. He has also been a Director of a number of private companies.



**Collin M Hollingsworth** CPA, FAMI, MAICD

**Independent non-executive Director** Appointed 12 February 2009.

Mr. Hollingsworth was General Manager, Corporate Services, TAFE Tasmania from 1998 until April 2008. He is a Certified Practicing Accountant and a member of the Australian Institute of Company Directors. He is an experienced company director and former Chairman and Director of both CPS and Island State Credit Unions. Mr Hollingsworth was appointed a Director of MyState Financial on 1 July 2007. He is a Director of The Gourmet Club Pty Ltd and was appointed as a Director of Tasmanian Perpetual Trustees Limited on 22 September 2009. Mr Hollingsworth is Chairman of the Audit Committee and a member of the Business Risk and Compliance Committee.





**Ian G Mansbridge** CPA, FCIS, FCIM

**Independent non-executive Director** Appointed 12 February 2009.

Mr Mansbridge's career has included Managing Director of Sandhurst Trustees Ltd; Managing Director of National Mortgage Market Corporation; inaugural Managing Director of Elders Rural Bank (Rural Bank) and a General Manager of Bendigo Bank. He has been National President of the Trustee Corporations of Australia, a Director of Tasmanian Banking Services and Chair of the National Stock Exchange of Australia Ltd. He is currently a Director of Australian Friendly Society and Sandhurst Trustees Ltd and is chair of several honorary Community Associations. He was appointed a Director of Tasmanian Perpetual Trustees Ltd in March 2004, and MyState Financial on 22 September 2009. He is a member of the Business Risk and Compliance Committee and the Investment Lending and Credit Committee.



**Sarah Merridew** BEc, FCA, FAICD

**Independent non-executive Director** Appointed 12 February 2009.

Mrs Merridew is a Chartered Accountant and a Non-Executive Director of Tasmanian Railway and Ben Lomond Water. She is Honorary Treasurer of the Royal Flying Doctor Service Tasmanian Section and actively involved with other community organisations. Mrs Merridew was formerly a Director of Tasmanian Public Finance Corporation and a partner of Deloitte Touche Tohmatsu including a period as Managing Partner for Tasmania. She is an experienced company director and has extensive experience in providing audit, risk management and business advisory services to the public and private sectors. Mrs Merridew was appointed a Director of MyState Financial and subsidiaries on 22 September 2009 and a Director of Tasmanian Perpetual Trustees on 11 December 2001, following her previous appointment to the Board of Perpetual Trustees Tasmania Limited. She was a Director of Tasmanian Banking Services Limited from 2005 until 2009. She is a member of the Audit Committee, the Corporate Governance and Nomination Committee and the Investment Lending and Credit Committee.



**Anthony B Reidy** FAICD, MFIA, JP

**Independent non-executive Director** Appointed 8 October 2008.

Mr Reidy is Executive Director of the Royal Hobart Hospital Research Foundation. He was appointed a Director of MyState Financial on 26 October 2001 and was Chairman from July 2007 until September 2009. He was elected Chairman of The Gourmet Club Pty Ltd in December 2006. Mr Reidy is a Fellow of the Australian Institute of Company Directors, a Member of the Fundraising Institute of Australia, and holds qualifications as a company director and in superannuation management. He was appointed a Director of Tasmanian Perpetual Trustees Limited on 22 September 2009. Mr Reidy is a member of the MyState Limited Board's Corporate Governance and Nomination Committee and the Investment Lending and Credit Committee.

**Paul K M Viney** B Bus FCPA, FCIS, CFTP, MAICD

**Company Secretary/Chief Financial Officer** Appointed 8 October 2008.

Mr Viney was appointed Company Secretary and Chief Financial Officer of MyState Limited on 11 January 2010 and Secretary of the MyState Financial Group of companies on 24 November 2009. He was previously appointed Company Secretary of MyState Limited on 8 October 2008. Mr Viney was appointed Company Secretary and Chief Financial Officer of Tasmanian Perpetual Trustees Limited in July 2003. He was Secretary of Tasmanian Banking Services Limited from July 2003 until 10 August 2009. Prior to joining Tasmanian Perpetual Trustees, Mr Viney was General Manager Corporate, Chief Financial Officer and Company Secretary for Harris & Company Limited, a Director of The Examiner Newspaper Pty Ltd, Group Treasurer of the Australian Cement Group of Companies, Manager Corporate Banking for Tasmania Bank, Assistant Commissioner for Corporate Affairs in Tasmania and Assistant Accountant for James Hardie Packaging. He has had extensive experience in finance, accounting and company secretarial roles ■



# Corporate Governance

The Board of Directors and Management of MyState Limited recognise the importance of good corporate governance and are committed to maintaining and enhancing the high standards inherited from the previously ASX listed Tasmanian Perpetual Trustees Limited and also MyState Financial Limited. These standards are of paramount importance as MyState Limited is both a listed company and an entity operating within the highly regulated financial services sector, overseen by APRA, ASIC, the ASX, Austrac and others.

The Board is responsible to its Shareholders for the performance of the Company and strives to enhance the interests of Shareholders and other stakeholders including employees and regulators.

Details of the Company's corporate governance policies are available on the Company's website at [www.mystatelimited.com.au](http://www.mystatelimited.com.au)

The Company's corporate governance policies are continually under review due to the ever changing regulatory environment and the desire for the Company to operate at the highest governance levels possible.

The Company is pleased to report full compliance with the ASX Corporate Governance Principles and Recommendations, as follows:

- 1 Lay solid foundations for management and oversight.** Recognise and publish the respective roles and responsibilities of Board and Management. ✓
- 2 Structure the Board to add value**  
Have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties. ✓
- 3 Promote ethical and responsible decision-making**  
Actively promote ethical and responsible decision-making. ✓
- 4 Safeguard integrity in financial reporting**  
Have a structure to independently verify and safeguard the integrity of the Company's financial reporting. ✓
- 5 Make timely and balanced disclosure**  
Promote timely and balanced disclosure of all material matters concerning the Company. ✓
- 6 Respect the rights of Shareholders**  
Respect the rights of Shareholders and facilitate the effective exercise of those rights. ✓
- 7 Recognise and manage risk**  
Establish a sound system of risk oversight, management and internal control. ✓
- 8 Remunerate fairly and responsibly**  
Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear ✓

On 31 March 2003 the ASX Corporate Governance Council released its *"Principles of Good Corporate Governance and Best Practice Recommendations"* (ASX Principles). These Principles were revised in August 2007. Companies are required to disclose in their Annual Reports whether their corporate governance practices follow the ASX Principles and if not, why not. Upon listing in September 2009, MyState Limited fully complied with the ASX Principles. Since that time, the Company has continued to review its policies and procedures to demonstrate its compliance with the Principles of Good Corporate Governance and at 30 June 2010 can report full compliance. Further amendments to the Principles come into effect from 1 July 2010 and significant work has been undertaken by the Company to fulfil the Board's current and future corporate governance obligations and responsibilities to all stakeholders, as presented in this Corporate Governance Statement.

MyState Limited is committed to addressing the challenges posed by the latest changes to the Corporate Governance Principles. Specifically, MyState Limited's Human Resources and Remuneration Committee is already comprised solely of non-Executive Directors. Further, the Board's existing Corporate Governance and Nomination Committee is considering strategies to address Board diversity, including adding to the Committee Charter a requirement to regularly review the proportion of women employed at all levels of the Company. In addition, although diversity has always been taken into account in Board deliberations, it will now be specifically considered in Board succession planning.

The Company will fully disclose the process for evaluating the performance of the Board, its Committees and of individual Directors. The existing Board Evaluation Policy already positions the Company well in this regard, but will be again reviewed and if necessary enhanced to address the new requirements. Specifically, the mix of skills and diversity which the Board is looking for in its membership will be disclosed.

## Board of Directors

### Role of the Board

The Board of Directors is accountable to Shareholders for the overall performance and governance of the Company.

The Board is responsible for determining corporate policy, setting the Company's goals and strategic direction, assessing performance against budgets and strategies and monitoring the management of the business.

The Board also ensures that the appropriate controls, systems and procedures are in place to manage the risks of the business and to ensure compliance with all regulatory and prudential requirements.

The Board has developed a number of policy documents which clearly establish the relationship between the Board and Management and describe their respective roles and responsibilities in a manner consistent with the ASX Principles. These documents are available on the corporate governance section of the Company's website.

The Board is responsible for the appointment of the Managing Director.

The Managing Director is responsible to the Board for the day-to-day operation of the Company. The Board provides time for discussion at each meeting without Management being present.

### Board Structure

The Board currently comprises ten non-executive Directors, including the Chairman, together with one executive Director, namely the Managing Director.

The names and individual profiles of the Board members are set out on pages 35 to 37 of this report.

The Constitution of MyState Limited contains provisions relating to the retirement and appointment of Directors at the Annual General Meeting.

The Constitution also contains provisions which allow the Board to vary the number of non-executive Directors within certain limitations.

## Director Independence

Directors are expected to bring independent views and judgement to the Board's deliberations. The Board includes a majority of non-executive independent Directors, a non-executive independent Chairman and has different persons filling the roles of Chairman and Chief Executive Officer/Managing Director.

The Board has reviewed the position and associations of each of the Directors in office at the date of this report and considers that all ten of the current non-executive Directors are independent. In considering whether a Director is independent, the Board has had regard to the independence criteria in the ASX Principles, including materiality thresholds and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new Directors upon appointment and reviews their independence and the independence of the other Directors, as appropriate. The Board has published its Definition of Independence which is available for review on the corporate governance section of the Company's website.

## Board Skills, Knowledge and Experience

The Board, as currently constituted, has a sound knowledge and understanding of the financial services industry and has the range of competencies considered appropriate to the needs of the business.

Each year the Board, under the sponsorship of the Corporate Governance and Nomination Committee, reviews the key competencies required for optimal composition of the Board, having regard to the Company's activities in the financial services sector and the skills, knowledge and experience collectively required of its Directors. Assessment by the Committee aims to confirm that there is a close alignment between optimal Board composition and the competencies of the Board as currently constituted. The Directors of MyState Limited understand the need to structure the Board in such a way that it:

- Has a proper understanding of and competence to deal with the current and emerging issues of the business;
- Exercises independent judgement;
- Encourages enhanced performance of the Company; and,
- Can effectively review and challenge the performance of Management.

The Board has a process of regular review of its overall effectiveness. An annual detailed internal assessment is made of the Board's performance in meeting its various responsibilities combined with an independent external review by Board performance consulting specialists conducted at least every three years and recently finalised in 2010. Plans for those areas identified for further improvement are developed where required. This review process is in accordance with the ASX Principles and extends to a review of individual Board member's performance.

## Board Succession Planning

Board succession planning matters in the period immediately post merger (for 2009, 2010 and 2011) are detailed in the Company's Constitution, which is available from ASIC and has also been published to the ASX Company Announcements Platform for MyState Limited.

Recommendations for the appointment of new Directors are made by the Board's Corporate Governance and Nomination Committee for consideration by the Board as a whole.

If it becomes necessary to appoint a new Director to fill a vacancy on the Board, or to complement the existing Board, potential candidates are identified and assessed against a range of criteria including background, experience, professional skills, personal qualities, the potential for the candidate's skills to augment the existing Board and the candidate's availability to commit to the Board's activities. This assessment extends to attention to the diversity needs of the Board, including gender diversity. On occasion, professional intermediaries can be used to assist with the identification and assessment of potential Director candidates.

The Company has developed a comprehensive Board skills matrix document that is used to assess the skills of existing Directors and potential Director candidates.

A Director selected and appointed by the Board is required to retire in accordance with the Constitution of the Company at the next Annual General Meeting and is eligible for election by Shareholders at that Annual General Meeting.

The appointment of a new Director by the Board is formalised with a detailed letter of appointment from the Chairman. A comprehensive induction process is also undertaken. These processes are designed to ensure that new Directors fully understand their role and are able to operate effectively from the date of their appointment.

## Meetings of Directors

The Board currently meets formally at least 11 times a year and on other occasions, as required. Senior Management attend and make presentations at Board meetings as considered appropriate and are available for questioning by Directors.

In March 2010, the Board held its inaugural strategic planning session with Management, at which time the Company's five-year strategic plan was formulated. At this session the Board reviewed and endorsed strategies designed to ensure the benefits of the merger are realised and the long term profitable growth of the Company.

The number of meetings attended by each of the Directors for the financial year ended 30 June 2010 is set out in the Directors' Report on page 50 of this Annual Report.

All Directors have unrestricted access to all employees of the Company and, subject to the law, access to all Company records and information held by employees and external advisers. The Board receives regular detailed financial and operational reports from Senior Management to enable it to carry out its duties.

Consistent with the ASX Principles, each Director may, with the prior written approval of the Chairman, obtain independent professional advice to assist the Director in the proper exercise of powers and discharge of duties as a Director or as a member of a Board Committee. The Company will reimburse the Director for the reasonable expense of obtaining that advice.

# Board Committees

Board Committees assist the Board in the oversight and control of the Company. Each Committee operates under a formal charter approved by the Board and reviewed annually. All Committee Charters are available for review on the Company's website. The performance of each Committee is reviewed annually by the respective Committee and then further reviewed by the Board. Minutes of Committee meetings and Committee recommendations are provided to the Board. The Chairman of the Board as well as each Director is entitled to attend meetings of all Board Committees.

## Audit Committee

The Committee is comprised of at least three non-Executive Directors. The Chairman of the Committee must be an independent Director. The Audit Committee reviews and makes recommendations to the Board on the Company's financial reporting, the systems for internal control established by Management and the Board and the quality and adequacy of the internal and external audit functions. The Audit Committee also actively monitors compliance with the relevant laws, including the *Corporations Act*, trustee company legislation, taxation laws, the requirements of ASIC, APRA and the ASX listing and business rules.

The internal and external Auditors have a direct line of communication with the Chairman of the Audit Committee. The Audit Committee is comprised of Mr C M Hollingsworth (Chairman), Mr P D Armstrong, Mr M L Hampton and Mrs S Merridew. The Chairman of the Board is precluded from being Chairman of the Audit Committee.

## Business Risk and Compliance Committee

The Business Risk and Compliance Committee assists the Board in ensuring that the key business and financial risks and compliance requirements not covered by the activities of other Board Committees (such as monitoring the Company's performance against the Compliance Plans for the Managed Investment Schemes) are identified and assessed. The Committee ensures that appropriate controls are in place to effectively manage current and future risks and compliance requirements. The Business Risk and Compliance Committee is comprised of Mr M Hampton (Chairman), Mr T M Gourlay, Mr C M Hollingsworth and Mr I G Mansbridge. The Committee is comprised of at least three Directors.

## Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee's primary responsibility is in recommending to the Board remuneration policy and arrangements for Directors, the remuneration and review of performance of the Managing Director and other Senior Executives, as well as the general remuneration practices of the Company, having regard to comparative remuneration in the financial services industry and independent advice. These processes are consistent with the ASX Principles. The Human Resources and Remuneration Committee is comprised of Mr P D Armstrong (Chairman), Mr N L d'Antoine, Mr R L Gordon and Dr M J Vertigan AC. The Committee consists of a majority of independent Directors, is Chaired by an independent Director and has at least three members. The Committee is vigilant in monitoring the potential for, or perception of, conflict of interest regarding Executive Director involvement in Board decisions on remuneration packages and also in monitoring the involvement of Management generally in Committee discussions and deliberations regarding remuneration policy. No Senior Executive is directly involved in deciding their own remuneration.

The Human Resources and Remuneration Committee has deliberated at length over revised remuneration practices during the course of the year, to ensure the Company's Policy and practices are not only fully compliant with all applicable laws and regulatory guidelines, but also clearly fall within the Community's expectations of appropriate remuneration and reward practices. A copy of the Company's Remuneration Policy is available on the Company's website and has also been posted to the ASX Company Announcements Platform for MyState Limited.

### Investment Lending and Credit Committee

The Investment Lending & Credit Committee considers and makes recommendations to the Board on all aspects of investment, credit control policy and lending, including the development of appropriate investment and lending policies and practices, the monitoring of performance against those policies and practices, the effectiveness of the relevant internal control systems and financial performance monitoring of the various credit and lending activities of the Company. The Investment Lending and Credit Committee is comprised of Mr N L d'Antoine (Chairman), Mr R L Gordon, Mr I Mansbridge, Mrs S Merridew and Mr A Reidy. The Committee is comprised of at least three Directors.

### Corporate Governance and Nomination Committee

The Corporate Governance & Nomination Committee's role is to undertake an ongoing assessment of the composition and effectiveness of the Board and manage the formal process used for the selection and appointment of new Directors, including making recommendations to the Board regarding:

- The necessary and desirable competencies of Directors;
- Board succession plans;
- The development of a process for the evaluation of the performance of the Board, its Committees and Directors; and,
- The appointment and re-election of Directors.

The Committee and the Board wish to ensure there is a transparent procedure for the selection, appointment and re-appointment of Directors to the Board.

The Committee is also responsible for reviewing the general corporate governance practices of the Company and for recommending improvements to the full Board.

The Corporate Governance & Nomination Committee is comprised of Dr M J Vertigan AC (Chairman), Mr T M Gourlay, Mrs S Merridew and Mr A B Reidy. The Chairman of the Committee is an independent Director. The Committee is comprised of at least three Directors and consists of a majority of independent Directors.

### Future Developments

The Board is currently reviewing its Committee structures to achieve greater alignment and less duplication and overlap of Committee functions and responsibilities. Once this review is Board approved, a revised structure will be submitted to APRA for approval. Once regulator approved, the revised Committee governance structure will be posted to the Company's website.

## Conduct and Ethics

The pursuit of excellence in all areas of activity has been embraced by the Board, with the highest ethical standards expected from its own members, Management and Staff in all dealings, a respect for the privacy of customers and observance of the law.

The Board has ensured that Corporate Codes of Conduct and Codes of Personal Conduct are in place for all subsidiary company operations within the MyState Limited Group, to guide the Directors and each employee of the Group and promote high ethical and professional standards and responsible decision-making.



The Codes of Conduct are aimed at maintaining the highest ethical standards, behaviour and accountability across the Company. Employees and Directors are expected to respect the law; respect confidentiality; properly use Company assets, information and facilities; value and maintain professionalism; avoid conflicts of interest; act in the best interests of Shareholders; contribute to the Group's reputation as a good corporate citizen; and, act with honesty, integrity, decency and responsibility at all times.

Both the Corporate Codes of Conduct and the Codes of Personal Conduct are consistent with ASX Principles and the Codes have been posted to the corporate governance section of the Company's website.

In the event that a potential conflict of interest arises, Directors are required to disclose their interest and withdraw from all deliberations concerning the matter. The Board observes due care in relation to loans from the Company or any Fund to Directors and Management and their associates. Fees paid to companies or partnerships related to Directors are in strict accordance with accepted commercial practice.

## Financial Reporting

Consistent with the ASX Principles, the Company's financial report preparation and approval process for the financial year ended 30 June 2010, involved both the Managing Director and Chief Financial Officer providing a written statement, to the best of their knowledge and belief, that the Company's financial report presents a true and fair view, in all material respects, of the Company's financial condition and operating results and is in accordance with applicable accounting standards. In addition, the Company has in place a process whereby the Managing Director and the Chief Financial Officer state to the Board in writing that the financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

## Remuneration Policies

### Non-executive Directors

The Company's non-executive Directors receive only fees (including statutory superannuation) for their services and the reimbursement of reasonable expenses. The fees paid to the Company's non-executive Directors reflect the demands on and responsibilities of those Directors. The advice of independent remuneration consultants is taken to establish that the Directors' fees are in line with market standards. Non-executive Directors do not receive any shares, options or other securities in addition to their remuneration and are not eligible to participate in the Company's Employee Share Plan or any other incentive plan. They do not receive any retirement benefits (other than compulsory superannuation). The aggregate remuneration paid to all the non-executive Directors (inclusive of statutory superannuation) may not exceed the \$750,000 amount fixed by Shareholders at the May 2009 General Meeting of Shareholders and as disclosed in Scheme of Arrangement Explanatory Booklets forwarded to Tasmanian Perpetual Trustees Limited Shareholders and to MyState Financial Limited members on 29 June 2009. This "fee pool" is only available to non-executive Directors, as Board membership is taken into account in determining the remuneration paid to executive Directors as part of their normal employment conditions.

The non-executive Directors currently receive \$65,000 each per annum inclusive of statutory superannuation. The Chairman is paid an additional amount of \$60,000 per annum inclusive of statutory superannuation.

Board Committee Chairmen are paid an additional amount of \$5,000 per annum inclusive of statutory superannuation.

The structure and disclosure of the Company's remuneration of non-executive Directors is consistent with the ASX Principles.

## Executive Directors and Senior Executives

The Managing Director and Senior Executives of the Company are remunerated on the basis of a reward structure that reflects their contribution to Company performance. Each receives a fixed component of remuneration, together with a variable component which depends upon the achievement of short-term incentive goals set annually for each Executive. A long-term incentive component was established by way of approval of an Executive Long Term Incentive Plan in September 2009, which is based on the concept of reward for sustained superior performance over rolling three-year periods through the allocation of fully paid shares in the Company.

These arrangements reflect contemporary remuneration practices and are consistent with the ASX Principles. Further details are set out in the Remuneration Report on pages 53 to 65 and in Note 42 on pages 117 to 123 of the Financial Statements.

A copy of the Company's Remuneration Policy is available on the Company's website and has also been posted to the ASX Company Announcements Platform for MyState Limited.

## Risk Identification and Management

Consistent with the ASX Principles, the Company is committed to the identification, monitoring and management of risks associated with its business activities and has embedded in its management and reporting systems a number of risk management controls. These include:

- guidelines and limits for approval of operational, capital expenditure and investments;
- a Risk Management Policy with regular review of individual business unit risks as well as strategic risks facing the Company;

- a comprehensive annual insurance programme;
- policies and procedures for the management of financial risk and treasury operations including movements in interest rates;
- a formal planning process of preparing five year rolling strategic plans each year;
- annual budgeting and monthly reporting systems for all business units which enable the monitoring of progress against performance targets and the evaluation of trends; and
- disaster recovery and business continuity management systems for all key business operations.

Management is ultimately responsible to the Board for the system of internal control and risk management. Both the Audit Committee and the Business Risk and Compliance Committee assist the Board in monitoring these issues.

MyState Limited has different firms providing internal and external audit services. Following a recent tender process, Deloitte was chosen to provide outsourced internal audit services and monitor the internal control framework of the Company. The Audit Committee approves the strategic internal audit plan with the intention that planned audit activities are aligned to business risks. Internal audit reports are provided to the Audit Committee at scheduled meetings.

The Company has an extensive process in place to review and update its risk register and to manage identified risks and emerging issues. A high level risk review session will be undertaken by Deloitte in the near future and will involve the attendance of Senior Managers and Directors. This process will entail a full review of risks associated with the business activities of the subsidiary Company businesses of the Group and also of MyState Limited as the Non-Operating Holding Company of the Group.

# Audit Governance and Independence

As part of the Company's commitment to safeguarding integrity in financial reporting, the Company has implemented policies and procedures to monitor the independence and competence of the Company's external auditors.

## Appointment of Auditors

Following a recent tender process, the Company has confirmed the appointment of Wise Lord & Ferguson as its external Auditor. The effectiveness, performance and independence of the external Auditor is reviewed by the Audit Committee. If it becomes necessary to replace the external Auditor for performance or independence reasons, the Audit Committee will then formalise a procedure and policy for the selection and appointment of a new Auditor.

## Independence declaration

The *Corporations Act* requires external auditors to make an annual independence declaration, addressed to the Board of Directors, declaring that the auditors have maintained their independence in accordance with the *Corporations Act 2001* and the rules of the professional accounting bodies. Wise Lord & Ferguson's existing policy requires that its audit teams provide such a declaration and a declaration was provided to the Audit Committee and the Board for the financial year ended 30 June 2010.

## Rotation of lead external audit partners

In accordance with the *Corporations Act*, Wise Lord & Ferguson has a policy for the rotation of the lead audit partner for their clients. The lead audit partner for the Company will be rotated from 1 July 2014 and an orderly succession plan has been agreed with Wise Lord & Ferguson.

## Restrictions on the performance of non-audit services by external Auditor

In accordance with the *Corporations Act*, the Audit Committee will consider a policy that requires the prior approval of the Audit Committee to the provision of any non-audit services to the Company or its businesses by the external Auditor. The Audit Committee has also adopted guidelines to assist in identifying the types of services that may compromise the independence of the external Auditor.

Examples of services that could potentially compromise independence include valuation services and internal audit services.

The Audit Committee has assessed the other services provided by Wise Lord & Ferguson in the financial year and has concluded that the auditor's independence has not been compromised.

## Attendance of external Auditor at Annual General Meeting

Consistent with the ASX Principles, Wise Lord & Ferguson attend and are available to answer questions at the Company's Annual General Meeting.

## Share Trading

The Company's Constitution allows Directors to acquire shares in the Company. The Board has adopted guidelines which, in addition to the requirement that Directors not buy or sell shares when they are in possession of price sensitive information, limits dealing shares by Directors to within certain periods. The guidelines also require that Directors not deal on the basis of considerations of a short-term nature.

The Company's share trading policy is consistent with the ASX Principles. A copy of the policy has been posted to the corporate governance section of the Company's website and also to the ASX Company Announcements Platform for MyState Limited.

The Company has recently updated its Policy to clearly prohibit the hedging of any economic exposure to MyState Limited shares whether that relates to unvested entitlements under the Executive Long Term Incentive Plan or to shares owned outright.

## Continuous Disclosure

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the Australian Securities Exchange's securities market and has adopted a comprehensive continuous disclosure policy covering announcements to the Australian Securities Exchange.

The Company Secretary has responsibility for overseeing and coordinating disclosure of information to the Australian Securities Exchange. The Company Secretary liaises with the Managing Director and the Chairman in relation to continuous disclosure matters.

The Company's continuous disclosure policy is consistent with the ASX Principles. A copy of the policy has been posted on the corporate governance section of the Company's website.

## Additional Company Policies

In addition to the continuous disclosure and share trading policies discussed above, the Company has implemented a wide range of policies. Where appropriate, these policies are supplemented by Company procedures and guidance releases that are designed to ensure the requisite standards of operation are maintained. Copies of key policies have been posted on the corporate governance section of the Company's website.

## Communications with Shareholders

The Company places considerable importance on effective communications with Shareholders.

The Company's communications strategy promotes the communication of information to Shareholders through the distribution of the annual and half yearly reports, announcements through the Australian Securities Exchange and the media regarding changes in its business and the Chairman's address at the Annual General Meeting.

The Company considers how to use general meetings efficiently to communicate with Shareholders and allows reasonable opportunity for informed shareholder participation at such meetings.

The Company posts all reports, Australian Securities Exchange and media releases, copies of significant business presentations and speeches on the Company's website ■

# Directors' Report

Your Directors present their report on MyState Limited ACN 133 623 962  
(the Company) for the financial year ended 30 June 2010.

## Directors and Company Secretary

The names and particulars of the Directors and Company Secretaries in office during the year and since the end of the year are:

**Michael J Vertigan** AC  
BEc(Hons), PhD, Hon LLD, FAICD  
**Chairman and independent non-executive Director** Appointed 8 October 2008.

**G John Gilbert** B Com, FAICD  
**Managing Director - Executive Director**  
Appointed 10 December 2009.

**Nicholas L d'Antoine** MAICD  
**Independent non-executive Director**  
Appointed 12 February 2009.

**Peter D Armstrong**  
BEc(Hons), DipED, Dip FP, CPA, FAICD, FAMI  
**Independent non-executive Director**  
Appointed 12 February 2009.

**Robert L Gordon** BSc, MIFA, MAICD, FAMI, CPM  
**Independent non-executive Director**  
Appointed 12 February 2009.

**Tim M Gourlay** Dip Teach TTC, Grad Cert Mgmt, MAICD  
**Independent non-executive Director**  
Appointed 12 February 2009.

**Miles L Hampton** BEc(Hons), FCIS, FCPA, FAICD  
**Independent non-executive Director**  
Appointed 12 February 2009.

**Collin M Hollingsworth** CPA, FAMI, MAICD  
**Independent non-executive Director**  
Appointed 12 February 2009.

**Ian G Mansbridge** CPA, FCIS, FCIM  
**Independent non-executive Director**  
Appointed 12 February 2009.

**Sarah Merridew** BEc, FCA, FAICD  
**Independent non-executive Director**  
Appointed 12 February 2009.

**Anthony B Reidy** FAICD, MFIA, JP  
**Independent non-executive Director**  
Appointed 8 October 2008.

**Paul K M Viney** B Bus FCPA, FCIS, CFTP, MAICD  
**Company Secretary/Chief Financial Officer**  
Appointed 8 October 2008.

More information is set out on pages 35 to 37 of this annual report.

## Principal Activities

MyState Limited, a non-operating holding company, is a listed diversified financial services group, providing a range of financial products and services to existing and new customers through two wholly-owned subsidiaries MyState Financial – the authorised deposit-taking institution and Tasmanian Perpetual Trustees – the trustee and wealth management company.

Headquartered in Tasmania, its diverse business operations cover:

Banking and Lending	Trustee Services, Wills and Estates	Financial Planning and Wealth Management
<ul style="list-style-type: none"> <li>■ Transactional banking</li> <li>■ Insurance &amp; other alliances</li> <li>■ Savings and investments</li> <li>■ Business banking</li> <li>■ Personal and business lending</li> </ul>	<ul style="list-style-type: none"> <li>■ Estate planning</li> <li>■ Estate &amp; trust administration</li> <li>■ Power of attorney</li> <li>■ Corporate &amp; custodial trustee</li> </ul>	<ul style="list-style-type: none"> <li>■ Financial planning</li> <li>■ Managed fund investments</li> <li>■ Portfolio Administration Services</li> <li>■ Private Client Services</li> </ul>



Both MyState Limited and MyState Financial are regulated by the Australian Prudential Regulation Authority (APRA) and MyState Limited was enabled under Tasmanian legislation to own an authorised trustee company, namely Tasmanian Perpetual Trustees. Tasmanian Perpetual Trustees continues to be regulated by APRA as a registered superannuation entity (RSE). Both MyState Financial and Tasmanian Perpetual Trustees hold Australian Financial Services Licences issued by Australian Securities and Investments Commission (ASIC). Tasmanian Perpetual Trustees acts as the Responsible Entity for and manages 12 Managed Investment Schemes which include Cash Funds, Income Funds and Investment Growth Funds.

## Consolidated Results

The consolidated net profit for the year after income tax expense was \$17,341,323 (2009 10,782,600)

## Dividends

The amounts paid or declared by way of dividend by the Company since the commencement of the financial year were:

- (a) A final fully franked dividend of 10 cents for the year ended 30 June 2009 paid 27 November 2009.
- (b) An interim fully franked dividend for the year ended 30 June 2010 of 10 cents per share paid 31 March 2010.
- (c) A final fully franked dividend of 12.5 cents declared for the year ended 30 June 2010 to be paid on 30 September 2010.

Further details are set out in Note 13 to the financial statements.

## Review and Results of Operations

The year's results include the successful merger between MyState Financial Limited (formerly MyState Financial Credit Union of Tasmania Limited) and the previously listed Tasmanian Perpetual Trustees Limited to form the new listed entity MyState Limited. The merger was effected on 9 September 2009 and MyState Limited was listed on 10 September 2009. The consolidated

results performance includes twelve months of MyState Financial Limited together with ten months of Tasmanian Perpetual Trustees Limited's results from the date of the merger. Both businesses have performed well during the year. The consolidated result has been affected by a number of one-off costs. This is the first year result for MyState Limited and there is no direct comparison against a previous corresponding period. The appointment of the new Managing Director was announced in December 2009, followed in early January 2010 by the appointment of the Executive Management Team. The Board remains confident of achieving synergies and savings from the merger, as previously advised in Scheme Booklets.

## State of Affairs

During the financial year there was no significant change in the state of affairs of the Company other than referred to in review and results of operations above.

## Events Subsequent to Balance Date

In the opinion of the Directors there has not arisen in the period between the end of the financial year and the date of this report any material item, transactions or event that is likely to significantly affect the operations of the consolidated entity other than:

MyState Limited has successfully launched and priced a MyState Financial Limited Residential Mortgage Backed Securities issue on 23 July 2010 under the Conquest securitisation programme.

The transaction size was \$250.25 million and was comprised of five tranches, with the Class A notes attracting AAA ratings from Fitch Ratings and Standard and Poors and the Class B notes attracting a AA- rating from Standard and Poors.

The issue was backed by Australian prime residential mortgages originated by MyState Financial Limited. Westpac Institutional Bank was the sole arranger and lead manager for the transaction. The transaction had the support of a number of investors including the Australian Office of Financial Management. The transaction will have a significant positive effect on MyState Financial liquidity and capital adequacy ratios.

## Likely Developments and Expected Results

Directors do not foresee any material changes in the operations or the expected results of those operations in future financial years, other than synergies and benefits flowing from the merger as highlighted in the Tasmanian Perpetual Trustees and the MyState Financial Explanatory Booklets released to the Australian Securities Exchange on the 7 July 2009.

Directors consider that the disclosure of additional information in respect of likely developments in the operations or the expected results of those operations may unreasonably prejudice the Company. Accordingly this information has not been disclosed in this report.

## Environmental Regulation

The MyState Limited Group is not subject to significant environmental regulation.

## Directors' Meetings

The number of meetings of Directors (including meetings of Committees of Directors) held during the year and the number of meetings attended by each Director are as indicated in the table below:

### MyState Limited Directors' Meetings 2009/2010

	Board Meetings		Audit Committee Meetings		Business Risk & Compliance Committee Meetings		Human Resources & Remuneration Committee Meetings		Investment, Lending & Credit Committee Meetings		Corporate Governance & Nomination Committee Meetings		Merger Integration Committee Meetings	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
M J Vertigan	12	12	-	-	-	-	5	5	-	-	3	3	4	4
P D Armstrong	11	12	4	5	-	-	5	5	-	-	-	-	-	-
N L D'Antoine	11	12	-	-	-	-	5	5	7	7	-	-	-	-
R L Gordon	10	12	-	-	-	-	5	5	6	7	-	-	-	-
T M Gourlay	12	12	-	-	4	4	-	-	-	-	3	3	-	-
M L Hampton	12	12	5	5	4	4	-	-	-	-	-	-	4	4
C M Hollingsworth	11	12	5	5	3	4	-	-	-	-	-	-	4	4
I G Mansbridge	11	12	-	-	4	4	-	-	7	7	-	-	-	-
S Merridew	11	12	5	5	-	-	-	-	5	5	3	3	-	-
A B Reidy	12	12	-	-	-	-	-	-	6	7	3	3	4	4
M E Scanlon*	-	-	-	-	-	-	-	-	-	-	-	-	4	4
G J Gilbert <sup>#</sup>	7	7	-	-	-	-	-	-	-	-	-	-	3	4

\*Joint Chief Executive Officers on the dates the Committee met A - Number of meetings attended

<sup>#</sup>G J Gilbert appointed Managing Director 14 December 2009 B - Number of meetings eligible to attend

## Directors' Interests

Interest in the shares of the Company and Managed Investment Funds offered by a related Body Corporate as at the date of this report

	Beneficially Held	Non-beneficially Held	Managed Funds Direct	Managed Funds Indirect
M J Vertigan	-	20,000	-	276,281
P D Armstrong	387	774	-	-
N L d'Antoine	29,920	80,600	44,931	246,155
G J Gilbert	-	-	-	-
R L Gordon	387	-	-	-
T M Gourlay	387	774	-	-
M L Hampton	-	376,312	-	-
C M Hollingsworth	-	2,274	-	-
I G Mansbridge	170,000	-	-	-
S Merridew	4,000	15,328	-	-
A B Reidy	387	387	-	-

## Indemnification and Insurance of Directors and Officers

The Company has paid or agreed to pay a premium in relation to a contract insuring the Directors and Officers listed in this report against those liabilities for which insurance is permitted under Section 199B of the *Corporations Act 2001*. The terms of the policy prohibits disclosure of details of the amount of the insurance cover and the premium paid.

The Company has not otherwise, during or since the relevant period, indemnified or agreed to indemnify an Officer or Auditor of the Company or of any related body corporate against a liability incurred as such an Officer or Auditor.

## Non-Audit Services

During the year Wise Lord & Ferguson, the Company's auditor has performed certain other services in addition to their statutory duties. Further details are set out in Note 43 to the financial statements.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by the Audit Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with and did not compromise, the auditor independence requirements of the *Corporations Act 2001*, for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor.
- The non-audit services provided do not undermine the general principles relating to auditor independence as they related to technical disclosure issues and minor company searches.

## Auditor's Independence Declaration to the Directors

In relation to our audit of the financial report for the consolidated group for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

This declaration is in respect of MyState Limited and the entities it controlled during the period.



**D McCarthy**

Partner

Wise Lord & Ferguson

24 August 2010

Hobart ■

# Remuneration Report

## MyState Limited Remuneration Report - Audited

**MyState Limited** (the Company) is a non-operating holding Company and is a major Tasmanian based listed diversified Group formed in September 2009 to effect the merger of MyState Financial, an authorised deposit-taking institution and Tasmanian Perpetual Trustees a trustee and wealth management Company.

### Impact of Merger on Remuneration Arrangement and Disclosures

The remuneration policies and practices of MyState Financial and Tasmanian Perpetual Trustees differed (to varying degrees) in a number of respects. Discussion and explanation of the remuneration policy, practices and arrangements as they apply to individuals disclosed in this report and previously employed by MyState Financial and Tasmanian Perpetual Trustees has therefore also been provided where applicable.

Prior to completion of the merger, the MyState Limited Board established a Human Resources and Remuneration Committee (HRRC) which established a broad framework for the remuneration of the Managing Director. Subsequent to the merger the HRRC has begun the process of reviewing:

- its terms of reference; and
- remuneration arrangements of both pre-merger organisations applying to Executive Directors and Senior Executives

with a view to determining the most appropriate approach for MyState Limited for the financial year ending 30 June 2010 and beyond.

The MyState Limited Remuneration Policy is based upon the long-term sustainable financial security of MyState Limited as evidenced by:

- Appropriately balanced measures of performance weighted towards long-term Shareholder interests;
- Variable performance based pay for Executives involving a long-term incentive plan subject to an extended period of performance assessment;
- Recognition and reward for strong performance;
- A considered balance between the capacity to pay and the need to pay to attract and retain capable staff at all levels;
- The exercise of Board discretion as an ultimate means to mitigate unintended consequences of variable pay and to preserve the interests of the Shareholders; and
- Short-term and long-term incentive performance criteria are structured within the overall risk management framework of the Company.

This Remuneration Report outlines the Director and Executive remuneration arrangements of MyState Limited in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

For the purposes of this report, key management personnel (KMP) is defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company and includes the five executives of the Company receiving the highest remuneration.



## Details of key management personnel

The key management personnel of MyState Limited in office during the year and up to the date of this report were as follows:

### Directors

M J Vertigan AC	Chairman (non-executive appointed 8 October 2008)
G J Gilbert	Joint Chief Executive Officer until 27 November 2009 Chief Executive Officer from 28 November 2009 until 10 December 2009 Managing Director (executive, appointed 10 December 2009)
P D Armstrong	Director (non-executive, appointed 12 February 2009)
N L d'Antoine	Director (non-executive, appointed 12 February 2009)
R L Gordon	Director (non-executive, appointed 12 February 2009)
T M Gourlay	Director (non-executive, appointed 12 February 2009)
M L Hampton	Director (non-executive, appointed 12 February 2009)
C M Hollingsworth	Director (non-executive, appointed 12 February 2009)
I G Mansbridge	Director (non-executive, appointed 12 February 2009)
S Merridew	Director (non-executive, appointed 12 February 2009)
A B Reidy	Director (non-executive, appointed 8 October 2008)

### Executives

D E Benbow	General Manager – Wealth Management and Trustee Services (appointed 11 January 2010)
M E Cadman	General Manager – Brand, People and Strategy – MyState Financial (resigned 27 November 2009)
C L Kent	General Manager – Brands, Communications, People and Development (appointed 11 January 2010)
S A Lukianenko	Company Secretary and General Manager Risk – MyState Financial (resigned 20 November 2009)
N J Nelson	Chief Financial Officer – MyState Financial (resigned 15 January 2010)
T M Rutherford	General Manager – Technology and Operations (appointed 11 January 2010)
M E Scanlon	Joint Chief Executive Officer (executive, resigned 27 November 2009)
D W Turner	General Manager – Retail Banking and Distribution (appointed 11 January 2010)
P K M Viney	Chief Financial Officer and Company Secretary (appointed 11 January 2010) Company Secretary from 8 October 2008.

# Remuneration Policy

## (i) Key Management Personnel Remuneration Policy

The primary responsibility of the Human Resources and Remuneration Committee (HRRC) of the Board of Directors of the Company is in recommending to the Board remuneration policy and arrangements for Directors, the Managing Director and other Executives, as well as the general remuneration practices of the Company, having regard to comparative remuneration in the financial services industry and independent advice.

To assist in achieving these objectives, the HRRC links the nature and amount of the Managing Director's and Executives' emoluments to the Company's financial and operational performance.

The remuneration of the Managing Director and Executives is comprised of three components, being fixed annual remuneration (inclusive of superannuation and fringe benefits) (FAR), cash based short term incentive (STI) and executive long term incentive plan (ELTIP).

- (ii) The FAR is paid by way of cash salary, superannuation and fringe benefits and is reviewed annually by the HRRC. In addition, external consultants provide analysis and advice to ensure Directors and Executives' remuneration is competitive in the marketplace.
- (iii) The STI is calculated as a percentage of the FAR and is payable annually in respect of each financial year as cash and/or superannuation contributions. The following percentages are used: Managing Director up to 30%; other Executives up to 15%.

Payment is conditional upon the achievement of strategic, financial, organisational, operational and individual performance criteria during the financial year under review.

The HRRC may recommend and the Board may approve variations to the above STI structure for the Managing Director and Executives in respect of the year ended 30 June 2010 due to transitional matters aimed at providing contractual fairness for these Executives moving from pre-existing MyState Financial or Tasmanian Perpetual Trustees employment arrangements.

Each year the HRRC sets the Key Performance Indicators (KPIs) for the Managing Director. The KPIs for the Executives are set each year by the Managing Director. The KPIs generally are measures relating to the Company and the individual and include financial, strategic, operational and customer/stakeholder measures. The measures are chosen and weighted as they directly align the individual's reward to the KPIs of the Company and to the Company's strategy and performance.

The financial performance objectives centre around profit after income tax compared to budgeted amount. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, customer satisfaction and staff development.

At the end of the financial year the Chairman assesses the actual performance of the Company and of the Managing Director against the KPIs set at the beginning of the financial year. Based upon that assessment, a recommendation is made to the HRRC as to the STI payment.

At the end of the financial year the Managing Director assesses the actual performance of the Company and the Executives against their KPIs set at the beginning of the financial year. Based upon that assessment a recommendation is made to the HRRC as to the STI payment.

The HRRC recommends the STI payments to be made to the Managing Director and Executives for approval by the Board. Payment of an STI to the Managing Director or Executives is at the complete discretion of the Board and can be adjusted downwards, to zero if necessary to protect the financial soundness of the Company, i.e. to, at a minimum ensure that no breach of capital adequacy or liquidity policy thresholds occurs.

The Board also has discretion to adjust the STI payment down (potentially to zero) in the event that the Managing Director or an Executive commits a serious breach of duty.

If the results on which any STI reward was based are subsequently found by the Board to have been the subject of deliberate management misstatement, the Board may require repayment of the relevant STI, in addition to any other disciplinary actions.

- (iv) The ELTIP was established by the Board to encourage the executive management team, comprising the Managing Director, General Managers and Chief Financial Officer/Company Secretary, to have a greater involvement in the achievement of the Company's objectives. To achieve this aim, the ELTIP provides for the issue to the executive management team of fully paid ordinary shares in the Company if performance criteria specified by the Board are satisfied in a set performance period.

Under the ELTIP an offer may be made to the members of the executive management team every year as determined by the Board. The maximum value of the offer is determined as a percentage of the FAR of each member of the executive management team. The percentages used are 50% for the Managing Director and 30% for the General Managers and Chief Financial Officer/Company Secretary. The value of the offer is converted into fully paid ordinary shares based upon the weighted average price of the Company's shares over the twenty trading days prior to offer date.

In order for the shares to vest in each eligible member of the executive management team, certain performance criteria must be satisfied within a predetermined performance period. Both the performance criteria and the performance period are set by the Board at its absolute discretion. The Board has for the time being set the three financial years commencing with the year in which an offer is made under the plan as the performance period with growth in Earnings Per Share outcomes (EPS) and Total Shareholder Return (TSR) over the relevant performance period as the performance criteria. The EPS and TSR measures will be weighted equally.

ELTIP performance assessment will be measured against the performance of the companies sized by market capitalisation within the S&P/ASX 300 Index (the benchmark group).

Any reward payable to any member of the Executive Team under any ELTIP offer is subject to reassessment and possible forfeiture, if the results on which the ELTIP reward was based are subsequently found to have been the subject of deliberate management misstatement.

Any reward payable to any member of the Executive Team under any ELTIP offer will be calculated as follows:

- 50% of the ELTIP reward for the performance period will be based upon the comparison of the actual MyState Limited EPS growth achieved with that of the benchmark group and will be payable on the following basis:
  - Below the mid-point percentage EPS growth – 0% reward
  - At the 50th percentile – 50% of the applicable reward
  - Between the 50th percentile and the 75th percentile EPS growth – 2% for every 1 percentile above the 50th percentile.
  - Above the 75th percentile – 100% of the applicable reward

- No reward will be payable if EPS growth is negative irrespective of the benchmark group performance.
- MyState Limited EPS baseline for calculation of the 2009 ELTIP offer is to be 23.32cps.
- 50% of the ELTIP reward for the performance period will be based upon the comparison of the actual MyState Limited TSR growth compared to the benchmark group and will be payable on the following basis:
  - Below the mid-point percentage TSR growth – 0% reward
  - At the 50th percentile – 50% of the applicable reward
  - Between the 50th percentile and the 75th percentile TSR growth – 2% for every 1 percentile above the 50th percentile.
  - Above the 75th percentile – 100% of the applicable reward
  - No reward will be payable if TSR is negative irrespective of the benchmark group performance.
  - MyState Limited share price baseline for TSR calculation for the 2009 ELTIP offer is \$2.70.

The ELTIP provides for an independent Trustee to acquire and hold shares. The Trustee is funded by the Company to acquire shares, as directed by the Board, either by way of purchase from other Shareholders on market, or issue by the Company. Vesting of shares occurs once an assessment has been made after the performance period (currently 3 years) and once the Board resolves to notify the Trustee to issue entitlements under the relevant ELTIP Offer.

Vesting of shares to the Managing Director or Executives is at the complete discretion of the Board and can be adjusted downwards, to zero if necessary, to protect the financial soundness of the Company, i.e. to, at a minimum ensure that no breach of capital adequacy or liquidity policy thresholds occurs.

The Trustee will allocate any shares to each member of the Executive Management Team in accordance with their entitlement under the ELTIP. Any shares to be allocated to the Managing Director under this Plan require Shareholder prior approval in accordance with ASX Listing Rules. The Trustee will hold the shares which have been allocated on behalf of the Executive Management Team member.

The Executive Management Team member cannot transfer or dispose of shares which have been allocated to them until the earlier of the seventh anniversary of the original offer date of the grant; leaving the employment of the Company; the Board giving permission for a transfer or sale to occur; or a specified event occurring (eg change in control of the Company). Upon request, the Board will release vested shares to an Executive to the extent required to meet a taxation assessment directly related to the award of those shares.

On separation from the Company, shares will be released only if the separation is due to a Qualifying Reason<sup>1</sup> or is at the initiation of the Company without cause. If either of these occurs within the three year performance period, shares will be allocated on a pro-rata basis by bringing the qualifying date forward to the date of separation.

During the period that allocated shares are held by the Trustee, the Executive Management Team member is entitled to receive the income arising from dividend payments on those shares and to have the Trustee exercise the voting rights on those shares in accordance with their instructions.

<sup>1</sup> A Qualifying Reason as defined by the ELTIP Plan Rules, is death, total and permanent disability, retirement at normal retirement age, redundancy or other such reason as the Board in its absolute discretion may determine.

## Details of offers made under the ELTIP are as follows:

	Managing Director	Other Executives
Date of offer ("Grant" date)	30 June 2010	30 June 2010
Performance period	1 July 2009 – 30 June 2012	11 January 2010 – 30 June 2012
Maximum number of shares that may be allocated under the offer	71,884	56,581
Value of the offer	\$225,000	\$177,098
Share price used in the calculations of the offer	\$3.13	\$3.13

On accepting an ELTIP offer made by MyState Limited, Executives are required to agree to not hedge their economic exposure to any entitlement. Failure to comply with this directive will constitute a breach of duty and as such will involve disciplinary action and the risk of dismissal under the terms of the Executive's contract.

### (v) Terms of Employment

The Company's non-Executive Directors receive only fees (including superannuation) for their services. They are not entitled to receive any benefit on retirement or resignation (other than superannuation) and do not participate in any share based remuneration. The Shareholders in General Meeting held on 8 May 2009 set the non-Executive Director fee cap at \$750,000 per annum, inclusive of statutory superannuation, as disclosed in the MyState Financial and Tasmanian Perpetual Trustees merger Scheme Booklets.

The policy of the Company is to:

- Employ the Managing Director and Senior Executives on continuing employment arrangements i.e. no fixed term;
- Provide a maximum termination payment of one year of base salary unless a breach of duty or grave misconduct has occurred. Where the termination is initiated by the Company STI and ELTIP entitlements, assessed in accordance with the remuneration policy, will be paid for any pro-rata period of a year up to the termination date; unless a breach of duty or grave misconduct has occurred;
- Engage an Executive on a fixed term contract under specific circumstances only.



The Managing Director is employed under an individual contract of employment.

### Contract terms and conditions

Title	Terms	Explanation
Managing Director G J Gilbert	Commencement Date	14 December 2009
	Contract Term	3 year term from 14 December 2009 plus a further 2 year term by agreement between the Parties
	Fixed Annual Remuneration	\$450,000 per year <sup>(1)</sup>
	Termination Provisions	<p>The contract may be terminated by the Company or the Managing Director with the giving of sixty days' notice. A termination payment of 6 months Total Fixed Remuneration (TFR) if the termination takes effect before 14 December 2011 or 6 months TFR or the balance of the contract term whichever is greater, if the termination takes effect on or after 14 December, 2011.</p> <p>An STI payment for the year in which the termination takes effect equivalent to 100% of that year's applicable STI.</p> <p>The number of shares calculated on a pro-rata basis according to the number of days in the performance period under any current Long Term Incentive Plan (ELTIP) agreement up to the date the termination takes effect.</p> <p>If the Company does not offer a further 2 year term, the Company agrees that the application of the ELTIP shall be as follows:</p> <p>Subject to Shareholder approval, at least 3 ELTIP offers may have been made and on the completion of the initial 3 year term and the Company not offering further term, the Company agrees to bring forward the performance period under any outstanding ELTIP offers, subject to the Company being satisfied that on the basis of independent assessment of the Company's performance over the performance period and up until the date of termination, that in all likelihood had the performance period under the Plan run its full term, that the original performance hurdles in any Offer would have been reached and would hence trigger the appropriate level of reward.</p> <p>The additional incentive plan payments being subject to compliance with all regulatory and legal requirements and if necessary the approval of the Shareholders in general meeting. <sup>(2)</sup></p>

<sup>(1)</sup> Subject to ongoing annual market based review mechanisms

<sup>(2)</sup> Subject to Shareholder approval, if over 1 year TFR

The Chief Financial Officer/Company Secretary and General Managers are employed under individual contracts of employment.

## Contract terms and conditions

Title	Terms	Explanation
Chief Financial Officer and Company Secretary - P K M Viney	Commencement Date	11 January 2010
	Contract Term	No Fixed Term
	Fixed Annual Remuneration	\$269,700 per year <sup>(1)</sup>
	Termination Provisions	12 months TFR plus STI for current year and pro-rata ELTIP for current offers <sup>(2)</sup>
General Manager – Brands, Communications, People and Development - C L Kent	Commencement Date	11 January 2010
	Contract Term	No Fixed Term
	Fixed Annual Remuneration	\$246,600 per year <sup>(1)</sup>
	Termination Provisions	12 months TFR plus STI for current year and pro-rata ELTIP for current offers <sup>(2)</sup>
General Manager – Retail Banking and Distribution - D W Turner	Commencement Date	11 January 2010
	Contract Term	No Fixed Term
	Fixed Annual Remuneration	\$246,600 per year <sup>(1)</sup>
	Termination Provisions	12 months TFR plus STI for current year and pro-rata ELTIP for current offers <sup>(2)</sup>
General Manager – Wealth Management and Trustee Services - D E Benbow	Commencement Date	11 January 2010
	Contract Term	No Fixed Term
	Fixed Annual Remuneration	\$246,600 per year <sup>(1)</sup>
	Termination Provisions	12 months TFR plus STI for current year and pro-rata ELTIP for current offers <sup>(2)</sup>
General Manager – Technology and Operations - T M Rutherford	Commencement Date	11 January 2010
	Contract Term	No Fixed Term
	Fixed Annual Remuneration	\$246,600 per year <sup>(1)</sup>
	Termination Provisions	12 months TFR plus STI for current year and pro-rata ELTIP for current offers <sup>(2)</sup>

The contracts may be terminated by the Company or the Executive with the giving of sixty days' notice. In the event of serious breach of duty, grave misconduct or permanent incapacity, the Company can terminate the contract immediately.

<sup>(1)</sup> Subject to ongoing annual market based review mechanisms

<sup>(2)</sup> Subject to Shareholder approval, if over 1 year TFR

## Remuneration of Key Management Personnel

		Salary & Fees	Cash Bonus <sup>(1),(2)</sup>	Non Monetary Benefits	Post Employment - Super- annuation	Termination Benefits	Share Based Payment <sup>(1)</sup>	Total
		\$	\$	\$	\$	\$	\$	\$
<b>Non Executive Directors</b>								
M J Vertigan AC	2010	117,773	-	-	10,600	-	-	128,373
	2009	98,929	-	-	8,904	-	-	107,833
P D Armstrong	2010	56,321	-	-	11,190	-	-	67,511
	2009	39,544	-	-	6,109	-	-	45,653
N L d'Antoine	2010	33,252	-	-	46,025	-	-	79,277
	2009	17,384	-	-	58,409	-	-	75,793
R L Gordon	2010	49,209	-	-	12,489	-	-	61,698
	2009	-	-	-	37,307	-	-	37,307
T M Gourlay	2010	42,082	-	-	19,617	-	-	61,699
	2009	19,294	-	-	17,352	-	-	36,646
M L Hampton	2010	63,728	-	-	5,735	-	-	69,463
	2009	72,589	-	-	11,983	-	-	84,572
C M Hollingsworth	2010	19,889	-	-	50,247	-	-	70,136
	2009	-	-	-	56,522	-	-	56,522
I G Mansbridge	2010	59,062	-	-	5,316	-	-	64,378
	2009	37,528	-	-	17,185	-	-	54,713
S Merridew	2010	60,715	-	-	5,464	-	-	66,179
	2009	23,603	-	-	67,584	-	-	91,187
A B Reidy	2010	49,139	-	-	19,497	-	-	68,636
	2009	51,829	-	-	18,837	-	-	70,666
<b>Sub Total</b>	2010	551,170	-	-	186,180	-	-	737,350
<b>Non Executive Directors' Remuneration:</b>	2009	360,700	-	-	300,192	-	-	660,892
<b>Executive Director</b>								
G J Gilbert <sup>(3)</sup>	2010	376,288	135,000	5,434	34,355	-	56,836	607,913
	2009	-	-	-	-	-	-	-
<b>Executives</b>								
D E Benbow	2010	170,101	45,244	29,462	19,655	-	5,000	269,462
	2009	119,612	29,657	21,559	19,200	-	38,604	228,632
M E Cadman <sup>(4) (5)</sup>	2010	65,421	9,250	8,833	7,375	232,498	-	323,377
	2009	147,780	52,000	-	19,459	-	-	219,239
C L Kent	2010	182,804	44,717	21,486	17,950	-	5,000	271,957
	2009	134,842	30,974	7,123	13,657	-	39,828	226,424
S A Lukianenko <sup>(4) (5)</sup>	2010	57,028	8,000	6,879	6,939	232,973	-	311,819
	2009	127,304	50,000	-	18,503	-	-	195,807
N J Nelson <sup>(4) (5)</sup>	2010	94,649	10,250	22,021	23,870	369,931	-	520,721
	2009	151,044	58,000	-	37,458	-	-	246,502
T M Rutherford	2010	192,798	46,490	12,948	16,358	-	5,000	273,594
	2009	144,556	35,000	-	16,160	-	-	195,716
M E Scanlon <sup>(6)</sup>	2010	106,513	-11,047	22,741	19,126	897,453	-	1,034,786
	2009	240,511	85,654	7,860	43,318	-	72,696	450,039
D W Turner	2010	177,690	45,240	14,690	19,538	-	5,000	262,158
	2009	137,207	38,400	-	17,177	-	-	192,784
P K M Viney	2010	226,249	59,030	-	20,362	-	5,471	311,112
	2009	193,008	40,085	-	16,836	-	49,104	299,033
<b>Sub Total</b>	2010	1,649,541	392,174	144,494	185,528	1,732,855	82,307	4,186,899
<b>Executive Remuneration:</b>	2009	1,395,864	419,770	36,542	201,768	-	200,232	2,254,176
<b>Total</b>	2010	2,200,711	392,174	144,494	371,708	1,732,855	82,307	4,924,249
	2009	1,756,564	419,770	36,542	501,960	-	200,232	2,915,068

See footnotes overleaf.

## Remuneration of Key Management Personnel (continued)

- (1) These amounts are estimates of remuneration and will only vest to the Managing Director or Executive when certain performance criteria are met. The fair value of shares is calculated at the date of grant and is allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the shares allocated to this reporting period. As these figures are accrual accounting based and not a reflection of actual cash paid, negative figures can result in the event of accrual reversals being recorded.
- (2) The maximum amount has been accrued on the basis that it is probable that the executive management team will meet their respective KPIs for the period. Any adjustments between the actual amounts to be paid as determined by the HRRC and Board and the amounts accrued will be adjusted and disclosed in the MyState Limited statements for 2011. In addition, the disclosed amounts include satisfaction of prior year STI obligations of both MyState Financial and Tasmanian Perpetual Trustees.
- (3) Appointed Managing Director on 14 December 2009
- (4) M Cadman resigned 27 November 2009, S Lukianenko resigned 20 November 2009 and N Nelson resigned 15 January 2010.
- (5) MyState Financial Executives specified in <sup>(4)</sup> above received termination benefits in accordance with their contractual arrangements, inclusive of payments in lieu of notice, where the Executive did not serve out all or part of their notice period. Each relevant KMP employment contract specified that an amount equal to the Executive's total remuneration package (TCE) for a twelve month period (commencing from and calculated on the basis of the TCE payable at the expiration of the two month's notice period) would be payable as a termination payment.
- (6) Mr Scanlon was employed under an individual contract of employment. The contract had no fixed date of expiry. The contract could be terminated by the Company or Mr Scanlon with the giving of sixty days' notice. In the event of serious breach of duty, grave misconduct or permanent incapacity, the Company was able to terminate the contract immediately. In the event of the contract being terminated by the Company for a reason other than serious breach of duty or grave misconduct, or by Mr Scanlon for good reason, an amount was payable to Mr Scanlon comprising payment for the period of notice, a "termination payment" and the pro-rata value of the STI for the year in which the termination takes effect. In addition, Mr Scanlon was entitled to receive under any current offers made to him under the Tasmanian Perpetual Trustees' ELTIP, the number of shares to which he would be entitled, calculated on a pro-rata basis to the date of termination. The amount of any termination payment was 12 months of Mr Scanlon's FAR. In the event that the contract of employment was terminated due to the disability or death of Mr Scanlon, the Company must pay the benefits described above in respect of the pro-rata entitlements to the STI and ELTIP.

As disclosed in the Tasmanian Perpetual Trustees' Explanatory Booklet dated 29 June 2009, Mr Scanlon had been offered an incentive arrangement in connection with the Tasmanian Perpetual Trustees Scheme, as follows:

- (a) Performance – a payment of up to 20% of the base annual remuneration for Mr Scanlon's contribution to the transaction process and its outcome to be determined by the Tasmanian Perpetual Trustees Directors (excluding Mr Scanlon) based upon an agreed set of criteria; and
- (b) Retention – a payment of 50% of base remuneration if Mr Scanlon remained employed with Tasmanian Perpetual Trustees or its successors (including MyState Limited) until 31 December 2009 or such earlier date as Mr Scanlon agrees with Tasmanian Perpetual Trustees. This payment only applied if Mr Scanlon was not appointed as Managing Director of MyState Limited.

Mr Scanlon ceased employment with Tasmanian Perpetual Trustees on 27 November 2009 as was advised to the ASX. Termination payments paid to Mr Scanlon were determined in accordance with the contractual details above. This included days in lieu of notice, performance and retention payments, pro-rata STI and ELTIP payments as well as annual and long service leave entitlements.

## Consequences of performance on Shareholder wealth

In considering the consolidated entity's performance and benefits for Shareholder wealth, the HRRC has regard to the following indices in respect of the current financial year:

	2010
Profit after income tax	\$17,341,323
Earnings per share	27.46 cents
Dividends paid	\$13,482,212
Change in share price	11.79%
Return of capital	Nil

## Transitional Arrangements

The following transitional short and long term incentive arrangements apply to the Managing Director and Executives:

## STI Contractual Arrangements for 2009/10 Financial Year

Title	STI % of TFR	Notes
Managing Director - G J Gilbert	30%	New STI rate specified in 14 December 2009 contract.
General Manager – Wealth Management and Trustee Services - D E Benbow	20%	Includes one-off additional 5% STI payment to compensate for lost Tasmanian Perpetual Trustees ELTIP for 2009/10 for the pro-rata period 1 July 2009 – 11 Jan 2010. New STI rate specified in 11 January 2010 contract.
General Manager – Brand and People - MyState Financial - M E Cadman <sup>(1)</sup>	20%	Forfeited upon termination
General Manager – Brands, Communications, People and Development - C L Kent	20%	Includes one-off additional 5% STI payment to compensate for lost Tasmanian Perpetual Trustees ELTIP for 2009/10 for the pro-rata period 1 July 2009 – 11 Jan 2010. New STI rate specified in 11 January 2010 contract.
General Manager – Risk, Company Secretary MyState Financial - S A Lukianenko <sup>(1)</sup>	20%	Forfeited upon termination
Chief Financial Officer – MyState Financial - N J Nelson <sup>(1)</sup>	20%	Forfeited upon termination
General Manager – Technology and Operations - T M Rutherford	15%	New STI rate specified in 11 January 2010 contract.
Joint Chief Executive Officer – MyState Limited, Managing Director Tasmanian Perpetual Trustees - M E Scanlon <sup>(1)</sup>	25%	Pro-rata payment on termination in accordance with Employment Contract
General Manager – Retail Banking and Distribution - D W Turner	15%	New STI rate specified in 11 January 2010 contract.
Chief Financial Officer and Company Secretary - P K M Viney	23%	Includes one-off additional 8% STI payment to compensate for lost Tasmanian Perpetual Trustees ELTIP for 2009/10 for the pro-rata period 1 July 2009 – 11 Jan 2010. New STI rate specified in 11 January 2010 contract.

<sup>(1)</sup> M Cadman resigned 27 November 2009, S Lukianenko resigned 20 November 2009, N Nelson resigned 15 January 2010 and M Scanlon resigned 27 November 2009.

## STI and ELTIP allocations for 2009/10 Financial Year

The following table sets out the short term incentive and ELTIP equity allocation awarded or forfeited in respect of the financial year:

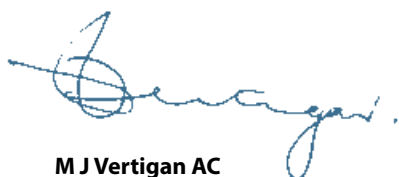
Name	Short Term		ELTIP	
	Paid %	Forfeited %	Awarded %	Forfeited %
<b>Managing Director</b>				
G J Gilbert	n.a.	n.a.	n.a.	n.a.
<b>Other Executives</b>				
D E Benbow	87.2	12.8	n.a.	n.a.
C L Kent	86.1	13.9	n.a.	n.a.
T M Rutherford	25.0	75.0	n.a.	n.a.
D W Turner	25.0	75.0	n.a.	n.a.
P K M Viney	92.6	7.4	n.a.	n.a.
<b>Key Management Personnel and Senior Executives who ceased being a KMP or who departed during or since the end of the financial year:</b>				
M E Cadman	0.0	100.0	n.a.	n.a.
S A Lukianenko	0.0	100.0	n.a.	n.a.
N J Nelson	0.0	100.0	n.a.	n.a.
M E Scanlon	87.7	12.3	n.a.	n.a.



## STI Contractual Arrangements Going Forward

Title	STI % of TFR	Notes
Managing Director - G J Gilbert	30%	Based upon KPIs to be agreed with the Board
General Manager – Wealth Management and Trustee Services - D E Benbow	15%	Based upon KPIs to be agreed between the Executive and the Managing Director with reference to those applicable to the Managing Director
General Manager – Brands, Communications, People and Development - C L Kent	15%	Based upon KPIs to be agreed between the Executive and the Managing Director with reference to those applicable to the Managing Director
General Manager – Technology and Operations - T M Rutherford	15%	Based upon KPIs to be agreed between the Executive and the Managing Director with reference to those applicable to the Managing Director
General Manager – Retail Banking and Distribution - D W Turner	15%	Based upon KPIs to be agreed between the Executive and the Managing Director with reference to those applicable to the Managing Director
Chief Financial Officer and Company Secretary - P K M Viney	15%	Based upon KPIs to be agreed between the Executive and the Managing Director with reference to those applicable to the Managing Director

Signed in accordance with resolution of the Directors.



**M J Vertigan AC**

Chairman



**G J Gilbert**

Managing Director

24 August 2010

Hobart

## Our Results

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# OUR RESULTS



From Strength to Strength

# Income Statement

For the Financial Year Ended 30 June 2010

## MyState Limited

	Notes	Consolidated		Company	
		30 June 2010 \$	30 June 2009 \$	30 June 2010 \$	30 June 2009 \$
Interest income	5	120,998,943	125,643,603	-	-
Interest expense	5	(60,982,881)	(73,130,310)	-	-
<b>Net interest margin</b>		<b>60,016,062</b>	52,513,293	-	-
Other revenue	6	34,583,389	20,543,535	25,707,067	-
Other expenses	7	(66,319,736)	(54,753,469)	(8,057,942)	(4,113,099)
<b>Profit/ (loss) before bad and doubtful debts and income tax</b>		<b>28,279,715</b>	18,303,359	<b>17,649,125</b>	(4,113,099)
Less bad and doubtful debts	20 (b)	(3,621,951)	(3,405,200)	-	-
Profit/ (loss) before income tax expense	8	24,657,764	14,898,159	17,649,125	(4,113,099)
Income tax expense/ (benefit)	10	7,316,441	4,115,559	(686,926)	(1,141,279)
<b>Net profit/ (loss) after income tax</b>		<b>17,341,323</b>	10,782,600	<b>18,336,051</b>	(2,971,820)
Basic earnings per share (cents per share)	15	27.46	21.22		
Diluted earnings per share (cents per share)	15	27.46	21.22		

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1. The accompanying notes form part of these financial statements.

# Statement of Comprehensive Income

For the Financial Year Ended 30 June 2010

## MyState Limited

	Consolidated		Company	
	30 June 2010 \$	30 June 2009 \$	30 June 2010 \$	30 June 2009 \$
<b>Net profit/ (loss) after income tax</b>	<b>17,341,323</b>	10,782,600	<b>18,336,051</b>	(2,971,820)
Other comprehensive income/(expense):				
Cashflow hedge movements	<b>3,354,286</b>	(3,647,497)	-	-
Fair value investments	<b>(383,246)</b>	(19,733)	-	-
Asset Revaluation Reserve	<b>(955,060)</b>	(149,946)	-	-
Income tax on other comprehensive income	<b>(604,794)</b>	1,145,153	-	-
<b>Total other comprehensive income/(expense) for the period</b>	<b>1,411,186</b>	(2,672,023)	-	-
<b>Total comprehensive income/(expense) for the period</b>	<b>18,752,509</b>	8,110,577	<b>18,336,051</b>	(2,971,820)
Total comprehensive income/(expense) for the period is attributable to:				
Ordinary equity holders of MyState Limited	<b>18,752,509</b>	8,110,577	<b>18,336,051</b>	(2,971,820)
<b>Total comprehensive income/ (expense) for the period</b>	<b>18,752,509</b>	8,110,577	<b>18,336,051</b>	(2,971,820)

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1. The accompanying notes form part of these financial statements.

# Statement of Financial Position

As at 30 June 2010

**MyState Limited**

		Consolidated		Company	
	Notes	30 June 2010 \$	30 June 2009 \$	30 June 2010 \$	30 June 2009 \$
<b>ASSETS</b>					
Cash and cash equivalents	16	36,769,699	6,252,894	100	100
Available for sale financial assets	18	226,800,495	191,740,370	-	-
Receivables	19	10,801,752	11,720,590	3,929,886	300,959
Loans at amortised cost	20 (a)	1,708,232,546	1,497,791,246	-	-
Other investments	22	4,550,527	4,027,227	170,527,844	-
Property, plant and equipment	23	15,872,784	11,106,266	-	-
Tax assets	11	6,950,428	4,726,320	1,878,130	1,141,279
Other assets	24	36,194	36,195	-	-
Intangible assets and goodwill	25	48,695,865	4,100,192	-	-
<b>TOTAL ASSETS</b>		<b>2,058,710,290</b>	<b>1,731,501,300</b>	<b>176,335,960</b>	<b>1,442,338</b>
<b>LIABILITIES</b>					
Deposits	26	1,574,009,802	1,309,522,845	-	-
Interest bearing loans and borrowings	27	241,294,199	267,176,351	-	-
Payables and other liabilities	28	34,185,065	21,407,476	3,546,277	4,414,058
Tax liabilities	12	6,642,028	920,085	-	-
Provisions	29	4,193,684	2,945,755	265,482	-
<b>TOTAL LIABILITIES</b>		<b>1,860,324,778</b>	<b>1,601,972,512</b>	<b>3,811,759</b>	<b>4,414,058</b>
<b>NET ASSETS</b>		<b>198,385,512</b>	<b>129,528,788</b>	<b>172,524,201</b>	<b>(2,971,720)</b>
<b>EQUITY</b>					
Share capital	30	64,623,801	1,148,047	170,551,956	100
Retained earnings	31	131,777,658	-	1,882,019	(2,971,820)
Asset revaluation reserve	31	2,216,890	2,885,432	-	-
Employee Equity benefits reserve	31	90,226	-	90,226	-
Hedging reserve	31	(54,791)	(2,402,791)	-	-
General reserve	31	-	127,490,400	-	-
Redeemed share capital reserve	31	-	407,700	-	-
Net unrealised gains reserve	31	(268,272)	-	-	-
<b>TOTAL EQUITY</b>		<b>198,385,512</b>	<b>129,528,788</b>	<b>172,524,201</b>	<b>(2,971,720)</b>

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1. The accompanying notes form part of these financial statements.



# Statement of Changes in Equity

For the Financial Year Ended 30 June 2010

**MyState Limited**

	Attributable to equity holders of the company						
	Ordinary Share Capital	Retained Earnings	Asset Revaluation Reserve	Employee Equity Reserve	Hedging Reserve	General Reserve	Redeemed Share Capital Reserve
Consolidated	\$	\$	\$	\$	\$	\$	\$
At 1 July 2008	1,320,080	-	2,990,394	-	150,457	116,693,669	363,410
Net profit after income tax	-	-	-	-	-	10,782,600	-
Other comprehensive expense	-	-	(104,962)	-	(2,553,248)	(13,813)	-
Total comprehensive income for the period	-	-	(104,962)	-	(2,553,248)	10,768,787	-
Transfer of equity due to liquidation of subsidiary	-	-	-	-	-	72,234	-
Other movements	(172,033)	-	-	-	-	(44,290)	-
At 30 June 2009	1,148,047	-	2,885,432	-	(2,402,791)	127,490,400	407,700
At 1 July 2009	1,148,047	-	2,885,432	-	(2,402,791)	127,490,400	407,700
Net profit after income tax	-	17,341,323	-	-	-	-	-
Other comprehensive income (expense)	-	-	(668,542)	-	2,348,000	-	(268,272)
Total comprehensive income for the period	-	17,341,323	(668,542)	-	2,348,000	-	(268,272)
Transfers of reserves pursuant to the demutualisation of MyState Financial Limited	-	127,898,100	-	-	-	(127,490,400)	(407,700)
Equity issued to acquire the issued capital of Tasmanian Perpetual Trustees Limited	63,494,257	-	-	-	-	-	-
Equity issued under employee share scheme	24,012	-	-	-	-	-	-
Share based payment expense recognised	-	-	-	90,226	-	-	-
Other movements	(42,515)	20,447	-	-	-	-	-
Dividends Paid	-	(13,482,212)	-	-	-	-	-
At 30 June 2010	64,623,801	131,777,658	2,216,890	90,226	(54,791)	(268,272)	198,385,512

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1. The accompanying notes form part of these financial statements.

# Statement of Changes in Equity *continued*

For the Financial Year Ended 30 June 2010

**MyState Limited**

	Attributable to equity holders of the company								
	Ordinary Share Capital	Retained Earnings	Asset Revaluation Reserve	Employee Equity Benefit Reserve	Hedging Reserve	General Reserve	Redeemed Share Capital Reserve	Net Unrealised Gains Reserve	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Company</b>									
At 1 July 2008	-	-	-	-	-	-	-	-	-
Net loss after income tax	-	(2,971,820)	-	-	-	-	-	-	(2,971,820)
Total comprehensive income for the period	-	(2,971,820)	-	-	-	-	-	-	(2,971,820)
Equity issued	100	-	-	-	-	-	-	-	100
At 30 June 2009	100	(2,971,820)	-	-	-	-	-	-	(2,971,720)
At 1 July 2009	100	(2,971,820)	-	-	-	-	-	-	(2,971,720)
Net profit after income tax	-	18,336,051	-	-	-	-	-	-	18,336,051
Total comprehensive income for the period	-	18,336,051	-	-	-	-	-	-	18,336,051
Transfers of reserves pursuant to the demutualisation of MyState Financial Limited	-	-	-	-	-	-	-	-	-
Equity issued to acquire the issued capital of Tasmanian Perpetual Trustees Limited and MyState Financial Limited	170,527,844	-	-	-	-	-	-	-	170,527,844
Equity issued under employee share scheme	24,012	-	-	-	-	-	-	-	24,012
Share based payment expense recognised	-	-	-	90,226	-	-	-	-	90,226
Dividends Paid	-	(13,482,212)	-	-	-	-	-	-	(13,482,212)
<b>At 30 June 2010</b>	<b>170,551,956</b>	<b>1,882,019</b>	-	<b>90,226</b>	-	-	-	-	<b>172,524,201</b>

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1. The accompanying notes form part of these financial statements.

# Statement of Cash Flows

For the Financial Year Ended 30 June 2010

**MyState Limited**

	Notes	Consolidated		Company	
		30 June 2010 \$	30 June 2009 \$	30 June 2010 \$	30 June 2009 \$
<b>Cash flows from operating activities</b>					
Interest received		121,647,662	120,066,127	-	-
Interest paid		(54,594,121)	(74,343,324)	-	-
Fees and commissions received		33,696,293	9,169,022	-	-
Other non-interest income received		331,761	2,953,867	-	-
Payments to suppliers and employees		(61,096,095)	(49,754,514)	-	-
Dividends received and distributions from managed funds		699,293	1,421,038	-	-
Income tax paid		(3,744,794)	(5,155,770)	-	-
<b>Net cash flows from operating activities</b>	32 (c)	<b>36,939,999</b>	<b>4,356,446</b>	<b>-</b>	<b>-</b>
<b>Cash flows from investing activities</b>					
Cash acquired on the acquisition of Tasmanian Perpetual Trustees Ltd	44	6,716,590	-	-	-
Net (increase)/decrease in loans to related entities		-	(15,465,812)	(6,498,894)	-
Net (increase)/decrease in loans to customers		(210,602,412)	-	-	-
Net movement in amounts due from other financial institutions		(34,295,156)	(7,416,406)	-	-
Dividend received		-	-	19,981,106	-
Acquisition of investments		(439,823)	(22,981)	-	-
Disposals of investments		8,550,247	-	-	-
Purchase of intangible assets		(306,064)	(22,544)	-	-
Disposal of intangible assets		-	166,339	-	-
Disposal of property, plant and equipment		-	1,936,523	-	-
Purchase of property, plant and equipment		(1,032,012)	(1,140,467)	-	-
<b>Net cash flows (used in) investing activities</b>		<b>(231,408,630)</b>	<b>(21,965,348)</b>	<b>13,482,212</b>	<b>-</b>
<b>Cash flows from financing activities</b>					
Issue of share capital / (Redemption of member shares)		(42,615)	-	-	100
Net increase in deposits		264,486,955	71,659,135	-	-
Net increase/(decrease) in amounts due to other financial institutions		(25,976,692)	(56,282,485)	-	-
Dividends paid	13	(13,482,212)	-	(13,482,212)	-
<b>Net cash flows from financing activities</b>		<b>224,985,436</b>	<b>15,376,650</b>	<b>(13,482,212)</b>	<b>100</b>
Net increase/(decrease) in cash held		30,516,805	(2,232,252)	-	100
Cash at beginning of financial year		6,252,894	8,485,146	100	-
<b>Closing cash carried forward</b>	32 (a)	<b>36,769,699</b>	<b>6,252,894</b>	<b>100</b>	<b>100</b>

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1. The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 1 Summary of significant accounting policies

#### (a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* including applicable Australian Accounting Standards. The financial report has been presented in Australian dollars.

This financial report comprises the consolidated financial report as at and for the year ended 30 June 2010 of MyState Limited (the "Company") and the entities it controlled at the end of, or during the period (together, "the consolidated entity"). During the period the Company acquired all of the issued capital of MyState Financial Limited (MSF) and Tasmanian Perpetual Trustees Limited (TPT) pursuant to the respective schemes of arrangement approved by the members of each of those companies (the "Merger"). The Company issued its shares to the former members of the those companies in exchange for their respective interests in MSF and TPT. The merger was effected on 9 September 2009.

MSF is the pre-existing parent company of several subsidiaries and those companies also form part of the consolidated entity as a consequence of the Merger. In applying the provisions of Australian Accounting Standard AASB 3 *Business Combinations*, the Merger has been classified as a "reverse acquisition" with MSF identified as the accounting acquirer. As a consequence, the consolidated financial report is prepared on the basis that MSF acquired the Company and TPT in the Merger transaction.

The consolidated financial report is prepared on the basis that it is a continuation of the accounts of MSF. The consolidated comparative information disclosed is that of MSF as at the comparative dates and for the comparative periods. The legal capital structure of MSF has been retroactively adjusted to reflect the legal capital structure of the Company.

Because the consolidated financial report represents the continuation of the financial statements of MSF except for its capital structure, the consolidated financial report reflects (insofar as the assets and liabilities are still held as at 30 June 2010):

- (a) the assets and liabilities of MSF (and its pre-existing subsidiary companies) recognised and measured at their pre-Merger carrying amounts.
- (b) the assets and liabilities of the Company and TPT (the accounting acquirees) recognised and measured at their fair value at the date that control was obtained under the merger in accordance with the provisions of Australian Accounting Standard AASB 3 *Business Combinations*.
- (c) the retained earnings and other equity balances of MSF before the Merger.
- (d) the amount recognised as issued equity interests determined by adding the issued equity interest of MSF outstanding immediately before the Merger to the fair value of the Company and TPT. The equity structure (i.e. the number and type of equity interests issued) reflects the equity structure of the Company, including the equity interests the Company issued to effect the Merger.
- (e) the income and expenses of the Company and TPT from the date of control being was established until 30 June 2010.
- (f) the accounting policies of MSF except where these are no longer relevant. These policies are consistent with those adopted by MSF in the preparation of its annual financial report for the year ended 30 June 2009 and are detailed in note 2. Additional accounting policies have been adopted for transactions and conditions that did not previously occur within MSF but which now do, as a consequence of the Merger or for other reasons. These policies are consistent with those adopted by TPT for similar events and conditions and are detailed in note 3.

This financial report covers the year to 30 June 2010. The consolidated 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 ended 30 June 2009. The consolidated comparative information disclosed in the Statement of Financial Position is as at 30 June 2009.

As noted above, the accounting policies and methods of compilation are the same as those adopted in the most recent financial report of MSF, except where they are no longer relevant, together with additional policies as detailed below. These policies are detailed in notes 2 and 3.

#### (b) Historical cost convention

The financial report has been prepared on a historical cost basis, with the exception of certain other assets and liabilities as outlined in these accounting policies.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

**MyState Limited**

## 1 Summary of significant accounting policies (continued)

### (c) Compliance with IFRS as issued by the IASB

The financial report complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards. The consolidated financial report and the financial report of the Company comply with International Financial Report Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

### (d) New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available to for early adoption at 30 June 2010, but have not been applied in preparing this financial report.

**AASB 9 Financial Instruments** was issued in December 2009 and is mandatory for annual reporting periods beginning on or after 1 January 2013. It provides revised guidance on the classification and measurement of financial assets, which is the first phase of a multi-phase project to replace AASB 139 Financial Instruments: Recognition and Measurement. Under the new guidance, a financial asset is to be measured at amortised cost only if it is held within a business model whose objective is to collect contractual cash flows and the contractual terms of the asset give rise on specified dates to cash flows that are payments solely of principal and interest (on the principal amount outstanding). All other financial assets are to be measured at fair value.

Changes in the fair value of investments in equity securities that are not part of a trading activity may be reported directly in equity, but upon realisation those accumulated changes in value are not recycled to the income statement. Changes in the fair value of all other financial assets at fair value are reported in the income statement.

AASB 9 must be initially applied in the financial year beginning 1 July 2014, with early adoption permitted. Upon adoption, the classification of a financial asset must be assessed based on the facts at the date of initial application, and that classification is to be applied retrospectively. The consolidated entity has not yet determined the potential effect of the standard.

**AASB 124 Related Party Disclosures** (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government related entities. The amendments which will become mandatory for the consolidated entity's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.

**AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process** (effective for annual periods beginning on or after 1 July 2010). In May 2009, the AASB issued a number of improvements to existing Australian Accounting Standards. The consolidated entity will apply the revised standards from 1 July 2010. The consolidated entity does not expect that any adjustments will be necessary as a result of applying the revised rules. The impact on future transactions will need to be assessed as they occur.

**AASB 2009-8 Amendments to Australian Accounting Standards - Group Cash-Settled Share-based Payment Transactions** resolves diversity in practice regarding the attribution of cash settled share based payments between different entities within a group, and become mandatory for the consolidated entity's 30 June 2011 financial statements. As a result of the amendments AI 8 Scope of AASB 2 and AI 11 AASB 2 - Group and Treasury Share Transactions will be withdrawn from the application date. The amendments are not expected to have any impact on the financial statements.

**AASB 2009-10 Amendments to Australian Accounting Standards - Classification of Rights Issues** (AASB 132 Financial Instruments: Presentation) (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which will become mandatory for the consolidated entity's 30 June 2011 financial statements, are not expected to have any impact on the financial statements.

**Interpretation 19 (IFIC) Extinguishing Financial Liabilities with Equity Instruments** addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the consolidated entity's 30 June 2011 financial statements, with retrospective application required. The consolidated entity has not yet determined the potential effect of the interpretation.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 1 Summary of significant accounting policies (continued)

The principle accounting policies adopted in the preparation of the Financial report are set out below.

#### (e) Principles of consolidation

##### Basis of consolidation

The consolidated financial statements comprise the financial statements of MyState Limited and its subsidiaries as at 30 June each year. Subsidiaries are all those entities (including special purpose entities) over which the Company has the power to govern directly or indirectly decision making in relation to financial and operating policies, so as to require that entity to conform to the Company's objectives. Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent had control. Subsidiary acquisitions are accounted for using the purchase method of accounting. The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

##### Impairment of subsidiaries

Investments in subsidiaries are tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the investments carrying amount exceeds its recoverable amount (which is the higher of fair value less costs to sell and value in use). At each balance sheet date, the investments in subsidiaries that have been impaired are reviewed for possible reversal of the impairment.

##### Securitisations

Securitised positions are held through a number of Special Purpose Entities (SPEs). As the consolidated entity is exposed to the majority of the residual risk associated with these SPEs, their underlying assets, liabilities, revenues and expenses are reported in the consolidated entity's Statement of Financial Position and Income Statement.

When assessing whether the consolidated entity controls (and therefore consolidates) an SPE, judgement is required about risks and rewards as well as the consolidated entity's ability to make operational decisions for the SPE. The range of factors that are considered in assessing control include whether:

- the majority of the benefits of an SPEs activities are obtained;
- the majority of the residual ownership risks related to the SPEs assets are obtained;
- the decision making powers of the SPE vest with the consolidated entity; and
- the SPEs activities are being conducted on behalf of the consolidated entity and according to its specific business needs.

#### (f) Critical accounting estimates and significant judgments

The preparation of the financial report in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the financial report such as:

- fair value of financial instruments (see note 2(c)).
- impairment losses on loans and advances and held for sale investments (see note 2(l)).
- recoverability of deferred tax assets (see note 2(n)).
- impairment losses on goodwill (see notes 2(g) and 25).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Management believes the estimates used in preparing the financial report are reasonable. Actual results in the future may differ from those reported.



# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 2 Accounting Policies carried forward from MyState Financial Limited

#### (a) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Cash flows arising from deposits, share capital, investments, loans to subsidiaries and investments in associates are presented on a net basis in the Statement of Cash Flows.

#### (b) Receivables

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis. Other receivables are carried at the nominal amount due and are non-interest bearing. An estimate of doubtful debts is made when the collection of the full amount is no longer probable. Bad debts are written-off when identified.

#### (c) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the consolidated entity has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at amortised cost, gains and losses are recognised in income when the investment is derecognised or impaired, as well as through the amortisation process. Fair value is calculated in accordance with the principles outlined in note 36.

##### *Available-for-sale financial assets*

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not otherwise designated. After initial recognition available-for-sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

#### (d) Recoverable amount of assets

At each reporting date, the consolidated entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the consolidated entity 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.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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.

#### (e) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land and buildings are measured at fair value less accumulated depreciation.

##### **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. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such indication exists and where the carrying values exceed 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. Impairment losses are recognised in the Income Statement.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 2 Accounting Policies carried forward from MyState Financial Limited (continued)

#### Revaluations

Following initial recognition at cost, land and buildings are carried at revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses. Fair value, is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at valuation date. Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the Statement of Financial Position, unless it reverses a revaluation decrease of the same asset class previously recognised in the Income Statement. Any revaluation deficit is recognised in the Income Statement unless it directly offsets a previous surplus of the same asset class in the asset revaluation reserve. Any accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Independent valuations are performed with sufficient regularity to ensure the carrying amount does not differ materially from the asset's fair value at the Statement of Financial Position date. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Income Statement in the year the item is derecognised.

#### Depreciation

Property, plant and equipment, other than land, is depreciated on a straight line basis so as to write off the net cost of each asset over its expected useful life, using the following rates:

Buildings	2.50%	(2009: 2.50%)
Office furniture and fittings	15.00%	(2009: 15.00%)
Building fit-out (owned buildings)	25.00%	(2009: 25.00%)
Office equipment	25.00%	(2009: 25.00%)
Computer hardware	33.33%	(2009: 33.33%)

Leasehold improvements - over the expected term of the lease. This is consistent with the 2009 financial year.

#### (f) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

##### Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis in the Income Statement over the life of the lease. The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful life of the improvements, whichever is the shorter.

#### (g) Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. At the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 2 Accounting Policies carried forward from MyState Financial Limited (*continued*)

#### (h) Intangible assets

##### Acquired both separately and from a business combination

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets. The useful lives of these intangible assets are assessed to be either finite or infinite. Where amortisation is charged on assets with finite lives, this expense is taken to the Income Statement. Intangibles assets created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred. Certain costs directly incurred in acquiring and developing software are capitalised and amortised over the estimated useful life, usually a period of three years.

Intangible assets are tested for impairment where an indicator of impairment exists and in the case of indefinite life intangibles annually, either individually or at the cash-generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

##### Credit Union Technology Development Ltd licence fee

The licence fee represents MyState Financial Limited's (MSF) right to use a computer licence which runs MSF's main banking functions. As the licence option to acquire a perpetual licence was exercised during the 2005 year the licence fee has been amortised from 2005 on a straight-line basis over a period during which benefits are expected to be received. This is taken as being 6 years.

#### (i) Payables and other liabilities

Liabilities for trade creditors and other amounts are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. The terms and conditions for creditors and other liabilities are payable between 7 and 30 days. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis. The terms and conditions for payables to related parties are payable within 30 days.

#### (j) Interest recognition

Interest on customers' loans is calculated daily on the outstanding balance and charged monthly in arrears. Future interest on long-term loans is not accounted for in advance. Interest expense on deposits is calculated on the daily balance. All borrowings are measured at the principal amount. Interest is charged as an expense as it accrues.

#### (k) Provisions

Provisions are recognised when the consolidated 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 and 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.

#### (l) Loans and advances

Loans and advances are recognised at recoverable amount, after assessing required provisions for impairment. Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment is assessed by specific identification in relation to individual loans and by estimation of expected losses in relation to loan portfolios where specific identification is impracticable. The loan interest is calculated on the daily balance and is charged in arrears to a member's account on the last day of each month.

Bad debts are written off when identified. If a provision for impairment has previously been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the Income Statement.

All loans and advances are reviewed and graded according to the anticipated level of credit risk. The classification adopted is described below:

- Non-accrual loans, being loans classified as categories two, three and four under the APRA Prudential Standard APS 220 - Credit Quality, where statutory provisioning is required. Interest on these loans is not recognised as revenue. There is reasonable doubt about the ultimate collectability of principal and interest, and hence provisions for impairment are recognised.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 2 Accounting Policies carried forward from MyState Financial Limited (*continued*)

#### (l) Loans and advances (*continued*)

- Restructured loans, consisting of all loans for which the original contractual terms have been revised to provide for concessions of interest, principal or repayment. Loans with revised terms are included in non-accrual loans when impairment provisions are required.
- Other real estate and assets owned are assets acquired in full or partial settlement of a loan or similar facility through enforcement of security arrangements.
- Past due loans, consisting of loans classified as category one under APS 220 where payments of principal or interest are at least 90 days in arrears but the loans are well secured.

#### (m) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### Interest

Revenue is recognised as the interest accrues (using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

##### Fees

Control of a right to receive consideration for the provision of fees has been attained.

##### Commission

Control of a right to receive consideration for the provision of funds placement, insurance policy sales or participation in card activities has been attained.

#### (n) Taxes

##### Income taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the Statement of Financial Position date.

Deferred income tax is provided on all temporary differences at the Statement of Financial Position date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- when the taxable temporary differences associated with the investments in subsidiaries and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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 except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affect neither the accounting profit nor the taxable profit and loss; and

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 2 Accounting Policies carried forward from MyState Financial Limited (continued)

- when the deductible temporary differences are associated with investments in subsidiaries, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each Statement of Financial Position 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.

Unrecognised deferred income tax assets are reassessed at each Statement of Financial Position date and are recognised to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered. 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, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Statement of Financial Position date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Income Statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxable authority.

#### (o) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- 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 and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### (p) Derecognition of financial instruments

The derecognition of a financial instrument takes place when the consolidated entity no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all of the cash flows attributable to the instrument are passed through to an independent third party.

#### (q) Derivative instruments and hedging

The consolidated entity is exposed to changes in interest rates. The only derivative instruments currently entered into by the consolidated entity are interest rate swaps which are used to mitigate the risks arising from the exposure to changes in interest rates. These derivative instruments are principally used for the risk management of existing financial liabilities.

All derivatives, including those used for Statement of Financial Position hedging purposes, are recognised on the Statement of Financial Position and are disclosed as an asset where they have a positive fair value at balance date, or as a liability where the fair value at balance date is negative.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value. Fair values are obtained from quoted market prices in active markets. Movements in the carrying amounts of derivatives are recognised in the Income Statement, unless the derivative meets the requirements for hedge accounting.

The consolidated entity documents the relationship between the hedging instruments and hedged items at inception of the transaction, as well as its risk management and strategy for undertaking various hedge transactions. The consolidated entity also documents its assessment of whether the derivatives used in hedging transactions have been or will continue to be, highly effective in offsetting changes in the fair values or cash flows of hedged items. This assessment is carried out both at inception and on a monthly basis.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 2 Accounting Policies carried forward from MyState Financial Limited (*continued*)

#### (q) Derivative instruments and hedging (*continued*)

*Accounting for hedges*

##### Cash flow hedges

For a derivative or financial instrument designated as hedging a cash flow exposure arising from a recognised asset or liability (or a highly probable forecast transaction), the gain or loss on the derivative or financial instrument associated with the effective portion of the hedge is initially recognised in equity in the cash flow hedge reserve and subsequently released to the Income Statement when the hedged item affects the Income Statement. The gain or loss relating to the ineffective portion of the hedge is recognised immediately in the Income Statement.

*Derivatives that do not qualify for hedge accounting*

Changes in the fair value of any derivative financial instrument that does not qualify for hedge accounting are recognised in the Income Statement in the period in which they arise.

#### (r) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

### 3 Additional Accounting Policies

#### (s) Segment information

Operating segments are identified on the basis of internal reports to senior management about components of the consolidated entity that are regularly reviewed by senior management who have been identified as the chief operating decision makers, in order to allocate resources to the segment and to assess its performance. Information reported to the senior management for the purposes of resource allocation and assessment of performance is specifically focused on core products and services offered, comprising reportable segments as disclosed in note 9. Information about products and services and geographical segments are based on the financial information used to produce the consolidated entity's financial statements.

#### (t) Earnings per share

Basic earnings per share is calculated by dividing the consolidated entity's profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the financial year. Diluted earnings per share is calculated by dividing the consolidated entity's profit attributable to ordinary equity holders by the weighted average number of ordinary shares that would be issued on the exchange of all the dilutive potential ordinary shares into ordinary shares.

The following additional accounting policies have been adopted.

##### (a) Employee Benefits

"Liabilities for salaries, wages and annual leave are recognised in respect of the employee's service up to the reporting date. Where settlement is expected to occur within twelve months of the reporting date, the liabilities are measured at their nominal amounts based on the remuneration rates which are expected to be paid when the liability is settled. Where settlement is expected to occur later than twelve months from reporting date, the liabilities are measured at the present value of payments which are expected to be paid when the liability is settled.

A liability for long service leave is recognised and measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service."



# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 3 Additional Accounting Policies (continued)

#### (b) Revenue Recognition

The following specific recognition criteria must be met before revenue is recognised:

##### (i) Corpus administration fees

Revenue is recognised progressively as the work is performed during the administration of the estates.

##### (ii) Management fee revenue

Revenue is recognised as it accrues and is calculated in accordance with the Trustee Companies Act and the Funds' Constitutions.

##### (iii) Distributions from managed fund investments

Revenue is recognised when the right to receive the distribution is obtained.

#### (c) Share-based payment transactions

The consolidated entity provides benefits to its employees in the form of share-based payment transactions, whereby employees render services in exchange for shares ('equity-settled transactions'). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the shares ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired; and, (ii) the number of shares that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at reporting date. No expense is recognised for shares that do not ultimately vest.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 4 Change in Accounting Policies

The Company incurred various costs for the merger during the 2009 year. Under the accounting standards applicable at 30 June 2009 transaction costs of \$4,113,099 were recognised as costs of the acquisition and recorded within other assets. The date of acquisition, being the date when effective control was achieved, was 9 September 2009.

As a consequence of adopting Australian Accounting Standard AASB 2008- 3 Amendments to Australian Accounting Standards arising from AASB 3 Business Combinations and AASB 127, Consolidated and Separate Financial Statements transaction costs are required to be recognised as an expense in the period in which they are incurred. This change in policy has been applied retrospectively. Prior period comparatives and the opening balance of retained earnings and other assets have been restated. This change in policy does not alter any of the amounts reported for the consolidated entity.

	Company Restated \$	Company Adjustment \$	Company Original \$
<b>The effect of the restatement is summarised below:</b>			
Statement of Financial Position as at 30 June 2009			
Retained earnings	(2,971,820)	(2,971,820)	-
Tax assets	1,141,279	1,141,279	-
Other investments	-	(4,113,099)	4,113,099
Net Assets	(2,971,720)	(2,971,820)	100
Income Statement - Comparative information for the year ended 30 June 2009			
Other expenses	4,113,099	4,113,099	-
Profit/ (Loss) before income tax	(4,113,099)	(4,113,099)	-
Income tax expense	1,141,279	1,141,279	-
Profit/ (Loss) after income tax	(2,971,820)	(2,971,820)	-
	Company Current Policy \$	Company Adjustment Policy \$	Company Previous \$
<b>The effect of the change on the current year is summarised below:</b>			
Statement of Financial Position as at 30 June 2010			
Retained earnings	1,882,019	(4,609,104)	6,491,123
Tax assets	1,878,130	1,835,973	42,157
Other investments	-	(6,445,077)	6,445,077
Net Assets	172,524,201	(4,609,104)	177,133,305
Income Statement - Comparative information for the year ended 30 June 2010			
Other expenses	8,057,842	2,331,978	5,725,864
Profit before income tax	17,649,125	(2,331,978)	19,981,103
Income tax expense	686,926	694,694	(7,768)
Profit after income tax	18,336,051	2,000,000	16,336,051

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

	Consolidated		Company	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
	\$	\$	\$	\$
<b>5 Interest income and interest expense</b>				
<b>Interest income</b>				
Loans, other than commercial	107,336,466	110,474,625	-	-
Commercial loans	3,602,132	4,169,874	-	-
Deposits with other financial institutions	10,060,345	10,999,104	-	-
<b>Total interest income</b>	<b>120,998,943</b>	<b>125,643,603</b>	<b>-</b>	<b>-</b>
<b>Interest expense</b>				
Interest on deposits	50,407,279	56,476,491	-	-
Interest due to other financial institutions	10,575,602	16,653,819	-	-
<b>Total interest expense</b>	<b>60,982,881</b>	<b>73,130,310</b>	<b>-</b>	<b>-</b>
<b>6 Other revenue</b>				
<b>Revenue from operating activities</b>				
Bad debts recovered	287,837	135,849	-	-
Loan fee income	3,418,073	2,472,282	-	-
Other fees	9,769,536	7,753,464	-	-
Management fees	7,724,424	-	-	-
Commissions	9,087,430	6,460,268	-	-
Estate administration	2,469,511	-	-	-
Dividends received from subsidiaries	-	-	19,981,106	-
Intercompany management fees	-	-	5,725,961	-
Other income	338,138	2,300,634	-	-
<b>Total revenue from operating activities</b>	<b>33,094,949</b>	<b>19,122,497</b>	<b>25,707,067</b>	<b>-</b>
<b>Revenue from non-operating activities</b>				
Profit on sale of investments	1,100,062	-	-	-
Dividends and distributions:				
- Other corporations	388,378	1,421,038	-	-
<b>Total revenue from non-operating activities</b>	<b>1,488,440</b>	<b>1,421,038</b>	<b>-</b>	<b>-</b>
<b>Total other revenue</b>	<b>34,583,389</b>	<b>20,543,535</b>	<b>25,707,067</b>	<b>-</b>

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

	Notes	Consolidated		Company	
		30 June 2010 \$	30 June 2009 \$	30 June 2010 \$	30 June 2009 \$
<b>7 Expenses</b>					
Salaries and associated costs		32,895,730	26,442,866	1,724,766	-
Marketing and promotion		2,502,003	2,448,342	20,180	-
Governance and compliance costs		4,996,095	340,263	2,529,412	-
IT costs		5,947,662	4,453,017	1,040	-
Office occupancy and associated costs		3,407,522	2,508,574	209	-
General administrative expenditure		16,570,724	18,560,407	3,782,335	4,113,099
<b>Total expenses</b>		<b>66,319,736</b>	<b>54,753,469</b>	<b>8,057,942</b>	<b>4,113,099</b>
<b>8 Profit before income tax expense</b>					
Profit before income tax expense includes the following specific revenues and expenses:					
<b>Revenue</b>					
Profit on the sale of investments		1,100,062	-	-	-
<b>Expenses</b>					
Termination payments		3,226,979	-	-	-
Share sale facility costs		1,151,971	-	1,151,971	-
Executive recruitment		216,214	-	216,214	-
Stamp duty costs on antecedent corporate merger		421,332	-	-	-
Operating lease payments		397,698	570,429	-	-
Supervision levy		68,252	55,120	-	-
Auditors remuneration	43	309,294	162,508	49,770	-
Depreciation of property, plant and equipment:					
- Depreciation of plant and equipment	23	1,257,103	1,121,801	-	-
- Depreciation of buildings	23	113,891	71,080	-	-
<b>Total depreciation of property, plant and equipment</b>		<b>1,370,994</b>	<b>1,192,881</b>	<b>-</b>	<b>-</b>
Amortisation of intangible assets:					
- Amortisation of software	25	722,618	957,087	-	-
- Amortisation of CUTD licence	25	214,130	221,732	-	-
- Amortisation of RMBS setup costs	25	87,822	136,874	-	-
<b>Total amortisation of intangible assets</b>		<b>1,024,570</b>	<b>1,315,693</b>	<b>-</b>	<b>-</b>
<b>Total depreciation and amortisation expenses</b>		<b>2,395,564</b>	<b>2,508,574</b>	<b>-</b>	<b>-</b>

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 9 Segment Financial information

For internal reporting purposes, the consolidated entity is divided into two operating divisions and a corporate cost centre. These segments reflect the recent merger of MyState Financial Limited (MSF) and Tasmanian Perpetual Trustees Limited (TPT). Performance is measured based on profit after income tax of each segment and is determined in accordance with the consolidated entities accounting policies.

MSF is a broad based financial institution. It is an authorised deposit taking institution (ADI) operating predominantly in Tasmania. Its product offerings include lending encompassing mortgage; personal; overdraft; line of credit and commercial products; transactional savings accounts; and, fixed term deposits; wealth management; and, financial planning services.

TPT is a Tasmanian based provider of financial products and trustee services. TPT is a trustee company authorised under the Trustee Companies Act and is the only private trustee company currently authorised to operate in Tasmania. TPT holds an Australian Financial Services Licence. TPT holds over \$1 billion in funds under management on behalf of personal, business and wholesale investors as the responsible entity for 12 managed investment schemes.

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.

	MSF	TPT	Corporate and consolidation adjustment	Consolidated Total
Year ended 30 June 2010	\$	\$	\$	\$
Interest revenue	120,967,053	31,890	-	120,998,943
Interest expense	60,982,881	-	-	60,982,881
<b>Other revenue</b>				
Bad debts recovered	287,837	-	-	287,837
Loan fee income	3,138,099	279,974	-	3,418,073
Other fees	8,689,628	1,079,908	-	9,769,536
Management fees	-	7,724,424	-	7,724,424
Commissions	6,985,014	2,102,416	-	9,087,430
Estate administration	-	2,469,511	-	2,469,511
Other income	331,761	6,377	-	338,138
Profit on sale of investments	-	1,189,095	(89,033)	1,100,062
Dividends and distributions	388,378	-	-	388,378
<b>Total other revenue</b>	<b>19,820,717</b>	<b>14,851,705</b>	<b>(89,033)</b>	<b>34,583,389</b>
Material expenditures				
Termination payments	1,614,278	1,612,701	-	3,226,979
Share sale facility costs	-	-	1,151,971	1,151,971
Executive recruitment	-	-	216,214	216,214
Stamp duty costs on antecedent corporate merger	421,332	-	-	421,332
Bad and doubtful debts	3,621,951	-	-	3,621,951
Operating lease payments	397,698	-	-	397,698
Depreciation and amortisation	1,983,451	412,113	-	2,395,564
Income Tax	(6,615,018)	(720,365)	18,942	(7,316,441)
Segment net profit after income tax	15,720,570	1,690,848	(70,094)	17,341,324
Segment assets	1,999,502,963	31,925,815	27,281,512	2,058,710,290
Capital expenditure	550,671	481,341	-	1,032,012
Total liabilities	1,859,331,062	5,156,475	(4,162,759)	1,860,324,778

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

	MSF	TPT	Corporate and consolidation adjustment	Consolidated Total
	\$	\$	\$	\$
<b>9 Segment Financial information (continued)</b>				
<b>Year ended 30 June 2009</b>				
Interest revenue	125,643,603	-	-	125,643,603
Interest expense	(73,130,310)	-	-	(73,130,310)
<b>Other revenue</b>				
Bad debts recovered	135,849	-	-	135,849
Loan fee income	2,472,282	-	-	2,472,282
Other fees	7,753,464	-	-	7,753,464
Commissions	6,460,268	-	-	6,460,268
Other income	2,300,634	-	-	2,300,634
<b>Total other revenue</b>	<b>19,122,497</b>	<b>-</b>	<b>-</b>	<b>19,122,497</b>
Bad and doubtful debts	3,405,200	-	-	3,405,200
Operating lease payments	570,429	-	-	570,429
Depreciation and amortisation	2,508,574	-	-	2,508,574
Income Tax	4,115,559	-	-	4,115,559
Segment net profit after income tax	10,782,600	-	-	10,782,600
Segment assets	1,731,501,300	-	-	1,731,501,300
Capital expenditure	1,115,086	-	-	1,115,086
Total liabilities	1,601,972,512	-	-	1,601,972,512

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

	Consolidated		Company	
	30 June 2010 \$	30 June 2009 \$	30 June 2010 \$	30 June 2009 \$
<b>10 Income tax</b>				
<b>Income tax expense</b>				
The major components of income tax expense are:				
Current tax expense	<b>7,813,531</b>	3,724,295	-	-
Deferred tax expense				
- decrease/(increase) in deferred tax assets	<b>(379,835)</b>	450,398	<b>(686,926)</b>	(1,141,279)
- (decrease)/increase in deferred tax liabilities	<b>(92,220)</b>	9,776	-	-
Adjustments for current tax of prior years	-	(57,900)	-	-
Adjustments for deferred tax of prior years	<b>(25,035)</b>	(11,010)	-	-
	<b>7,316,441</b>	4,115,559	<b>(686,926)</b>	(1,141,279)
<b>Reconciliation of income tax expense to prima facie tax payable</b>				
Accounting profit/ (loss) before tax	<b>24,657,764</b>	14,898,159	<b>17,649,125</b>	(4,113,099)
Prima facie tax at statutory income tax rate of 30% (2009 30%)	<b>7,397,329</b>	4,469,448	<b>5,294,738</b>	(1,233,930)
<b>Tax effect of amounts which are non assessable/(non deductible) in calculating taxable income:</b>				
- Adjustments for current tax of prior years	-	-	-	-
- Franking credits on dividends received	-	-	<b>(5,994,331)</b>	-
- Other adjustments	<b>(80,888)</b>	(353,889)	<b>12,667</b>	92,651
Income tax expense	<b>7,316,441</b>	4,115,559	<b>(686,926)</b>	(1,141,279)
Weighted average effective tax rates	<b>29.67%</b>	27.62%	<b>(3.89%)</b>	(27.75%)

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.



# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

	Consolidated		Company	
	30 June 2010 \$	30 June 2009 \$	30 June 2010 \$	30 June 2009 \$
<b>11 Deferred tax assets</b>				
The balance comprises temporary differences attributable to:				
<b>Amounts recognised in the Income Statement</b>				
Other	83,585	7,429	-	-
Provision for doubtful debts	1,039,183	990,850	-	-
Depreciation of property, plant & equipment	1,116,628	944,850	-	-
Land and Buildings	380,236	437,494	-	-
Employee provisions	1,258,102	883,726	79,644	-
Creditors & accruals	2,359,419	340,423	160,121	-
Carried forward losses	455,544	43,738	251,531	-
Goodwill	152,965	57,900	-	-
Other costs to be amortised for tax purposes	165,194	201,861	1,378,915	1,141,279
	<u>7,010,856</u>	<u>3,908,271</u>	<u>1,870,211</u>	<u>1,141,279</u>
<b>Amounts recognised directly in equity</b>				
Land and buildings	(71,949)	(211,718)	-	-
Hedging liability	23,481	1,029,767	-	-
Other	(11,960)	-	7,919	-
	<u>6,950,428</u>	<u>4,726,320</u>	<u>1,878,130</u>	<u>1,141,279</u>
<b>Movements</b>				
Opening balance	4,726,320	4,080,754	1,141,279	-
Balance transferred in on merger	2,617,944	-	-	-
Reclassification deferred tax	(64,557)	-	-	-
Credited/(charged) to Income Statement	444,460	(450,398)	686,926	1,141,279
Credited/(charged) to Equity	(893,434)	1,027,054	7,919	-
Adjustments for deferred tax of prior years	119,695	68,910	42,006	-
Closing balance at 30 June 2010	<u>6,950,428</u>	<u>4,726,320</u>	<u>1,878,130</u>	<u>1,141,279</u>

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

	Consolidated		Company	
	30 June 2010 \$	30 June 2009 \$	30 June 2010 \$	30 June 2009 \$
<b>12 Tax liabilities</b>				
The deferred tax balance comprises temporary differences attributable to:				
<b>Amounts recognised in the Income Statement</b>				
Accrued income	354,590	27,000	-	-
Prepaid expenses	1,889	822	-	-
Intangible asset	-	64,557	-	-
Land and buildings	751,291	(39,649)	-	-
	<u>1,107,770</u>	<u>52,730</u>	<u>-</u>	<u>-</u>
<b>Amounts recognised directly in equity</b>				
Land and buildings	285,582	325,230	-	-
	<u>285,582</u>	<u>325,230</u>	<u>-</u>	<u>-</u>
	<u>1,393,352</u>	<u>377,960</u>	<u>-</u>	<u>-</u>
<b>Movements</b>				
Opening balance	377,960	435,382	-	-
Balance transferred in on merger	1,365,090	-	-	-
Reclassification deferred tax asset	(64,557)	-	-	-
Charged/(credited) to Income Statement	(11,143)	9,773	-	-
Credited/(charged) to equity	(214,548)	(67,195)	-	-
Adjustments for deferred tax of prior years	(59,450)	-	-	-
Deferred tax closing balance at 30 June 2010	<u>1,393,352</u>	<u>377,960</u>	<u>-</u>	<u>-</u>
<b>Current tax liabilities</b>				
Current tax payable	<u>5,248,676</u>	<u>542,125</u>	<u>-</u>	<u>-</u>
<b>Total tax liabilities</b>	<u>6,642,028</u>	<u>920,085</u>	<u>-</u>	<u>-</u>

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

	Consolidated		Company	
	30 June 2010 \$	30 June 2009 \$	30 June 2010 \$	30 June 2009 \$
<b>13 Dividends</b>				
<b>a) Dividends paid</b>				
2009 Final dividend paid: 10 cents per share (2009: nil) Payment date: 27 November 2009	<b>6,741,106</b>	-	<b>6,741,106</b>	-
2010 Interim dividend paid: 10 cents per share (2009: nil) Payment date: 31 March 2010	<b>6,741,106</b>	-	<b>6,741,106</b>	-
<b>Total dividends paid (Note 31 -Reserves)</b>	<b>13,482,212</b>	-	<b>13,482,212</b>	-
 The dividends paid during the year were fully franked at the 30 per cent corporate tax rate.				
<b>b) Dividends not recognised at the end of the financial year</b>				
At a Directors' meeting held on 24th August 2010, Directors resolved that a final dividend for the 2010 financial year of 12.5 cents per share, fully franked at the 30 per cent corporate tax rate, be paid. (2009: 10 cents per share fully franked at 30% corporate tax rate). This dividend has not been brought to account as the amount had not been determined at the reporting date.				
<b>Final dividend paid</b>	<b>8,426,382</b>	6,741,106	<b>8,426,382</b>	6,741,106
The payment of the 2010 final dividend reduced the balance of the franking account by:	<b>3,611,307</b>	2,889,045	<b>3,611,307</b>	2,889,045
 <b>14 Franking credit balance</b>				
The amount of franking credits available for the subsequent financial year are: Franking account balance as at the end of the financial year at 30% (2009: 30%)	<b>48,456,855</b>	41,808,600	<b>2,785,241</b>	-
Franking credits that will arise from the payment of income tax payable at the end of the financial year	<b>4,715,043</b>	67,049	-	-

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

	30 June 2010	30 June 2009		
<b>15 Earnings per share</b>	<b>cents</b>	cents		
Basic earnings per share	<b>27.46</b>	21.22		
Diluted earnings per share	<b>27.46</b>	21.22		
The following reflects the income and share data used in the calculation of basic and diluted earnings per share:				
	<b>\$</b>	\$		
Net Profit	<b>17,341,323</b>	10,782,600		
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share:	<b>Number</b>	<b>Number</b>		
	<b>63,147,106</b>	50,820,016		
	<b>Consolidated</b>		<b>Company</b>	
	<b>30 June 2010</b>	30 June 2009	<b>30 June 2010</b>	30 June 2009
	<b>\$</b>	\$	<b>\$</b>	\$
<b>16 Cash and liquid assets</b>				
Cash on hand	<b>36,769,699</b>	6,252,894	<b>100</b>	100
<b>Total cash and liquid assets</b>	<b>36,769,699</b>	6,252,894	<b>100</b>	100
<b>17 Securitisation</b>				
During this financial year, the consolidated entity securitised residential mortgage insured home loans amounting to \$126,239,046 (2009: \$Nil). Pursuant to AASB 127 Financial Instruments: Recognition and Measurement Connect Asset Management Proprietary Limited is consolidated and accordingly securitised loans are included in the consolidated accounts.				
<b>18 Available for Sale Assets</b>				
Due from other financial institutions	<b>142,489,847</b>	137,137,639	-	-
Due from other non-bank financial institutions	<b>84,310,648</b>	54,602,731	-	-
<b>Total due from other financial institutions</b>	<b>226,800,495</b>	191,740,370	-	-
<b>19 Receivables</b>				
Interest receivable	<b>22,214</b>	3,843,937	-	-
Related party receivables				
- Controlled entities within the wholly owned consolidated entity	-	-	<b>3,865,024</b>	-
Other receivables	<b>10,779,538</b>	7,876,653	<b>64,862</b>	300,959
<b>Total receivables</b>	<b>10,801,752</b>	11,720,590	<b>3,929,886</b>	300,959

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

		Consolidated		Company	
	Notes	30 June 2010 \$	30 June 2009 \$	30 June 2010 \$	30 June 2009 \$
<b>20 Loans held at amortised cost</b>					
<b>(a) Classification</b>					
Residential		<b>1,439,294,259</b>	1,303,661,769	-	-
Personal		<b>230,070,357</b>	149,791,762	-	-
Commercial		<b>42,331,873</b>	47,640,547	-	-
<b>Total loans</b>		<b>1,711,696,489</b>	1,501,094,078	-	-
Provision for doubtful debts	20 (b)	<b>(3,463,943)</b>	(3,302,832)	-	-
<b>Total net loans</b>		<b>1,708,232,546</b>	1,497,791,246	-	-
<b>(b) Provision for doubtful debts</b>					
<b>Specific provision</b>					
Opening balance		<b>3,302,832</b>	3,615,229	-	-
Charge against profit		<b>161,111</b>	(312,397)	-	-
<b>Closing balance</b>		<b>3,463,943</b>	3,302,832	-	-
Charge to profit for bad and doubtful debts comprises:					
- Bad debts written off directly		<b>3,460,840</b>	3,717,597	-	-
- Debit to doubtful debts		<b>161,111</b>	(312,397)	-	-
<b>Total charge for bad and doubtful debts</b>		<b>3,621,951</b>	3,405,200	-	-
There are no loans that individually represent 10% or more of Shareholders' equity. The majority of loans are advanced to customers in the State of Tasmania.					

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

	Notes	Consolidated		Company	
		30 June 2010 \$	30 June 2009 \$	30 June 2010 \$	30 June 2009 \$
<b>21 Impaired assets</b>					
<b>Non-accrual loans</b>					
With provisions		<b>5,372,766</b>	4,000,933	-	-
Specific provision for impairment		<b>(3,463,943)</b>	(3,302,832)	-	-
<b>Net non-accrual loans</b>		<b>1,908,823</b>	698,101	-	-
<b>Specific provision</b>					
Non-accrual loans		<b>(3,463,943)</b>	(3,302,832)	-	-
<b>Total specific provision for impairment</b>	20 (b)	<b>(3,463,943)</b>	(3,302,832)	-	-
Past due loans		<b>3,591,369</b>	6,728,400	-	-
Interest recognised on impaired assets		<b>49,299</b>	224,886	-	-
Interest income forgone on impaired assets		<b>344,759</b>	438,572	-	-
<b>22 Other investments</b>					
Credit Union Financial Services (Tas) Pty Ltd		-	6,700	-	-
Shares in Cuscal Limited		<b>3,347,304</b>	3,347,304	-	-
Shares in Credit Union Technology Development Ltd		<b>25,223</b>	25,223	-	-
Debentures in CGU Insurance VACC Ltd		<b>648,000</b>	648,000	-	-
Term deposit at bank		<b>500,000</b>	-	-	-
Government stocks		<b>30,000</b>	-	-	-
Shares in subsidiaries		-	-	<b>170,527,844</b>	-
<b>Total other investments</b>		<b>4,550,527</b>	4,027,227	<b>170,527,844</b>	-

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 23 Property, plant and equipment

<b>Consolidated</b>	<b>Furniture, fittings and equipment at cost</b>	<b>Leasehold improvements at cost</b>	<b>Buildings at independent valuation <sup>(1)</sup></b>	<b>Land at independent valuation <sup>(1)</sup></b>	<b>Total</b>
<b>Year ended 30 June 2010</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
At 1 July 2009, net of accumulated depreciation	1,090,118	3,126,014	4,490,134	2,400,000	11,106,266
Additions as a result of the merger	710,822	132,636	3,060,000	2,140,000	6,043,458
Additions	274,447	757,564	-	-	1,032,011
Revaluations	-	-	(1,674,539)	600,000	(1,074,539)
Depreciation write back	-	-	184,789	-	184,789
Disposals	(48,207)	-	-	-	(48,207)
Depreciation charge for the year	(533,452)	(723,651)	(113,891)	-	(1,370,994)
<b>At 30 June 2010, net of accumulated depreciation</b>	<b>1,493,728</b>	<b>3,292,563</b>	<b>5,946,493</b>	<b>5,140,000</b>	<b>15,872,784</b>
<b>At 30 June 2010</b>					
Cost or fair value	8,392,453	9,515,055	6,010,000	5,140,000	29,057,508
Accumulated depreciation	(6,898,725)	(6,222,492)	(63,507)	-	(13,184,724)
<b>Net carrying amount</b>	<b>1,493,728</b>	<b>3,292,563</b>	<b>5,946,493</b>	<b>5,140,000</b>	<b>15,872,784</b>

The Company holds no property plant and equipment. Land and buildings of Tasmanian Perpetual Trustees Limited are held at values based on independent valuations that were used to determine fair value for the purpose of accounting for the merger. These valuations were conducted by Mr. John Vestakis AAPI, MRICS of AON Valuation Services in September 2008. Recent reviews of these valuations have indicated that they remain valid. Land and buildings of MyState Financial Limited are held at valuation. During the year independent valuations were conducted by Mr Matthew J Page, B. Bus (Property) (AAPI) Certified Practicing Valuer of Knight Frank Tasmania at 30 June 2010 for financial reporting purposes.

<sup>(1)</sup> Included within land and buildings are freehold land and buildings that are carried at Director's valuation, based upon independent valuer's advice. Had these land and buildings been recognised under the cost model the carrying amount would have been: \$2,677,969 (2009: \$2,742,134).

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.



# Notes to the Financial Statements

For the Year Ended 30 June 2010

**MyState Limited**

## 23 Property, plant and equipment (continued)

<b>Consolidated</b>	<b>Furniture, fittings and equipment at cost</b>	<b>Leasehold improvements at cost</b>	<b>Buildings at independent valuation <sup>(1)</sup></b>	<b>Land at independent valuation <sup>(1)</sup></b>	<b>Total</b>
<b>Year ended 30 June 2009</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
At 1 July 2008, net of accumulated depreciation	1,846,335	2,745,427	4,883,598	2,700,000	12,175,360
Additions	335,464	805,003	-	-	1,140,467
Revaluations	-	-	(104,961)	-	(104,961)
Depreciation write back	1,385,661	-	25,381	-	1,411,042
Disposals	(1,779,957)	-	(242,804)	(300,000)	(2,322,761)
Depreciation charge for the year	(697,385)	(424,416)	(71,080)	-	(1,192,881)
<b>At 30 June 2009, net of accumulated depreciation</b>	<b>1,090,118</b>	<b>3,126,014</b>	<b>4,490,134</b>	<b>2,400,000</b>	<b>11,106,266</b>
<b>At 30 June 2009</b>					
Cost or fair value	4,939,479	8,598,815	4,600,000	2,400,000	20,538,294
Accumulated depreciation	(3,849,361)	(5,472,801)	(109,866)	-	(9,432,028)
<b>Net carrying amount</b>	<b>1,090,118</b>	<b>3,126,014</b>	<b>4,490,134</b>	<b>2,400,000</b>	<b>11,106,266</b>

<sup>(1)</sup> Included within land and buildings are freehold land and buildings that are carried at Director's valuation, based upon independent valuer's advice. Had these land and buildings been recognised under the cost model the carrying amount would have been: \$7,814,462 (2009: \$2,742,134).

	<b>Consolidated</b>		<b>Company</b>	
	<b>30 June 2010</b>	<b>30 June 2009</b>	<b>30 June 2010</b>	<b>30 June 2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>24 Other assets</b>				
Other	<b>36,194</b>	36,195	-	-
<b>Total other assets</b>	<b>36,194</b>	36,195	-	-

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 25 Intangible assets and goodwill

Consolidated	Goodwill \$	Licence fees \$	Software \$	RMBS setup costs \$	Total \$
<b>Year ended 30 June 2010</b>					
At 1 July 2009, net of accumulated amortisation	2,825,442	384,293	802,635	87,822	4,100,192
Acquired in the merger	15,695,705	-	548,066	-	16,243,771
Goodwill arising on merger	29,447,914	-	-	-	29,447,914
Additions	-	-	261,638	44,426	306,064
Disposals	-	-	(603,919)	-	(603,919)
Impairment during year	(211,167)	-	-	-	(211,167)
Writeback of Amortisation on Disposal	-	-	437,580	-	437,580
Amortisation	-	(214,130)	(722,618)	(87,822)	(1,024,570)
<b>At 30 June 2010, net of accumulated amortisation</b>	<b>47,757,894</b>	<b>170,163</b>	<b>723,382</b>	<b>44,426</b>	<b>48,695,865</b>
<b>At 30 June 2010</b>					
Cost (gross carrying amount)	47,757,894	2,592,942	7,837,116	455,116	58,643,068
Accumulated amortisation	-	(2,422,779)	(7,113,734)	(410,690)	(9,947,203)
<b>Net carrying amount</b>	<b>47,757,894</b>	<b>170,163</b>	<b>723,382</b>	<b>44,426</b>	<b>48,695,865</b>
<b>Year ended 30 June 2009</b>					
At 1 July 2008, net of accumulated amortisation	2,982,959	583,310	1,903,517	224,696	5,694,482
Transfer of assets	-	22,715	22,544	-	45,259
Additions	-	-	(625,878)	-	(625,878)
Writeback of Amortisation on Disposal	(157,517)	-	459,539	-	302,022
Amortisation	-	(221,732)	(957,087)	(136,874)	(1,315,693)
<b>At 30 June 2009, net of accumulated amortisation</b>	<b>2,825,442</b>	<b>384,293</b>	<b>802,635</b>	<b>87,822</b>	<b>4,100,192</b>
<b>At 30 June 2009</b>					
Cost (gross carrying amount)	2,825,442	2,592,942	6,571,919	410,690	12,400,993
Accumulated amortisation	-	(2,208,649)	(5,769,284)	(322,868)	(8,300,801)
<b>Net carrying amount</b>	<b>2,825,442</b>	<b>384,293</b>	<b>802,635</b>	<b>87,822</b>	<b>4,100,192</b>

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 25 Intangible assets and goodwill (continued)

Goodwill arising from the merger was calculated under the terms of AASB 3 Business Combinations.

MyState Limited has recorded goodwill on consolidation following the successful merger between MyState Financial Limited and the previously listed Tasmanian Perpetual Trustees Limited to form the new listed entity MyState Limited. The merger was effected on 9 September 2009 and MyState Limited was listed on 10 September 2009.

The carrying values of goodwill represent fair value under the terms of AASB 136 due to the recent proximity of an arms length transaction between knowledgeable and willing parties.

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segments which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

	Consolidated	
	30 June 2010 \$	30 June 2009 \$
MyState Financial Limited	22,491,617	2,825,442
Tasmanian Perpetual Trustees Limited	25,266,277	-
	<u>47,757,894</u>	<u>2,825,442</u>

The recoverable amounts for the relevant CGUs have been determined based on value-in-use calculations using cash flow projections from financial budgets approved by Management and the Board. The Company's assessment of goodwill value-in-use exceeds the carrying value allocated to the CGUs and included in the accounts. The manner in which MyState Limited conducts each impairment assessment is discussed below for each CGU.

The MyState Financial Limited unit's value in-use was determined using cash flow projections from financial budgets for the year ending 30 June 2011 approved by the Board. The cash inflows for years two and three have been increased by projected synergy benefits flowing from the recent merger. Various cost and expense growth rates have been applied from year two and into perpetuity. The growth rates applied do not exceed the long-term average growth rate for the business in which the CGU operates. The discount rate used reflects the MyState Limited Group's pre-tax nominal weighted average cost of capital, which has been calculated by externally engaged advisers. Management's assessment of goodwill's value-in-use significantly exceeds the value of goodwill allocated to this CGU. Therefore, any significant changes to assumptions used in Management's assessment will not result in impairment.

Tasmanian Perpetual Trustees Limited unit's value in-use was determined using cash flow projections from financial budgets for the year ending 30 June 2011 approved by the Board. The cash inflows for years two and three have been increased by projected synergy benefits flowing from the recent merger. Various cost and expense growth rates have been applied from year two and into perpetuity. The growth rates applied do not exceed the long-term average growth rate for the business in which the CGU operates. The discount rate used reflects the MyState Limited Group's pre-tax nominal weighted average cost of capital, which has been calculated by externally engaged advisers. Management's assessment of goodwill's value-in-use significantly exceeds the value of goodwill allocated to this CGU. Therefore, any significant changes to assumptions used in Management's assessment will not result in impairment.

*Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.*

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

	Consolidated		Company	
	30 June 2010 \$	30 June 2009 \$	30 June 2010 \$	30 June 2009 \$
<b>26 Deposits</b>				
Deposits	1,574,009,802	1,309,522,845	-	-
<b>Total deposits</b>	<b>1,574,009,802</b>	<b>1,309,522,845</b>	<b>-</b>	<b>-</b>
<b>Concentration of liabilities</b>				
There are no customers who individually have deposits which represent 10% or more of total liabilities.				
<b>27 Interest bearing loans and borrowings</b>				
Due to other financial institutions	241,294,199	267,176,351	-	-
<b>Total interest bearing loans and borrowings</b>	<b>241,294,199</b>	<b>267,176,351</b>	<b>-</b>	<b>-</b>
<b>28 Payables and other liabilities</b>				
Accounts payable and other creditors	18,484,937	8,741,821	32,090	-
Related party payables	-	-	3,514,187	4,414,058
Accrued interest payable	15,621,857	9,233,097	-	-
Interest rate swap liability	78,271	3,432,558	-	-
<b>Total payables and other liabilities</b>	<b>34,185,065</b>	<b>21,407,476</b>	<b>3,546,277</b>	<b>4,414,058</b>
<b>29 Provisions</b>				
Provision for annual leave	1,686,069	-	145,385	-
Provision for long service leave	2,507,615	2,945,755	120,097	-
	<b>4,193,684</b>	<b>2,945,755</b>	<b>265,482</b>	<b>-</b>

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

	Consolidated		Company	
	30 June 2010 \$	30 June 2009 \$	30 June 2010 \$	30 June 2009 \$
<b>30 Share Capital</b>				
<b>Issued and paid up capital</b>				
Ordinary shares fully paid	<b>64,623,801</b>	1,148,047	<b>170,551,956</b>	100
<b>Movements in share capital</b>				
<b>Ordinary Shares</b>				
Opening balance	<b>47,250,698</b>	<b>1,148,047</b>	54,331,139	1,320,080
Redemption of share capital from members of MyState Financial Limited	<b>(1,753,925)</b>	<b>(42,615)</b>	(7,080,441)	(172,033)
Share Capital on issue immediately prior to the merger of MyState Financial Limited and Tasmanian Perpetual Trustees Limited	<b>45,496,773</b>	<b>1,105,432</b>	47,250,698	1,148,047
Share capital issued to acquire Tasmanian Perpetual Trustees Limited	<b>21,905,902</b>	<b>63,494,257</b>	-	-
Shares issued pursuant to the Employee share scheme of Tasmanian Perpetual Trustees Limited	<b>8,380</b>	<b>24,112</b>	-	-
<b>Closing balance</b>	<b>67,411,055</b>	<b>64,623,801</b>	47,250,698	1,148,047

<sup>(1)</sup> The number of shares disclosed for the comparative period ended 30 June 2009, the opening balance for the current period and number of shares redeemed during the current period is restated using the exchange ratio established in the merger agreement to reflect the number of shares the Company issued in the reverse acquisition.

	Company			
	30 June 2010		30 June 2009	
	Number of shares <sup>(1)</sup>	Amount \$	Number of shares <sup>(1)</sup>	Amount \$
<b>Movements in share capital</b>				
Opening balance	<b>100</b>	<b>100</b>	-	-
Issued on formation	-	-	100	100
Share Capital issued to acquire MyState Financial Limited and Tasmanian Perpetual Trustees Limited	<b>67,402,675</b>	<b>170,551,856</b>	-	-
<b>Closing balance</b>	<b>67,402,775</b>	<b>170,551,956</b>	100	100

### Terms and conditions

Ordinary shares have the right to receive dividends as declared from time to time and, in the event of a winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares and amounts paid up on the shares held. Ordinary shares entitle their holder to one vote per share, either in person or by proxy at meetings of the Company.

The Company does not have authorised capital or par value in respect of its issued shares.

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 31 Reserves

As detailed in note 1 the consolidated financial report is prepared on the basis that it is a continuation of the accounts of MyState Financial Limited (MSF). The comparative information disclosed is that of MSF as at the comparative dates and for the comparative periods. MSF prepared its financial reports on the basis of its status as a "mutual" organisation. Share capital contributed by its members was in the form of redeemable preference shares and was classified as a liability. Retained earnings were reserved in the general reserve. When members redeemed their shares, an amount equal to the amount redeemed was transferred from the general reserve to a redeemed share capital reserve.

The legal capital structure of MSF has been retroactively adjusted to reflect the legal capital structure of the Company. In giving effect to this principle, members capital has been re-classified as equity.

The merger of MSF and TPT represented a de-mutualisation of MSF. As a part of this process, approval was obtained under the *Financial Sector (Business Transfer and Group Restructure) Act 1999* to transfer the balances of MSF's general reserve and redeemed share capital reserve to retained earnings.

#### Nature and purpose of reserves

##### *General Reserve*

The general reserve contains amounts of retained profits that have been set aside by Directors for the purpose of funding specific projects and asset replacement that are announced from time to time.

##### *Hedging Reserve*

The cashflow hedge reserve constitutes movements in the fair value of the underlying interest rate swap derivative where it has been deemed to be effective. If at any stage the derivative is deemed to be ineffective, the fair value movement is taken from the reserve to the Income Statement.

##### *Asset Revaluation Reserve*

The asset revaluation reserve is used to record increments and decrements in the value of non current assets.

##### *Net Unrealised Gains Reserve*

This reserve comprises the cumulative net change in the fair value of available-for-sale financial assets, since initial recognition or when impairment losses were recognised, until the investment is derecognised or deemed to be further impaired.

##### *Employee Equity Benefits Reserve*

This reserve is used to record the value of equity benefits provided to employees as part of their remuneration. It also records the tax benefit attributable to these transactions that is recognised directly in equity.

### 32 Statement of Cash Flows

- (a) For the purpose of the Statement of Cash Flows, cash includes the items at note 2 (a) which are reconciled to the related items in the Statement of Financial Position.

The consolidated entity has an approved overdraft of \$6.5 million and a standby facility of \$20 million with Cuscal Limited and, in addition, a \$10 million overnight facility with the National Australia Bank. None of the facilities were in use at 30 June 2010.

At 30 June 2010 the ConQuest Securities securitisation program had available a number of support facilities. These were a \$3 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 \$10 million and \$128 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. At 30 June 2010 these facilities had not been drawn upon since the inception of the program.

A liquidity facility of \$3.4 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 reporting date these facilities have not been drawn upon.

ConQuest 2010-1R Trust has collateral liquidity of \$1 million held in a separate account with Westpac Banking Corporation to provide liquidity support which can be drawn upon. As at 30 June 2010 this facility has not been drawn upon.

*Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.*

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

	Consolidated		Company	
	30 June 2010 \$	30 June 2009 \$	30 June 2010 \$	30 June 2009 \$
<b>32 Statement of Cash Flows (continued)</b>				
<b>Equitable charge</b>				
Cuscal Limited holds an equitable charge over all assets of MyState Financial Limited, as security for the central banking facilities provided.				
(b) 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) Movements in member share capital				
(iv) Due from other financial institutions				
(v) Loans from subsidiaries				
(vi) Due to other financial institutions				
(vii) Customer loans				
(c) Reconciliation from net profit to net cash flows provided by operating activities:				
Net profit	17,341,323	10,782,600	18,336,051	(2,971,820)
<b>Adjustments for</b>				
Depreciation of non-current assets	1,370,994	1,167,499	-	-
Amortisation of non-current assets	1,024,570	1,178,819	-	-
Net loss/(gain) on sale of non current assets	(1,003,244)	(999,423)	-	-
Loss on liquidation of subsidiary	-	72,234	-	-
Dividends received	-	-	(19,981,106)	-
<b>Changes in assets and liabilities</b>				
Decrease/(increase) in accrued interest	3,798,426	(1,995,728)	-	-
Decrease/(increase) in receivables	(1,295,066)	(7,017,400)	2,331,981	-
Decrease/(increase) in property, plant & equipment	-	25,382	-	-
Decrease/(increase) in other assets	(112,763)	223,983	-	-
Decrease/(increase) in deferred tax assets	411,721	(645,566)	(694,845)	(1,141,279)
Increase/(decrease) in payables	3,426,595	5,919,522	-	4,113,099
Increase/(decrease) in interest payable	6,388,762	(1,213,014)	-	-
Increase/(decrease) in provision for employee benefits	(189,829)	117,828	-	-
Increase/(decrease) in provision for doubtful debts	161,111	(312,397)	-	-
Increase/(decrease) in deferred income tax liabilities	(7,317)	(57,422)	-	-
Increase/(decrease) in provision for income tax liabilities	2,928,876	(337,223)	-	-
(Increase)/decrease in reserves	2,695,840	(2,553,248)	7,919	-
<b>Net cash flows from operating activities</b>	<b>36,939,999</b>	<b>4,356,446</b>	<b>-</b>	<b>-</b>

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.



# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 33 Financial Risk Management

Risk management is an integral part of the consolidated entity's business processes. The Board sets policy to mitigate risks where necessary and ensure the risk management framework is appropriate to direct the way in which the consolidated entity conducts business. Promulgated Board approved policies ensure compliance throughout the business, all monitored by way of a dedicated compliance system. Risk treatment plans exist for all documented risks within the consolidated entity and these are regularly reviewed by the Executive Management Team, the Business Risk and Compliance Committee and the Board.

The main risks faced by the consolidated entity are market risk, credit risk, liquidity risk, operation risk, legal compliance risk and documentation risk. Responsibility for management of these risks lies with the individual business units giving rise to them. It is the responsibility of the Risk Business Unit to ensure the appropriate assessment and management of these risks.

#### Credit Risk

Credit risk is the risk of a counterparty failing to complete its contractual obligations when they fall due. Credit risk arises from the consolidated entity's lending activities and treasury investments.

The consolidated entity's philosophy on credit risk management reflects the principle of separating prudential control from operational management. The responsibility for approval of credit exposures is delegated to specific individuals with oversight of credit risk exposures by the MyState Limited Investment Lending and Credit Committee. The MyState Financial Limited Assets and Liabilities Committee (ALCO) monitors credit related activities through regular reporting processes. The roles of funding and oversight of credit are separated.

The consolidated entity has ensured Board approved loans policies exist which outline the processes for all loan approvals by subsidiary operations. All loans over a designated amount, whether within delegated limits or not, are reported to the MyState Limited Group Investment, Lending and Credit Committee on a regular basis. Any loan outside of delegated parameters must be approved by the Board prior to funding.

The consolidated entity's policy to control credit risk includes monitoring and regulation of large exposures to single counterparties or groups of counterparties.

The tables below detail the concentration of credit exposure of the consolidated entity's assets to significant counterparty types.

	<b>Consolidated</b>		
	<b>Due from banks \$</b>	<b>Loan assets held at amortised cost \$</b>	<b>Total \$</b>
<b>2010</b>			
Banks and other financial Institutions	142,489,847	-	142,489,847
Other	84,310,648	1,708,232,546	1,792,543,194
<b>Total</b>	<b>226,800,495</b>	<b>1,708,232,546</b>	<b>1,935,033,041</b>
<b>2009</b>			
Banks and other financial Institutions	137,137,639	-	137,137,639
Other	54,602,731	1,497,791,246	1,552,393,977
<b>Total</b>	<b>191,740,370</b>	<b>1,497,791,246</b>	<b>1,689,531,616</b>

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 33 Financial Risk Management (continued)

#### Ageing analysis of assets past due but not impaired and impaired assets

A facility is considered past due when a contractual payment falls overdue by one or more days. When a facility is classified as past due, the entire facility balance is disclosed in the past due analysis. The factors taken into consideration by the consolidated entity when determining whether an asset is impaired are set out in Note 2 (l).

Of the collateral held against past due and impaired balances for loan assets held at amortised cost, \$16 million (2009: \$11 million) relates to collateral held against past due balances on residential mortgage facilities that are covered by mortgage insurance. A mortgage insurance claim will only be made in an instance where there is an outstanding balance on the mortgage facility after the receipt of proceeds on the disposal of the property held as security. The remaining collateral is made up of assets held as collateral against other loan and receivable balances.

#### Reposessed collateral

In the event of customer default on a residential mortgage, any loan security is usually held as mortgagee in possession and therefore the consolidated entity does not usually hold any real estate or other assets acquired through the enforcement of security.

	Past due but not impaired			Impaired	Total	Fair Value of Collateral Held
	31 to 60 days	61 to 90 days	More than 90 days			
	\$M	\$M	\$M	\$M	\$M	\$M
<b>Consolidated</b>						
<b>2010</b>						
<b>Class of financial asset</b>						
Loan assets held at amortised cost	6.18	5.18	3.59	5.37	20.32	20.41
<b>Total</b>	<b>6.18</b>	<b>5.18</b>	<b>3.59</b>	<b>5.37</b>	<b>20.32</b>	<b>20.41</b>
<b>2009</b>						
<b>Class of financial asset</b>						
Loan assets held at amortised cost	6.04	1.53	2.33	4.00	13.90	14.19
<b>Total</b>	<b>6.04</b>	<b>1.53</b>	<b>2.33</b>	<b>4.00</b>	<b>13.90</b>	<b>14.19</b>

#### Liquidity Risk Management

Liquidity risk is the risk that the consolidated entity is unable to meet its financial and statutory obligations as they fall due, which could arise due to mismatches in cash flows. The consolidated entity's liquidity risk management framework ensures that Mystate Limited is able to meet its funding requirements as they fall due under a range of market conditions. The primary liquidity objective is to fund in a way that will facilitate growth (and income) in core business under a wide range of market conditions.

The Asset and Liabilities Committee (ALCO) assists the Executive with oversight of asset and liability management- including liquidity risk management. The consolidated entity's liquidity policies are approved by the Board after endorsement by the Investment Lending and Credit Committee and ALCO. MyState Financial Limited funding and liquidity management is performed centrally by Treasury, with oversight from ALCO. Tasmanian Perpetual Trustees Limited funding and liquidity management is performed centrally by the Investment Services Division. These Divisions manage liquidity on a daily basis and provide regular reports to the Investment, Lending and Credit Committee and ALCO.

The consolidated entity models liquidity scenarios over a twelve month timeframe taking into account past and expected future cashflows. The objective of this modelling is to determine the consolidated entity's capacity for asset growth whilst meeting all financial and statutory obligations over the next twelve months. The maturity analysis in this note highlights mis-matches in maturities between asset and liability classes which is taken into consideration when modelling future cashflow constraints.

The consolidated entity maintains a portfolio of highly liquid assets to ensure adequate funding is available under all conditions. These liquid assets are held to cover both known and contingent funding outflows. The assets are predominately held in the most liquid asset classes such as short dated inter-bank deposits.

MyState Financial Limited Treasury and Tasmanian Perpetual Trustees Limited Investment Services Division undertake regular reviews of the liquidity characteristics of the consolidated entity's Statement of Financial Position. This provides an understanding of the liquidity characteristics of assets and liabilities against a backdrop of changing market conditions. The analysis ensures that the Statement of Financial Position is able to be appropriately funded and the liquidity ramifications of market conditions are clearly understood.

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

**MyState Limited**

## 33 Financial Risk Management (continued)

The below table summarises the maturity profile of financial liabilities as at 30 June 2010 based on contractual undiscounted repayment obligations:

Repayments which are subject to notice are treated as if notice was given immediately. However, it is expected that many customers will not request repayment on the earliest date that the consolidated entity could be required to pay and the table does not reflect the expected cashflows indicated by deposit retention history.

Consolidated	On demand \$	3 months or less \$	Between 3 months and 1 year \$	Between 1 and 5 years \$	More than 5 years \$	Total \$
<b>2010 Assets</b>						
Available for sale assets	150,288,295	43,428,905	33,083,295	-	-	226,800,495
Receivables	6,842,494	3,959,258	-	-	-	10,801,752
Loans	17,361,967	23,294,494	78,775,548	415,838,848	1,172,961,689	1,708,232,546
Other receivables	4,020,527	-	500,000	-	30,000	4,550,527
<b>Total</b>	<b>178,513,283</b>	<b>70,682,657</b>	<b>112,358,843</b>	<b>415,838,848</b>	<b>1,172,991,689</b>	<b>1,950,385,320</b>
<b>2010 Liabilities</b>						
Due to Banks and other financial institutions	782,715	119,552,297	-	120,959,187	-	241,294,199
Deposits	587,874,565	438,996,208	514,206,680	32,932,349	-	1,574,009,802
Payables	-	34,185,065	-	-	-	34,185,065
<b>Total</b>	<b>588,657,280</b>	<b>592,733,570</b>	<b>514,206,680</b>	<b>153,891,536</b>	-	<b>1,849,489,066</b>
<b>Net mismatch</b>	<b>(410,143,997)</b>	<b>(522,050,913)</b>	<b>(401,847,837)</b>	<b>261,947,312</b>	<b>1,172,991,689</b>	<b>100,896,254</b>
<b>Derivative financial liabilities</b>	-	-	<b>(54,790)</b>	-	-	<b>(54,790)</b>
<b>2009 Assets</b>						
Available for sale assets	96,966,127	16,081,193	78,693,050	-	-	191,740,370
Receivables	11,720,590	-	-	-	-	11,720,590
Loans	9,096,053	19,402,381	59,233,508	312,091,645	1,097,967,659	1,497,791,246
Other receivables	4,027,227	-	-	-	-	4,027,227
<b>Total</b>	<b>121,809,997</b>	<b>35,483,574</b>	<b>137,926,558</b>	<b>312,091,645</b>	<b>1,097,967,659</b>	<b>1,705,279,433</b>
<b>2009 Liabilities</b>						
Due to Banks and other financial institutions	-	122,187,953	-	144,988,398	-	267,176,351
Deposits	603,696,467	367,246,990	332,276,002	6,303,386	-	1,309,522,845
Payables	-	21,407,476	-	-	-	21,407,476
<b>Total</b>	<b>603,696,467</b>	<b>510,842,419</b>	<b>332,276,002</b>	<b>151,291,784</b>	-	<b>1,598,106,672</b>
<b>Net mismatch</b>	<b>(481,886,470)</b>	<b>(475,358,845)</b>	<b>(194,349,444)</b>	<b>160,799,861</b>	<b>1,097,967,659</b>	<b>107,172,761</b>
<b>Derivative financial liabilities</b>	-	-	<b>(2,402,791)</b>	-	-	<b>(2,402,791)</b>

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 33 Financial Risk Management (continued)

#### Market Risk

Market risk is the exposure to adverse changes in the value of the consolidated entity's portfolio as a result of changes in market prices or volatility. The consolidated entity is exposed to the following risks:

- interest rates: changes in the level, shape and volatility of yield curves, the basis between different interest rate securities and derivatives and credit margins.

#### Derivative financial Instruments

The consolidated entity uses derivatives to hedge asset/liability management and only enters into cash flow hedges to mitigate the exposure to volatility in future interest cash flows.

The consolidated entity recognised \$nil (2009: nil) in the Income Statement due to hedge ineffectiveness. At 30 June 2010, the fair value of outstanding derivatives held and designated as cash flows was \$54,790 negative (2009: \$2,402,791 negative).

The consolidated entity only uses interest rate swaps for hedging purposes. Swap transactions provide for two parties to swap a series of interest rate cash flows in relation to an underlying principal amount, usually to exchange fixed interest for a floating interest rate.

The following table provides details of the consolidated entity's outstanding derivatives used for hedging purposes as at 30 June 2010:

	Consolidated				
	Notional amount	Asset revaluations	Liability revaluations	Tax adjustment	Net fair value
	\$	\$	\$	\$	\$
<b>2010</b>					
<b>Interest rate contracts</b>					
Swaps	30,000,000	-	(78,271)	23,481	(54,790)
	<b>30,000,000</b>	<b>-</b>	<b>(78,271)</b>	<b>23,481</b>	<b>(54,790)</b>
<b>2009</b>					
<b>Interest rate contracts</b>					
Swaps	85,000,000	-	(3,432,558)	1,029,767	(2,402,791)
	<b>85,000,000</b>	<b>-</b>	<b>(3,432,558)</b>	<b>1,029,767</b>	<b>(2,402,791)</b>

The consolidated entity uses Value-At-Risk (VAR) to monitor market risk. VAR is a statistical measure based on a 20 day holding period and 99 per cent confidence level. The consolidated entity uses a historical simulation method for the calculation of VAR. VAR focuses on unexceptional prices moves, it does not account for losses that occur beyond the 99 percent level of confidence. These factors can limit the effectiveness of VAR in predicting future price moves when changes to future risk factors deviate from the movements expected by the above assumptions.

The table below shows the average, maximum and minimum VAR over the year for interest rate market risk.

	2010	2009
	\$M	\$M
Average	1.128	1.280
Maximum	1.850	1.690
Minimum	0.650	1.120

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

**MyState Limited**

## 33 Financial Risk Management (continued)

### Interest rate risk

The consolidated entity also has exposure to interest rate risk generated by banking products such as loans and deposits. Interest rate risk is assessed by the Investment Lending and Credit Committee and ALCO on a regular basis. The consolidated entity has entered into interest rate swaps to reduce the exposure to fluctuations in variable interest rates. These derivative instruments have been classified as cash flow hedges.

The following table represents the consolidated entity's contractual interest rate risk sensitivity from repricing mismatches as at 30 June 2010 and the corresponding weighted average effective interest rates.

Consolidated 2010	Asset and Liability repricing						
	Floating interest rate	1 year or less	Between 1 and 5 years	More than 5 years	Non interest bearing	Carrying amount in Statement of Financial Position	Weighted average effective interest rate
	\$	\$	\$	\$	\$	\$	%
Assets							
Cash and liquid assets	29,190,712	-	-	-	7,578,987	36,769,699	2.78%
Available for sale assets	-	225,876,435	-	-	924,060	226,800,495	5.54%
Receivables	-	-	-	-	10,801,752	10,801,752	0.00%
Loans	1,515,910,643	108,348,794	83,973,109	-	-	1,708,232,546	7.83%
Other investments	-	530,000	-	-	4,020,527	4,550,527	0.62%
Total financial assets	1,545,101,355	334,755,229	83,973,109	-	23,325,326	1,987,155,019	
Liabilities							
Deposits	590,834,199	975,018,743	8,156,861	-	-	1,574,009,803	4.97%
Interest bearing liabilities and borrowings	-	241,294,199	-	-	-	241,294,199	4.75%
Payables and other liabilities	-	-	-	-	34,185,065	34,185,065	0.00%
Total financial liabilities	590,834,199	1,216,312,942	8,156,861	-	34,185,065	1,849,489,067	
Net mismatch	928,606,116	(881,557,713)	75,816,248	-	14,801,301	137,665,952	
Derivatives	-	-	-	-	-	-	
	928,606,116	(881,557,713)	75,816,248	-	14,801,301	137,665,952	

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

**MyState Limited**

## 33 Financial Risk Management (continued)

	Asset and Liability repricing						
						Carrying amount in	
	Floating interest rate	1 year or less	Between 1 and 5 years	More than 5 years	Non interest bearing	Statement of Financial Position	Weighted average effective interest rate
Consolidated 2009	\$	\$	\$	\$	\$	\$	%
<b>Assets</b>							
Cash and liquid assets	-	-	-	-	6,252,894	6,252,894	4.07%
Available for sale assets	119,435	191,620,935	-	-	-	191,740,370	4.18%
Receivables	-	-	-	-	11,720,590	11,720,590	0.00%
Loans	1,286,388,553	99,827,421	111,575,272	-	-	1,497,791,246	6.87%
Other investments	-	-	-	-	3,379,227	3,379,227	0.00%
<b>Total financial assets</b>	<u>1,286,507,988</u>	<u>291,448,356</u>	<u>111,575,272</u>	<u>-</u>	<u>21,352,711</u>	<u>1,710,884,327</u>	
<b>Liabilities</b>							
Deposits	599,947,437	703,077,979	6,497,429	-	-	1,309,522,845	3.06%
Interest bearing liabilities and borrowings	-	267,176,351	-	-	-	267,176,351	5.32%
Payables and other liabilities	-	-	-	-	21,407,476	21,407,476	0.00%
<b>Total financial liabilities</b>	<u>599,947,437</u>	<u>970,254,330</u>	<u>6,497,429</u>	<u>-</u>	<u>21,407,476</u>	<u>1,598,106,672</u>	
<b>Net mismatch</b>	<u>686,560,551</u>	<u>(678,805,974)</u>	<u>105,077,843</u>	<u>-</u>	<u>(54,765)</u>	<u>112,777,655</u>	
Derivatives	85,000,000	(85,000,000)	-	-	-	-	
	<u>771,560,551</u>	<u>(763,805,974)</u>	<u>105,077,843</u>	<u>-</u>	<u>(54,765)</u>	<u>112,777,655</u>	

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 33 Financial Risk Management (continued)

#### Capital management strategy

The consolidated entity's capital management strategy is to maximise Shareholder value through optimising the level and use of capital resources, whilst also providing the flexibility to take advantage of opportunities as they may arise.

The consolidated entity's capital management objectives are to:

- Continue to support MyState Financial's credit ratings;
- Ensure sufficient capital resource to support the consolidated entity's business and operational requirements;
- Maintain sufficient capital to exceed prudential capital requirements; and
- Safeguard the consolidated entity's ability to continue as a going concern.

The consolidated entity's capital management policy covers both internal and external capital threshold requirements.

MyState Limited has developed a detailed Internal Capital Adequacy Assessment Plan (ICAAP). This Plan covers the capital requirements of the Company and also MyState Financial Limited and Tasmanian Perpetual Trustees Limited.

The Plan aims to ensure that adequate planning activities take place so that the Company is efficiently capitalised to a level also satisfactory to regulators. The Plan caters for all known financial events, dividend policy, capital raisings, securitisation and the potential to establish a dividend reinvestment plan in the future.

The consolidated entity is subject to minimum capital requirements externally imposed by APRA, following the guidelines developed by the Basel Committee on Banking Supervision. MyState Financial Limited reports to APRA as an Authorised Deposit Taking Institution (ADI). MyState Limited reports to APRA as a non-operating holding company (NOHC). As at reporting date MyState Financial Limited's Level one capital adequacy ratio was 13.83% and the Group's Level two ratio stood at 14.5%.

Regulatory capital requirements are measured for MyState Financial Limited and certain subsidiaries which meet the definition of extended licensed entities (Level 1 reporting) and for the Group (Level 2 reporting). Level 2 consists of MyState Financial Limited, its subsidiaries and its immediate parent less certain subsidiaries of MyState Financial Limited which are deconsolidated for APRA reporting purposes. These include entities conducting non-financial operations and special purpose vehicles. APRA requires ADIs to have a minimum ratio of capital to risk weighted assets of 8 per cent at both Level 1 and Level 2, with at least four per cent of this capital in the form of Tier 1 capital. In addition, APRA imposes ADI specific minimum capital ratios which may be higher than these levels. The MyState Limited capital management policy set by the Board requires capital floors above this regulatory required level.

MyState Financial Limited and certain subsidiaries utilise residential mortgage backed securities programmes to manage liquidity and capital adequacy requirements in accordance with the operational needs of the business. Refer note 39 Events subsequent to balance date.

MyState Financial Limited's Tier 1 capital consists of share capital and retained earnings. Deductions from Tier 1 capital are made for intangibles, certain capitalised expenses, deferred tax assets and equity investments over prescribed limits. In addition, MyState Financial Limited is required by APRA to deduct investments in subsidiaries that are special purpose securitisation vehicles and other entities at a rate of 50 per cent from Tier 1 capital and 50 per cent from Tier 2 capital. MyState Financial Limited's Tier 2 capital includes reserves. Deductions from Tier 2 capital include 50 per cent of investments in subsidiaries noted above.

The ADI and consolidated entity have complied with all internal and external capital management requirements throughout the year.

*Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.*



# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 34 Average balances and related interest

The following table shows the major categories of interest-earning assets and interest-bearing liabilities, together with their respective interest earned or paid by the consolidated entity and average interest rates. Averages used are predominantly monthly averages. Interest income figures include interest income on non-accruing loans to the extent that cash payments have been received.

	2010			2009		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Consolidated	\$	\$	%	\$	\$	%
<b>Average assets and interest income</b>						
<b>Interest-earning assets</b>						
Cash and liquid assets	12,381,247	210,049	2.76%	13,976,611	497,561	3.56%
Due from other financial institutions	216,117,846	10,060,344	4.66%	213,719,361	10,545,462	4.93%
Loans	1,613,744,559	110,728,550	6.86%	1,475,557,221	114,640,574	7.77%
<b>Total average interest-earning assets</b>	<b>1,842,243,652</b>	<b>120,998,943</b>	<b>6.57%</b>	<b>1,703,253,193</b>	<b>125,683,597</b>	<b>7.38%</b>
<b>Non interest earning assets</b>						
Property, plant and equipment	18,875,427	-	-	13,794,881	-	-
Other assets	59,391,442	-	-	19,068,669	-	-
<b>Total average non interest earning assets</b>	<b>78,266,869</b>	<b>-</b>	<b>-</b>	<b>32,863,550</b>	<b>-</b>	<b>-</b>
<b>Total average assets</b>	<b>1,920,510,521</b>	<b>120,994,445</b>	<b>6.30%</b>	<b>1,736,116,743</b>	<b>125,683,597</b>	<b>7.24%</b>
<b>Average liabilities and interest expense</b>						
<b>Interest-bearing liabilities</b>						
Deposits	1,387,445,121	47,247,370	3.41%	1,258,152,185	56,476,491	4.49%
Due to other financial institutions	66,846,343	3,236,170	4.84%	35,537,053	2,215,403	6.23%
ConQuest Notes and bonds on issue	270,406,657	10,499,341	3.88%	293,260,942	16,653,819	5.68%
<b>Total average interest-bearing liabilities</b>	<b>1,724,698,121</b>	<b>60,982,881</b>	<b>3.54%</b>	<b>1,586,950,180</b>	<b>75,345,713</b>	<b>4.75%</b>
<b>Non interest bearing liabilities</b>						
Other	31,623,807	-	-	27,628,280	-	-
<b>Total average non interest bearing liabilities</b>	<b>31,623,807</b>	<b>-</b>	<b>-</b>	<b>27,628,280</b>	<b>-</b>	<b>-</b>
<b>Total average liabilities</b>	<b>1,756,321,928</b>	<b>61,446,513</b>	<b>3.50%</b>	<b>1,614,578,460</b>	<b>75,345,713</b>	<b>4.67%</b>
Reserves	164,188,593	-	-	121,538,283	-	-
<b>Total average liabilities and reserves</b>	<b>1,920,510,521</b>	<b>61,446,513</b>	<b>3.20%</b>	<b>1,736,116,743</b>	<b>75,345,713</b>	<b>4.34%</b>

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

**MyState Limited**

## 35 Maturity analysis of assets and liabilities

The following table shows the maturity profile of the consolidated entity's assets and liabilities. This analysis is based upon contractual terms.

Consolidated 2010	At call \$	Overdraft \$	Due within 3 months \$	Due between 3 months and 12 months \$	Due between 1 year and 5 years \$	Due in over 5 years \$	No maturity specified \$	Total \$
<b>Assets</b>								
Cash and liquid assets	34,578,342	-	2,191,357	-	-	-	-	36,769,699
Due from other financial institutions	4,186,500	-	168,417,028	54,196,967	-	-	-	226,800,495
Receivables	6,842,494	-	3,959,258	-	-	-	-	10,801,752
Loans	-	103,644,893	22,606,008	74,340,380	81,733,272	1,425,907,993	-	1,708,232,546
Other investments	-	-	-	500,000	-	-	4,050,527	4,550,527
<b>Total assets</b>	<b>45,607,336</b>	<b>103,644,893</b>	<b>197,173,651</b>	<b>129,037,347</b>	<b>81,733,272</b>	<b>1,425,907,993</b>	<b>4,050,527</b>	<b>1,987,155,019</b>
<b>Liabilities</b>								
Deposits	795,587,908	-	384,126,213	386,145,417	8,150,264	-	-	1,574,009,802
Due to other financial institutions	-	-	-	-	241,294,199	-	-	241,294,199
Accounts payable and other liabilities	-	-	33,818,065	367,000	-	-	-	34,185,065
<b>Total liabilities</b>	<b>795,587,908</b>	-	<b>417,944,278</b>	<b>386,512,417</b>	<b>249,444,463</b>	-	-	<b>1,849,489,066</b>
<b>2009</b>								
<b>Assets</b>								
Cash and liquid assets	6,252,894	-	-	-	-	-	-	6,252,894
Due from other financial institutions	4,144,198	-	125,682,432	61,913,740	-	-	-	191,740,370
Receivables	11,720,590	-	-	-	-	-	-	11,720,590
Loans	-	96,482,952	18,905,685	80,921,736	300,380,123	1,001,100,750	-	1,497,791,246
Other investments	-	-	-	-	-	-	4,027,227	4,027,227
<b>Total assets</b>	<b>22,117,682</b>	<b>96,482,952</b>	<b>144,588,117</b>	<b>142,835,476</b>	<b>300,380,123</b>	<b>1,001,100,750</b>	<b>4,027,227</b>	<b>1,711,532,327</b>
<b>Liabilities</b>								
Deposits	787,950,839	-	246,138,038	269,056,539	6,377,429	-	-	1,309,522,845
Due to other financial institutions	-	-	-	-	267,176,351	-	-	267,176,351
Accounts payable and other liabilities	-	-	21,407,476	-	-	-	-	21,407,476
<b>Total liabilities</b>	<b>787,950,839</b>	-	<b>267,545,514</b>	<b>269,056,539</b>	<b>273,553,780</b>	-	-	<b>1,598,106,672</b>

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 36 Net fair value

A facility is considered past due when a contractual payment falls overdue by one or more days. When a facility is classified as past due, the entire facility balance is disclosed in the past due analysis.

The factors taken into consideration by the consolidated entity when determining whether an asset is impaired are set out in Note 2 (l).

	Consolidated			
	2010		2009	
	Carrying value \$	Net fair value \$	Carrying value \$	Net fair value \$
<b>Assets</b>				
Cash and liquid assets	36,769,699	36,769,699	6,252,894	6,252,894
Due from other financial institutions	226,800,495	226,784,483	191,740,370	191,740,370
Receivables	10,801,752	10,801,752	11,720,590	11,720,590
Loans	1,708,232,546	1,708,051,258	1,497,791,246	1,504,199,824
Other investments	4,550,527	4,550,527	4,027,227	3,379,227
<b>Total financial assets</b>	<b>1,987,155,019</b>	<b>1,986,957,719</b>	<b>1,711,532,327</b>	<b>1,717,292,905</b>
<b>Liabilities</b>				
Deposits	1,574,009,802	1,571,488,427	1,309,522,845	1,310,300,747
Due to other financial institutions	241,294,199	241,285,448	267,176,351	267,176,351
Accounts payable	34,185,065	34,185,065	21,407,476	21,407,476
<b>Total financial liabilities</b>	<b>1,849,489,066</b>	<b>1,846,958,940</b>	<b>1,598,106,672</b>	<b>1,598,884,574</b>

The net fair value estimates of 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 or are receivable on demand. 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.

Within the fair value hierarchy, all assets or liabilities are considered to be Level 1, where quoted prices exist in active markets and disclosures comply with this definition.

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

	Consolidated		Company	
	30 June 2010 \$	30 June 2009 \$	30 June 2010 \$	30 June 2009 \$
<b>37 Contingent liabilities and expenditure commitments</b>				
<b>(a) Lease expenditure commitments</b>				
(i) Operating leases				
- not later than 1 year	2,042,130	2,277,243	-	-
- later than 1 and not later than 5 years	5,053,270	2,933,962	-	-
- later than 5 years	-	-	-	-
<b>Total lease expenditure contracted for at balance date</b>	<b>7,095,400</b>	<b>5,211,205</b>	<b>-</b>	<b>-</b>
Operating leases have an average term of 3 years and are non-cancellable. Assets that are the subject of operating leases are computer equipment and property.				
<b>(b) Loans approved but not advanced</b>	<b>31,270,738</b>	<b>55,816,655</b>	<b>-</b>	<b>-</b>
<b>(c) Undrawn continuing lines of credit</b>	<b>87,820,574</b>	<b>81,192,532</b>	<b>-</b>	<b>-</b>
<b>(d) Performance guarantees</b>	<b>3,743,105</b>	<b>3,303,279</b>	<b>-</b>	<b>-</b>
<b>(e) Bank Guarantee</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
The consolidated entity is a non-broker participant in the Clearing House Electronic Sub register System operated by the Australian Securities Exchange and has provided a guarantee and indemnity for the settlement account from Bendigo and Adelaide Bank Limited (BABL). The consolidated entity maintains a deposit with BABL for \$500,000 as collateral for the guarantee.				
<b>(f) Loan Guarantees</b>	<b>140,870</b>	<b>-</b>	<b>-</b>	<b>-</b>
The consolidated entity has given guarantees to Local Government Authorities to secure the obligations of property and sub-divisional developers to complete infrastructure developments required of them. The developers are borrowers from managed funds for which the consolidated entity is Responsible Entity. The developers provide cash or real property as security for the consolidated entity providing the loan guarantee.				
<b>(g) Contracts</b>				
The consolidated entity, has contracted computer requirements to Transaction Solutions Pty Ltd.				
<b>(h) Estate Administration</b>				
The consolidated entity acts as executor and trustee for a significant number of trusts and estates. In this capacity, the consolidated entity has incurred liabilities for which it has a right of indemnity out of the assets of those trusts and estates. Accordingly, these liabilities are not reflected in the financial statements.				

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

Note	Consolidated		Company	
	30 June 2010 \$	30 June 2009 \$	30 June 2010 \$	30 June 2009 \$
<b>38 Capital and other expenditure commitments</b>				
<b>Plant and equipment</b>				
<i>Contracted but not provided for and payable:</i>				
Within one year	-	-	-	-
One year or later and no later than 5 years	-	-	-	-
Later than five years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>39 Economic dependency</b>				
The consolidated entity has an economic dependency on the following suppliers of services:				
<b>(i) Cuscal Limited</b>				
Cuscal provides central banking services including overdraft and standby facilities, electronic settlement services and access to chequing, Visa and Redicard.				
<b>(ii) Fiserv (ASPAC) Pty Ltd</b>				
Fiserv provides services and maintains the core banking system for MyState Financial Limited.				
<b>(iii) First Data International Ltd (FDI)</b>				
FDI is the provider of the electronic switching network which transfers transactions and settlement details for the EFT, Visa and Redicard systems of MSF.				
<b>40 Employee benefits</b>				
The aggregated employee benefit liability is comprised of the following:				
Bonus	369,651	180,000	369,651	-
Provisions	4,193,684	2,945,755	265,482	-
<b>Total employee benefits</b>	<u>4,563,335</u>	<u>3,125,755</u>	<u>635,133</u>	<u>-</u>

### Superannuation commitments

Superannuation plans have been established for the provision of benefits to employees on retirement, death or disability. Benefits provided under the plans are based on contributions for each employee. Employees contribute various percentages of their annual salaries and the consolidated entity contributed between 9% and 14% of the employees annual salaries thus complying with the Superannuation Guarantee Legislation. As the plans are accumulation schemes, the consolidated entity does not guarantee their performance.

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 41 Related parties

#### (i) Ultimate Parent Company

MyState Limited is the ultimate parent company.

#### (ii) Significant subsidiaries

Name	Country of incorporation	Ownership interest	
		30 June 2010 %	30 June 2009 %
MyState Financial Limited	Australia	100	-
Tasmanian Perpetual Trustees Limited	Australia	100	-
The Gourmet Club Pty Ltd	Australia	100	-
Connect Asset Management Pty Ltd	Australia	100	-

#### (iii) Subsidiaries

Transactions between the Company and the consolidated entities principally arise from the provision of management and governance services. All transactions with subsidiaries are in accordance with regulatory requirements, the majority of which are on commercial terms. All transactions undertaken during the financial year with the consolidated entities are eliminated in the consolidated financial statements. Amounts due from and due to entities are presented separately in the Statement of Financial Position of the company except where offsetting reflects the substance of the transaction or event.

	Consolidated		Company	
	30 June 2010 \$	30 June 2009 \$	30 June 2010 \$	30 June 2009 \$
Management fees received	-	-	5,725,961	-
Dividends	-	-	19,981,106	-
The following balances with subsidiaries were outstanding as at financial year end:				
Amounts receivable	-	-	3,865,024	-
Amounts payable	-	-	3,514,187	-

#### (iv) Managed Investment Schemes

Within the consolidated entity Tasmanian Perpetual Trustees Limited (TPT) is a Responsible Entity for Managed Investment Schemes (Funds) and accordingly has significant influence over their activities. TPT receives management fees from these Funds. TPT also pays expenses of the Funds for which it is reimbursed. TPT has also invested in these Funds and receives distributions on these investments. These investments are made on the same terms and conditions that apply to all investors in these Funds. Details of these transactions and balances are set out below:

Management fees received	7,724,424	-	-	-
Investments in managed funds	4,337,591	-	-	-
Balance at year end	381,422	-	-	-
Distributions received from managed funds				

The Funds have:

- loaned money to Directors and Executives or entities associated with Directors and Executives at prevailing Fund rates and conditions (refer Note 42) ;
- accepted money on deposit from Directors and Executives or entities associated with Directors and Executives at prevailing Fund rates and conditions;
- loaned money to MyState Financial Limited, in the form of term deposits, totalling \$16,000,000 (2009: Nil). These deposits are made on the same terms and conditions that apply to all similar transactions.

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 41 Related parties (continued)

#### (v) MyState Financial Limited (MSF)

MSF has a controlling interest in The Gourmet Club Pty Ltd, Connect Asset Management Pty Ltd, ConQuest 2007/1 Trust and ConQuest 2010/1 Trust as its wholly owned subsidiaries. Transactions with related parties are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions and are eliminated on consolidation. Details of these transactions with these related parties are set out below:

##### The Gourmet Club Pty Ltd

MSF made payments on behalf of The Gourmet Club Pty Ltd, which are reimbursed the following month by The Gourmet Club Pty Ltd through a loan account. At the end of each month, The Gourmet Club Pty Ltd is charged interest on the unpaid portion of the loan balance at the variable Cuscal overdraft within limits rate plus a margin of 0.75%. At the end of the financial year the loan balance totalled \$20,676 (2009: \$14,048).

##### Connect Asset Management Pty Ltd

MSF makes payments on behalf of Connect Asset Management Pty Ltd, which are reimbursed the following month by Connect Asset Management Pty Ltd. At the end of each month, Connect Asset Management Pty Ltd is charged interest on the unpaid portion of the loan balance at the variable Cuscal overdraft within limits rate plus a margin of 0.50%. At the end of the financial year, the loan balance totalled \$ Nil (2009: \$538). MSF charges Connect Asset Management Pty Ltd a management fee of \$4,120 per month. This fee covers accounting, payroll, computer and occupancy charges. MSF also charges Connect Asset Management Pty Ltd a loan servicing fee based on the outstanding monthly balance of the loans sold to ConQuest Mortgage Trust at an interest rate of 0.25% per annum. For the 2010 financial year the total of the servicing fee was \$304,731 (2009: \$334,870).

##### ConQuest 2007/1 Trust

MSF charges the ConQuest 2007/1 Trust a loan servicing fee based on the outstanding monthly balance of the loans sold to ConQuest 2007/1 Trust at an interest rate of 0.25% per annum. For the 2010 financial year the total of the servicing fee was \$324,708 (2009: \$399,325).

##### ConQuest 2010/1 Trust

MSF charges the ConQuest 2010/1 Trust a loan servicing fee based on the outstanding monthly balance of the loans sold to ConQuest 2010/1 Trust at an interest rate of 0.25% per annum. For the 2010 financial year the total of the servicing fee was \$40,165 (2009: Nil).

### 42 Key Management Personnel disclosure

#### a) Individual Directors and Executive compensation disclosures

Information regarding individual Directors' and Executive compensation and some equity instruments disclosures as required by the Corporations Regulation 2M.3.03 is provided in the Remuneration Report section of the Directors' report. Disclosure of the compensation and other transactions with key management personnel (KMP) is required pursuant to the requirements of Australian Accounting Standard AASB 124 Related Party Disclosures. The KMP of the consolidated entity comprise the non Executive Directors, Managing Director and Executives.

#### b) Key management personnel compensation

The key management personnel compensation comprised:

	Consolidated		Company	
	30 June 2010 \$	30 June 2009 \$	30 June 2010 \$	30 June 2009 \$
Short-term employee benefits	2,737,379	1,684,390	1,607,159	-
Post employment benefits	371,708	450,460	224,791	-
Share-Based payment <sup>(1)</sup>	82,307	-	82,307	-
Termination benefits	1,732,855	1,260,057	-	-
	<u>4,924,249</u>	<u>3,394,907</u>	<u>1,914,257</u>	<u>-</u>

<sup>(1)</sup> These amounts are estimates of compensation and include a portion that will only vest to the Managing Director or Executive when certain performance criteria are met or a 'Capital Event' occurs, refer note 42 (c)

The fair value of shares is calculated at the date of grant and is allocated to each reporting period over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the shares allocated to this reporting period.

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.



# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 42 Key Management Personnel disclosure (continued)

#### (c) Executive Long Term Incentive Plan

The Executive Long Term Incentive Plan (ELTIP) was established by the Board to encourage the executive management team, comprising the Managing Director, General Managers and Chief Financial Officer/Company Secretary, to have a greater involvement in the achievement of the Company's objectives. To achieve this aim, the ELTIP provides for the issue to the executive management team of fully paid ordinary shares in the Company if performance criteria specified by the Board are satisfied in a set performance period.

Under the ELTIP an offer may be made to the members of the executive management team every year as determined by the Board. The maximum value of the offer is determined as a percentage of the FAR of each member of the executive management team. The percentages used are 50% for the Managing Director and 30% for the General Managers and Chief Financial Officer/Company Secretary. The value of the offer is converted into fully paid ordinary shares based upon the weighted average price of the Company's shares over the twenty trading days prior to the offer date.

In order for the shares to vest in each eligible member of the executive management team, certain performance criteria must be satisfied within a predetermined performance period. Both the performance criteria and the performance period are set by the Board at its absolute discretion. The Board has for the time being set the three financial years commencing with the year in which an offer is made under the plan as the performance period with growth in Earnings Per Share outcomes (EPS) and Total Shareholder Return (TSR) over the relevant performance period as the performance criteria. The EPS and TSR measures will be weighted equally.

ELTIP performance assessment will be measured against the performance of the companies sized by market capitalisation within the S&P/ASX 300 Index (the benchmark group).

Any reward payable to any member of the Executive Team under any ELTIP offer is subject to reassessment and possible forfeiture, if the results on which the ELTIP reward was based, are subsequently found to have been the subject of deliberate management misstatement.

Any reward payable to any member of the Executive Team under any ELTIP offer will be calculated as follows:

- 50% of the ELTIP reward for the performance period will be based upon the comparison of the actual MyState Limited EPS growth achieved with that of the benchmark group and will be payable on the following basis:
  - Below the mid-point percentage EPS growth – 0% reward
  - At the 50th percentile – 50% of the applicable reward
  - Between the 50th percentile and the 75th percentile EPS growth – 2% for every 1 percentile above the 50th percentile.
  - Above the 75th percentile – 100% of the applicable reward
  - No reward will be payable if EPS growth is negative irrespective of the benchmark group performance.
  - MyState Limited EPS baseline for calculation of the 2009 ELTIP offer is to be 23.32cps.
- 50% of the ELTIP reward for the performance period will be based upon the comparison of the actual MyState Limited TSR growth compared to the benchmark group and will be payable on the following basis:
  - Below the mid-point percentage TSR growth – 0% reward
  - At the 50th percentile – 50% of the applicable reward
  - Between the 50th percentile and the 75th percentile TSR growth – 2% for every 1 percentile above the 50th percentile.
  - Above the 75th percentile – 100% of the applicable reward
  - No reward will be payable if TSR is negative irrespective of the benchmark group performance.
  - MyState Limited share price baseline for TSR calculation for the 2009 ELTIP offer is \$2.70.

*Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.*

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 42 Key Management Personnel disclosure (continued)

The ELTIP provides for an independent Trustee to acquire and hold shares. The Trustee is funded by the Company to acquire shares, as directed by the Board, either by way of purchase from other Shareholders on market, or issue by the Company. Vesting of shares occurs once an assessment has been made after the performance period (currently 3 years) and once the Board resolves to notify the Trustee to issue entitlements under the relevant ELTIP Offer.

Vesting of shares to the Managing Director or Executives is at the complete discretion of the Board and can be adjusted downwards, to zero if necessary, to protect the financial soundness of the Company, i.e. to, at a minimum ensure that no breach of capital adequacy or liquidity policy thresholds occurs.

The Trustee will allocate any shares to each member of the Executive Management Team in accordance with their entitlement under the ELTIP. Any shares to be allocated to the Managing Director under this Plan require Shareholder prior approval in accordance with ASX Listing Rules. The Trustee will hold the shares which have been allocated on behalf of the Executive Management Team member.

The Executive Management Team member cannot transfer or dispose of shares which have been allocated to them until the earlier of the seventh anniversary of the original offer date of the grant; leaving the employment of the Company; the Board giving permission for a transfer or sale to occur; or a specified event occurring (eg change in control of the Company). Upon request, the Board will release vested shares to an Executive to the extent required to meet a taxation assessment directly related to the award of those shares.

On separation from the Company, shares will be released only if the separation is due to a Qualifying Reason<sup>2</sup> or is at the initiation of the Company without cause. If either of these occurs within the three year performance period, shares will be allocated on a pro-rata basis by bringing the qualifying date forward to the date of separation.

During the period that allocated shares are held by the Trustee, the Executive Management Team member is entitled to receive the income arising from dividend payments on those shares and to have the Trustee exercise the voting rights on those shares in accordance with their instructions.

On accepting an ELTIP offer made by MyState Limited, Executives are required to agree to not hedge their economic exposure to any allocated non-vested entitlement. Failure to comply with this directive will constitute a breach of duty and as such will involve disciplinary action and the risk of dismissal under the terms of the Executive's contract.

<sup>2</sup> A Qualifying Reason as defined by the ELTIP Plan Rules, is death, total and permanent disability, retirement at normal retirement age, redundancy or other such reason as the Board in its absolute discretion may determine.

Details of offers made under the ELTIP are as follows:

	Managing Director	Other Executives
Date of offer ("Grant" date)	30 June 2010	30 June 2010
Performance period	1/7/2009 to 30/6/2012	11/1/2010 to 30/6/2012
Maximum number of shares that may be allocated under the offer	71,884	56,581
Value of the offer	\$225,000	\$177,098
Share price used in the calculations of the offer	\$3.13	\$3.13

The Trustee has not acquired any shares pursuant to the ELTIP

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 42 Key Management Personnel disclosure (continued)

#### (d) Shareholdings of Directors and Executives

2010	Balance 1 July 2009 <sup>(6)</sup>	Granted as compensation <sup>(4)</sup>	Net Change Other <sup>(3)</sup>	Balance 30 June 2010 <sup>(5)</sup>
<b>Ordinary Shares held in the Company</b>				
<b>Directors</b>				
M J Vertigan AC	14,000	-	-	14,000
G J Gilbert	-	-	-	-
N L d'Antoine	52,720	-	57,800	110,520
P D Armstrong	-	-	1,161	1,161
R L Gordon	-	-	387	387
T M Gourlay	-	-	774	774
M L Hampton	15,000	-	361,312	376,312
C M Hollingsworth	-	-	2,274	2,274
I G Mansbridge	170,000	-	-	170,000
S Merridew	9,328	-	10,000	19,328
A B Reidy	-	-	774	774
<b>Executives</b>				
M E Scanlon	106,416	(33,087)	-	73,329
D E Benbow	35,612	-	-	35,612
M E Cadman	-	-	387	387
C L Kent	30,190	-	-	30,190
S A Lukianenko	-	-	387	387
N J Nelson	-	-	387	387
T M Rutherford	-	-	-	-
D W Turner	-	-	387	387
P K M Viney	31,905	-	-	31,905
<b>Total</b>	<b>465,171</b>	<b>(33,087)</b>	<b>436,030</b>	<b>868,114</b>

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 42 Key Management Personnel disclosure (continued)

#### (d) Shareholdings of Directors and Executives (continued)

2009	Balance 1 July 2008	Granted as compensation <sup>(4)</sup>	Net Change Other <sup>(3)</sup>	Balance 30 June 2009 <sup>(5)</sup>
<b>Ordinary Shares held in the Company</b>				
<b>Directors</b>				
M J Vertigan AC	6,000	-	8,000	14,000
N L d'Antoine	54,940	-	-2,220	52,720
M L Hampton	10,000	-	5,000	15,000
I G Mansbridge	170,000	-	-	170,000
S Merridew	9,328	-	-	9,328
<b>Executives</b>				
M E Scanlon	61,143	45,273	-	106,416
D E Benbow	23,632	11,980	-	35,612
M E Cadman	-	-	-	-
C L Kent	17,872	12,318	-	30,190
S A Lukianenko	-	-	-	-
N J Nelson	-	-	-	-
P K M Viney	16,826	15,079	-	31,905
<b>Total</b>	<b>369,741</b>	<b>84,650</b>	<b>10,780</b>	<b>465,171</b>

At the end of the reporting period the number of shares that had vested in the respective Director or Executive were:

	2010	2009
M E Scanlon	73,329	73,329
D E Benbow	35,612	35,612
C L Kent	30,190	30,190
P K M Viney	31,905	31,905

<sup>(3)</sup> No equity transactions with Directors and Executives, other than those arising as payment for compensation, have been entered into with the Company.

<sup>(4)</sup> The amounts disclosed are an estimate of compensation and include a portion that will only vest to the Director or Executive when certain performance criteria are met or a "Capital Event" occurs, refer note 42.

<sup>(5)</sup> The shareholdings disclosed for each Director and Executive may include holdings held by related parties. Related parties include close members of the family of the Director or Executive. It also includes entities under joint or several control or significant influence of the Director or Executive and their close family members.

<sup>(6)</sup> The opening balance as at 1 July 2009 is represented by shares in TPT Limited. Pursuant to the terms of the merger with MyState Financial Limited these shares were converted into shares in the Company on a one for one basis. The details provided for the comparative period are the respective Directors and Executives holdings in Tasmanian Perpetual Trustees Limited.

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 42 Key Management Personnel disclosure (continued)

#### (e) Loans to key management personnel and their related parties

The following are loans to key management personnel during each year. Loans are provided by the consolidated entity via MSF or TPT. Terms and conditions of the MSF loans are either on normal commercial terms or at the fringe benefits tax rate designated by the Australian Tax Office annually. TPT acts as Responsible Entity for Funds that have made loans to Directors and Executives, or their related parties. These loans were made on the normal commercial terms and conditions that apply to all lending by these Funds. Interest paid on this loan is the same as that payable on an arms-length basis.

No write-down of loan receivables or provisioning for doubtful receivables has been made or is required to be made in respect of these loans. The loan disclosed for Directors and Executives (in aggregate) is to a related party of the Directors and Executives. Related parties includes close members of the family of the Director or Executive. It also includes entities under joint or several control or significant influence of the Director or Executive and their close family members.

Details regarding loans outstanding at the reporting date to key management personnel and their related parties, where the individual's aggregate loan balance exceeded \$100,000 at any time in the reporting period are as follows:

	Balance at start of year	Interest charged	Interest not charged	Write off	Balance at end of year	Highest balance in period
<b>2010 Key Personnel</b>						
Marsha Cadman (resigned 27 November 2009)	232,000	17,382	-	-	233,454	233,506
Nina Nelson (resigned 15 January 2010)	165,078	9,991	-	-	170,285	181,566
Darren Turner	292,790	13,326	-	-	265,901	292,790
<b>2009 Key Personnel</b>						
Marsha Cadman	232,000	17,377	-	-	232,000	232,000
Scott Lukianenko	294,865	17,451	-	-	-	294,865
Nina Nelson	161,955	11,473	-	-	165,078	161,955
Darren Turner	311,372	17,158	-	-	292,790	311,372

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

	Consolidated		Company	
	30 June 2010 \$	30 June 2009 \$	30 June 2010 \$	30 June 2009 \$
<b>42 Key Management Personnel disclosure (continued)</b>				
Details regarding the aggregate of loans made, guaranteed or secured by any consolidated entity to key management personnel and their related parties are as follows:				
Total for key management personnel	669,640	689,868		
Total for other related parties	-	-		
Total for key management personnel and their related parties	669,640	689,868		
Number of loans included in the total	3	3		
All transactions were loans provided to Key Management Personnel on the same terms and conditions applicable to other staff and customers in accordance with approved policy.				
<b>43 Auditors' remuneration</b>				
Amounts received or due and receivable by the external auditors Wise, Lord & Ferguson for:				
- Audit of the financial statements of the consolidated entities	190,929	122,635	27,000	-
- Other non-external audit services				
Tax compliance services	50,622	34,634	-	-
Assurance related services	47,393	5,239	22,770	-
Audit of loans sold into the securitisation program	20,350	-	-	-
	118,365	39,873	22,770	-

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 44 Merger of MyState Financial Limited and Tasmanian Perpetual Trustees Limited

During the year the Company acquired all of the issued capital of Mystate Financial Limited (MSF) and Tasmanian Perpetual Trustees Limited (TPT). This was done in accordance with the previously announced proposal to merge MSF and TPT. The Company was established to serve as the listed holding company for the newly created consolidated entity. After obtaining all required regulatory approvals, the consent of the members and Shareholders of MSF and TPT and approval by the Supreme Court of Tasmania, schemes of arrangement for each company were implemented. Pursuant to these schemes, the Company issued its share capital to each member and Shareholder of MSF and TPT as consideration for their respective interests in these companies. As detailed in Note 1, the transaction has been accounted for as a "reverse acquisition" with MSF identified as the acquirer. The date of acquisition, being the date when effective control was achieved, was 9 September 2009.

MSF is a broad based financial institution. It is an authorised deposit taking institution (ADI) operating predominantly in Tasmania. TPT is a Tasmanian based provider of financial products and trustee services. The creation of the consolidated entity gives rise to a stronger Tasmanian based, diversified financial services consolidated entity. The consolidated entity has the additional strength and scale to compete in the financial services sector and continue to provide the standard of products and services which have previously been provided. Operational synergies are expected to deliver cost savings to the consolidated entity over time. It is anticipated that revenue synergies will arise in the future from cross selling and referral activities, where both companies will leverage off the other's existing customer bases.

Consideration for the acquisition was the issued share capital of the Company. The fair value of these shares was determined by reference to the volume weighted average price of trades executed on the Australian Securities Exchange (ASX) for the Company and also for TPT. The trades executed for TPT were referred to as they were considered to be a proxy for the Company's shares. Reference was made to the trades executed in the week following the Company listing on the ASX and also to the week prior to TPT being de-listed from the ASX. As the transaction is being accounted for as a "reverse acquisition" the total consideration is determined to be the value of the shares issued to acquire the issued capital of TPT which amounted to \$63,494,257. Shares issued totalled 21,905,902.

The fair value of receivables equal gross receivables and all receivables are expected to be collected.

<b>Fair Value of net assets acquired:</b>	<b>\$</b>
Cash and liquid assets	6,716,590
Available for sale financial assets	7,966,749
Receivables	5,340,434
Other investments	530,000
Property, plant and equipment	6,043,459
Tax assets	2,617,944
Other assets	1,477,006
Intangible assets and goodwill	16,243,771
<b>Total assets</b>	<b>46,935,953</b>
<b>Liabilities</b>	
Payables and other liabilities	8,774,218
Tax liabilities	2,862,707
Provisions	1,252,685
<b>Total Liabilities</b>	<b>12,889,610</b>
<b>Net assets</b>	<b>34,046,343</b>
Goodwill recognised on the transaction	29,447,914
<b>Purchase Consideration</b>	<b>63,494,257</b>
<b>Net cash inflow</b>	
Cash and cash equivalents acquired	6,716,590

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.



# Notes to the Financial Statements

For the Year Ended 30 June 2010

## MyState Limited

### 44 Merger of MyState Financial Limited and Tasmanian Perpetual Trustees Limited (continued)

The amounts of revenue and profit of the Company and TPT since the acquisition date included in the consolidated Statement of Comprehensive Income for the year are:

	Company \$	TPT \$	Total \$
Revenue - Other income	-	14,762,672	14,762,672
Net profit after tax	(7,768)	1,628,522	1,620,754
Profit - Total comprehensive income	(7,768)	1,551,560	1,543,792
The amounts of revenue and profit of the consolidated entity for the year as though the acquisition date for the merger had been as at the beginning of the year are:			
Revenue	162,919,560		
Net profit after tax	19,655,687		
Profit - Total comprehensive income	21,081,512		

### 45 Events subsequent to balance date

There were no matters or circumstances that have arisen since the end of the year 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 financial periods other than:

On 23 July 2010 MyState Limited successfully launched and priced a MyState Financial Limited Residential Mortgage Backed Securities issue under the CONQUEST securitisation programme.

The transaction size was \$250.25 million and was comprised of five tranches, with the Class A notes attracting AAA ratings from Fitch Ratings and Standard & Poors and the Class B notes attracting a AA- rating from Standard and Poors.

The issue was backed by Australian prime residential mortgages originated by MyState Financial Limited. Westpac Institutional Bank was the Sole Arranger and Lead Manager for the transaction. The transaction had the support of a number of investors including the Australian Office of Financial Management. The transaction had a significant positive effect on MyState Financial liquidity and capital adequacy ratios.

Note: The consolidated comparative information for the year ended 30 June 2009 is that of MyState Financial Limited, refer note 1.

# Directors' Declaration

For the Year Ended 30 June 2010

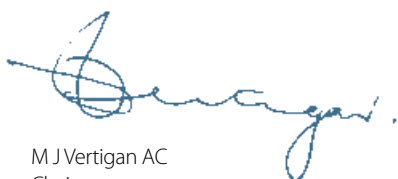
## MyState Limited

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

1. In the opinion of the Directors:
  - (a) the financial statements and notes of the consolidated entity set out on pages 68 to 125 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 30 June 2010 and of its performance for the year ended on that date; and
    - (ii) complying with Accounting Standards, 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.
2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* by the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2010.

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

On behalf of the Board



M J Vertigan AC  
Chairman



C M Hollingsworth  
Director

Hobart  
Dated this 24 August 2010.

## Independence

In conducting our audit we have met 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. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

## Auditor's Opinion

In our opinion:

1. the financial report of MyState Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the financial position of MyState Limited and the consolidated entity at 30 June 2010 and of their performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Auditor's Opinion

In our opinion the Remuneration Report of MyState Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

  
**D.J. MCCARTHY**  
**PARTNER**  
**WISE LORD & FERGUSON**

Hobart TAS 7000

Dated: 24.8.10



## Independence

In conducting our audit we have met 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. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

## Auditor's Opinion

In our opinion:

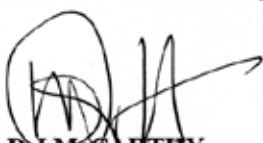
1. the financial report of MyState Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the financial position of MyState Limited and the consolidated entity at 30 June 2010 and of their performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Auditor's Opinion

In our opinion the Remuneration Report of MyState Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.



**D.J. MCCARTHY**  
**PARTNER**  
**WISE LORD & FERGUSON**

Hobart TAS 7000

Dated: 24.8.10



# Information relating to Shareholders

## MyState Limited Ordinary Fully Paid Shares (Total) As of 31 August 2010

Range	Total Holders	Units	% of Issued Capital
1 - 1,000	70,011	27,233,092	40.40
1,001 - 5,000	635	1,786,271	2.65
5,001 - 10,000	274	2,165,041	3.21
10,001 - 100,000	403	11,455,070	16.99
100,001 - 9,999,999,999	56	24,771,581	36.75
<b>Rounding</b>			<b>0.00</b>
<b>Total</b>	<b>71,374</b>	<b>67,411,055</b>	<b>100.00</b>

## Top 20 Shareholders As of 31 August 2010

Name	Number of Shares	% of Units
1 Australian United Investment Company Limited	2,600,000	3.86
2 Diversified United Investment Limited	2,600,000	3.86
3 The Ian Potter Foundation Ltd	1,800,000	2.67
4 J P Morgan Nominees Australia Limited	1,393,882	2.07
5 RBC Dexia Investor Services Australia Nominees Pty Ltd	1,302,989	1.93
6 Selected Managed Funds Ltd	1,225,960	1.82
7 Mecu Limited	1,094,392	1.62
8 Cogent Nominees Pty Ltd	916,314	1.36
9 UBS Wealth Management Australia Nominees Limited	803,701	1.19
10 Mr Brian David Faulkner	720,000	1.07
11 Citicorp Nominees Pty Ltd	578,992	0.86
12 Burnham Equities Pty Ltd	488,150	0.72
13 Mr Andrew Malcolm Atkins	450,000	0.67
14 Milton Corporation Limited	444,992	0.66
15 Rubi Holdings Pty Ltd	413,358	0.61
16 Mrs Wendy Jean Faulkner	405,000	0.60
17 Rocket Science Pty Ltd	400,000	0.59
18 Mr Miles Lawrence Hampton	361,312	0.54
19 Laravon Pty Ltd	324,920	0.48
20 Mrs Joan E Evershed	312,160	0.46
<b>Total Top 20 Holders</b>	<b>18,636,122</b>	<b>27.65</b>
<b>Total Remaining Holders Balance</b>	<b>48,774,933</b>	<b>72.35</b>

# Services

- Rural, Commercial, Personal and Business Lending
- Retail Savings and Investment
- Transaction and Online Banking
- General and Consumer Credit Insurance
- Credit Card Services
- Wills and Estate Planning
- Estate and Trust Administration
- Power of Attorney
- Funeral Bonds
- Cash and Income Funds
- Investment Growth Funds
- Portfolio Administration
- Financial Planning
- Administration under Guardianship and Administration Orders
- Corporate and Custodial Trustees

# Directory

## Managing Director

John Gilbert B Com, FAICD

## Chief Financial Officer and Company Secretary

Paul Viney B Bus, FCPA, FCIS, CFTP, MAICD

## General Managers

David Benbow FPNA, Dip SM, Dip FP, GAICD  
*Wealth Management & Trustee Services*

Colin Kent BA, Grad Dip Mgt  
*Brands, Communications, People and Development*

Tim Rutherford BA(Hons), MA, MBA  
*Technology and Operations*

Darren Turner Grad Dip Bus Admin, Dip Mgmt, F Fin.  
*Retail Banking and Distribution*

## Legal Advisers

Dobson Mitchell & Allport  
59 Harrington Street  
Hobart Tasmania 7000

## Internal Auditors

Deloitte  
ANZ Centre  
Level 9  
22 Elizabeth Street  
Hobart Tasmania 7000

## Taxation Advisers

KPMG  
33 George Street  
Launceston Tasmania 7250

## Auditors

Wise Lord & Ferguson  
160 Collins Street  
Hobart Tasmania 7000

## Registered Office

23 Paterson Street  
Launceston Tasmania 7250  
Telephone (03) 6348 1111  
Facsimile (03) 6348 1166

Email [info@mystatelimited.com.au](mailto:info@mystatelimited.com.au)

Internet site: [www.mystatelimited.com.au](http://www.mystatelimited.com.au)



**Registered Office:** 23 Paterson Street, Launceston 7250  
**Corporate Office:** Level 2, Heritage House, 172 Collins Street, Hobart 7000  
Email: [info@mystatelimited.com.au](mailto:info@mystatelimited.com.au)  
[www.mystatelimited.com.au](http://www.mystatelimited.com.au)

**MyState Financial Limited**  
[www.mystatelimited.com.au](http://www.mystatelimited.com.au)

<b>Corporate</b>	<b>172 Collins Street, Hobart, 7000 P: (03) 6211 2595</b>
<b>Burnie</b>	49 Wilson Street, Burnie, 7320 P: 138 001
<b>Claremont</b>	Shop 9 Claremont Village Shopping Centre, Claremont, 7011 P: (03) 6214 4370
<b>Devonport</b>	53 Best Street, Devonport, 7310 P: (03) 6498 7541
<b>Glenorchy</b>	366 Main Road, Glenorchy, 7010 P: (03) 6271 7300 F: (03) 6271 7310
<b>Hobart</b>	144 Collins Street, Hobart, 7000 P: 138 001
<b>Kings Meadows</b>	Shop 27 Meadow Mews, Kings Meadows, 7249 P: 138 001
<b>Kingston</b>	Shop 1 Kingston Plaza, Kingston, 7050 P: (03) 6211 8365
<b>Launceston</b>	67 St John Street, Launceston, 7250 P: 138 001
<b>New Norfolk</b>	45 High Street, New Norfolk, 7140 P: (03) 6261 8793
<b>New Town</b>	Shop 4 Centre New Town Shopping Centre, New Town, 7008 P: (03) 6211 2301
<b>Rosny</b>	11 Bayfield Street, Rosny, 7018 P: (03) 6245 8333
<b>Sandy Bay</b>	183 Sandy Bay Road Sandy Bay, 7005 P: (03) 6222 9172

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<b>Corporate</b>	<b>23 Paterson Street, Launceston, 7250 P: (03) 6348 1175</b>
<b>Burnie</b>	17 Cattley Street, Burnie, 7320 P: (03) 6440 8440
<b>Devonport</b>	53 Best Street, Devonport, 7310 P: (03) 6498 7533
<b>Glenorchy</b>	366 Main Road, Glenorchy, 7010 P: (03) 6214 7800
<b>Hobart</b>	29 Murray Street, Hobart, 7000 P: (03) 6222 1222
<b>Corporate</b>	Level 10, 39 Murray Street, Hobart, 7000 P: (03) 6222 1249
<b>Kings Meadows</b>	Shop 27 Meadow Mews, Kings Meadows, 7249 P: (03) 6336 6955
<b>Kingston</b>	Shop 1 Kingston Plaza, Kingston, 7050 P: (03) 6211 8755
<b>Launceston</b>	23 Paterson Street, Launceston, 7250 P: (03) 6348 1111
<b>Rosny</b>	11 Bayfield Street, Rosny, 7018 P: (03) 6233 1533
<b>Sandy Bay</b>	183 Sandy Bay Road, Sandy Bay, 7005 P: (03) 6222 9175
<b>Ulverstone</b>	21 Reibey Street, Ulverstone, 7315 P: (03) 6490 8310