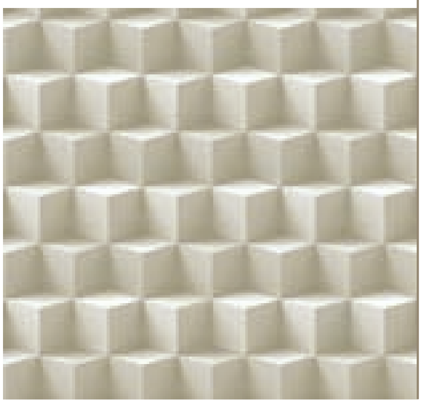
MyState
LIMITED

ANNUAL REPORT 2010 - 2011

GROWTH IS KEY



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 / Australian Credit Licence (AFSL/ACL) No 240896
Regulated by Australian Prudential Regulation Authority (APRA)

Tasmanian Perpetual Trustees Limited
ABN 97 009 475 629
Australian Financial Services Licence / Australian Credit Licence (AFSL/ACL) No 234630
Registered Superannuation Entity Licence (RSE) No L0002943
Regulated by Australian Prudential Regulation Authority (APRA)

Registered Office

23 Paterson Street
Launceston Tasmania 7250

Telephone: (03) 6348 1111
Facsimile: (03) 6348 1173

Email: info@mystatelimited.com.au
Internet site: 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 3000

Enquiries
(Within Australia): 1300 538 803
(Outside Australia): +61 (0) 3 9415 4660
Facsimile: +61 (0) 3 9473 2500

Email: web.queries@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: 25 October 2011

Time: 10.30am

Venue: Hotel Grand Chancellor
29 Cameron Street,
Launceston

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
- Business banking
- 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
- Private Client 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, 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 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 *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 has over $930 million in funds under management on behalf of personal, business and wholesale investors in Tasmania. Tasmanian Perpetual Trustees also has a further $740 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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OVERVIEW

Chairman's Report to Shareholders

"We remain committed and relentless in pursuing our key strategic objectives."

Dr Michael Vertigan AC - Chairman

Dear Shareholders

I am very pleased to be able to report to Shareholders that the past financial year was a very successful one for MyState Limited.

Our end of year results, released in August, confirm that we have made consistent progress in achieving the intended synergies from the merger of MyState Financial (MSF) and Tasmanian Perpetual Trustees (TPT) and we are already benefiting from the substantially increased operational capability and financial stability, which the significantly larger scale brings to the Group.

The results also confirm the strengths of our brands and our ability to win business and maintain strong customer loyalty, even during a period of intense competition and economic uncertainty.

While recognising that we remain a vital part of the Tasmanian financial system, our aspirations to achieve greater geographic diversity and grow outside our state borders are now an increasing focus and we remain committed and relentless in pursuing our key strategic objectives including:

- Developing national operations;
- Continuing to build a loyal, deep and diverse customer base;
- Maintaining our diversified funding base;
- Ensuring that we continue to fully engage with our employees;
- Embracing contemporary technologies; and
- Continuing to develop our financial strength.

Over the past year we have witnessed solid revenue growth and pleasing levels of new business, particularly in our share of the home lending market via our ADI (Authorised Deposit-taking Institution), which continues to increase its share of the local market.

As most shareholders would be aware, ADI's are financial institutions that are authorised under the *Commonwealth Banking Act* and include banks, building societies and credit unions. All ADI's are subject to rigorous prudential standards, regardless if the term 'bank', 'building society' or 'credit union' is used. It is this 'legislated' strength that has appealed to borrowers and depositors alike in an economic climate such as the one we face and it is this side of MyState's business, that has shown initially great resilience and now great strength.

While growth within our Trustee Company is far more tied to the return of economic confidence and a rise in asset values, the business is strong and stable. This, together with the restructuring efforts and planned distribution expansion, bodes well for its future increased contribution to the Group.

Whilst there can be no doubt that we can look back on a very strong and successful year, our goals for the coming year are equally ambitious. We are well progressed in our plans to expand the business, particularly in the business banking and wealth management markets and to achieve our stated aspirations to grow the business through an acquisition outside of our home state.

> “We are part of the Tasmanian community and this is a responsibility that we all take most seriously.”

At the same time as focussing on growth, we are also well aware that sustainable success is ultimately based on a corporate culture that supports a fully engaged and committed workforce. In this regard the Company’s new Cultural Values Statement, developed by staff and management and recently endorsed by the Board, should serve the organisation well into the future. We believe that the main principles, extracted from the Statement, will help unify and drive the internal behaviours that we see are critical to achieving our future success:

- We value relationships.
- We embrace change and strive for growth.
- We do what we say.
- We celebrate excellence and success.
- We are committed to our community.

Consistent with embracing change and needing to ensure that we are continually going through a process of renewal, earlier this year I announced intended changes to our Board of Directors.

In early June, I announced that three of our Directors, Mr Nicholas d’Antoine, Mr Tim Gourlay and Mr Tony Reidy would be stepping down from the Board later in the year. These three Directors have served all Shareholders to an outstanding level throughout their long and distinguished period on the Board of MyState Limited and its predecessor organisations, and on behalf of Directors and Shareholders, I would like to thank them for their outstanding contributions.

I would also like to express the Board’s gratitude to the executive team, led by our Managing Director, John Gilbert, who have made an exceptional level of progress in implementing the merger and pursuing the strategies and programs that will deliver continued growth for the business. I would also like to thank the management and staff of the Company for the considerable extra effort that they have given over the year and the spirit in which they have embraced the challenges and the many changes that have occurred to the business.

This very pleasing overall picture of high performance and internal renewal is well complemented by the positive development in our connections with the community. Our support for such iconic community events as the internationally renowned Australian Wooden Boat Festival, the Glover Art prize and the MyState Student Film Festival are living examples that we are more than just a financial institution – we are a vital part of the Tasmanian community.

We can also be very proud of the work of our MyState Community Foundation, chaired by Tim Gourlay, which has recently celebrated its tenth anniversary and grants to Tasmanian Community organisations over this period, of nearly $1 million.

As the business goes forward, we will continue to take most seriously the responsibilities we have as a Company, to engage with and support the communities we operate within, so they might prosper and grow.

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 final dividend of 15 cents per share. This dividend will be fully franked for Australian Tax purposes. Record date for entitlement to the dividend will be 9 September 2011 and will be payable on 7 October 2011. This follows the recent interim 2011 dividend of 12 cents per share that was paid to Shareholders on 31 March this year, bringing the full year dividend to 27 cents per share.

Outlook

The Directors consider that FY2012, being the third year following the merger, will deliver many of the remaining synergy benefits, in excess of those originally envisaged at the time of the merger. Both MSF and TPT will continue to benefit from the lower staffing levels and property cost structures during the years ahead.

These cost synergies will, to some extent, be offset by what appears to be general softening in demand as a result of the decline in the global and national economic outlook. Nonetheless, we maintain a positive growth outlook in the expectation of continuing to advance our strategic initiatives and find new markets for our products and services, both in Tasmania and beyond.

On behalf of the Board and the Management team, I would like to thank Shareholders for their continued support of MyState Limited and I would also like to express my personal gratitude to my fellow Directors.

Yours sincerely

Dr Michael Vertigan AC
Chairman

PERFORMANCE HIGHLIGHTS

Performance Highlights 2010 - 2011

Profit after Tax

- Profit after tax of $22.02 million up 27% on prior year*.

Return on Equity

- ROE of 11% up 23% on prior year.

Earnings per Share

- After tax earnings per share of 32.65 cents per share up 19% on prior year.

Dividends

- Interim 2011 12 cents per share fully franked paid on 31 March 2011.
- Final dividend for 2011 15 cents per share fully franked declared 30 August 2011 and payable on 7 October 2011.

Expense to Income Ratio

- MyState Group expense to income ratio of 70% down 4% on prior year and merger synergies trapped.

Continuing focus on trapping merger synergies

- Net Assets of $204.60 million up $6.22 million on prior year.
- Market Capitalisation of $249.52 million as at 1 September 2011.
- Cost reduction of $1.71 million attributable to distribution and property consolidation.

mySTATE financial

MyState Financial result highlights

- Strong revenues of $171.49 million up 22% on prior year.
- Group profit contribution of $19.87 million up 26% on prior year.
- Substantial growth in MyState Financial home lending of 10.48% compared to national system growth of 6.30%**.
- Solid growth in MyState Financial retail term deposits of 7.93% compared to national system growth of 7.35%**.
- Net Interest Margin (NIM) of 3.23%.
- Capital Adequacy – Tier 1 of 15%.
- Total assets of $2.18 billion.

Tasmanian Perpetual Trustees

Tasmanian Perpetual Trustees result highlights

- Revenue of $15.88 million.
- Group profit contribution of $1.72 million.
- Funds under management stable at $930 million.
- Funds under Advice stable at $740 million.
- New and revised Wills increase to 1600 in year up 26% on prior year.
- Reduced labour and property costs as a merger synergy.

Our Achievements

- Group Vision and growth strategies confirmed.
- Group Cultural Values Statement established to reinforce 'one team' ethos.
- New MyState Limited Enterprise Agreement effective 15 June 2011, delivers fair and equitable staff conditions across the Group.
- Independent research in 2011 confirms MyState Financial has higher customer satisfaction ratings than other banks operating in Tasmania, at 95% satisfied or very satisfied.
- Group Brand, Product and Distribution Strategies fully documented and being implemented.
- IT Strategy confirmed.
- Legacy products rationalised and new products and services being developed.
- MyState Wealth Management business established.
- MyState Platform for investments and superannuation launched to market in 2011.
- MyState Financial expands into business banking for SMEs.
- Risk Appetite agreed and Risk Management Strategies implemented.
- Strong and successful strategic partnerships with CGU and StLukes Health Insurance.
- Tasmanian Perpetual Trustees distribution footprint rationalised and synergies trapped.
- Leadership Development Program established with 30 staff participants.
- New rewards and recognition system implemented with high levels of staff involvement.
- Shared services capability across the Group enhanced.
- Mergers and Acquisition and corporate services capability expanded.

* unless otherwise stated, the 'prior year' refers to the full year ended 30 June 2010, noting that this prior period included only ten months contribution from Tasmanian Perpetual Trustees following the merger in September 2009.

** Home Lending National System Growth data source is RBA, Lending and Credit aggregates 29 July 2011 and Household Deposit System Growth data source is APRA - Licensed banks, 29 July 2011.

Managing Director's Report

"The outstanding milestones we have achieved since the merger reflect the resilience and determination we have shown in working to build long-term success"

John Gilbert - Managing Director

I am pleased to be able to report to you on the second year of business for MyState Limited, following the merger of MyState Financial with Tasmanian Perpetual Trustees in September 2009.

It is customary in letters such as this to Shareholders, to summarise results for the previous year. Our financial performance for the 2010/11 financial year has already been well documented in earlier releases we have made to the market and is also dealt with in further detail in this Annual Report. What I would prefer to do at this stage, is to highlight some specific achievements of the past 12 months and to comment on actions that have contributed to the strength of the Company.

During the year, the efforts of MyState Limited have been focused towards four key goals:

- Consolidating the benefits of the merger;
- Refining and documenting the Group strategies;
- Building internal capability to execute the strategies; and
- Implementing the strategies to deliver growth.

This complex mix of operational and strategic effort has required significant investment and energy and stretched the internal capacity of our people. The outstanding milestones we have achieved since the merger, reflect the resilience and determination we have to build long-term success, shareholder value and an enhanced reputation for providing a high standard of product and service to our customers.

While it is accepted that we live in uncertain economic times, it is incumbent upon those in senior management positions to drive the future success of the business. In doing this, MyState finds itself in a somewhat unusual position. While it is the key imperative of our Management Team to continually strive for increased shareholder value, we do so in an environment where a majority of our shareholders are also our customers. Enhanced shareholder value is of paramount importance, but so is the quality of our service to our clients. It is my strong view that the two are not mutually exclusive. I believe that by demonstrating our competitive position in the market, by outperforming our competitors in terms of service and by offering products and services that are globally competitive, shareholder value will follow.

Our people and culture and the relationship with our customers

Since the merger, the Company has continued its relentless commitment to employee development. This includes providing opportunities for further learning, professional and leadership development. We are committed to providing internal advancement and promotional opportunities.

"With two ways of connecting with customers, we are well placed to benefit from the services of highly respected and regarded brands"

Currently around 17% of our staff are enrolled in a mix of vocational or study assisted programs, with 19 staff members undertaking tertiary level study, assisted by the Company. 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.

Also during the year, a new Leadership Development Program was launched. This program, facilitated through the Tasmanian Skills Institute, has two parallel streams targeting 'New Leaders' and 'Emerging Leaders'. Staff who successfully complete the year long program receive a Diploma of Business Management. The program aims to equip and inspire the participants to make an even greater contribution to the business.

In June, we had a significant achievement with the approval and implementation of the MyState Limited Enterprise Agreement. This agreement for a period of 3.25 years, provides for an annual wage outcome across the Group of 3.38%, giving economic certainty to the staff and a commercially sustainable outcome to the Company. While there were important trade-offs to be negotiated as part of the process of consolidating the employment conditions for the workforces of the two merged companies, the Company believes that the overall outcome is fair given the current economic realities.

Group Cultural Values

Considerable work has gone into development of a set of Cultural Values for the Group, which would meet the needs of the organisation, and for which employees, would feel a sense of ownership and commitment.

Consideration of the Cultural Values was assisted by representative staff teams from across the business who were encouraged to develop draft value statements which would align with the organisations stated vision and strategy and which would re-enforce employee behaviours considered to be critical to the organization's competitive advantage e.g. exceptional customer service. It was also important that the values would stand the test of time and would be applicable to other organisations joining the MyState Limited Group in the future. And finally, the values would need to be motivational and able to be brought to life in all aspects of the business, if they were going to achieve the desired sense of unity of purpose.

We believe that the final agreed Cultural Values statement, approved by the MyState Limited Board in March, delivers on all of the intended outcomes and will serve the organisation well moving forward.

We value relationships

Our success is built on the quality of relationships we have with each other; supported by open and honest communication and respect for diversity of opinion and the contribution of each individual. We listen, to learn from each other and we act on the needs of our customers, employees and shareholders.

We embrace change and strive for growth

We embrace change collectively and individually and acknowledge that the continued growth of our Company keeps it competitive and viable. We support each other to cope with change and ensure our team is informed, skilled and flexible.

We do what we say

We hold ourselves accountable for our actions and meet our commitments to each other, customers and shareholders. We engage with every customer, and we are determined to exceed their expectations.

We celebrate excellence and success

Through excellence we strive to succeed. We take pride in achievement and collectively celebrate our successes. Through our actions, customers and staff will be our best advocates.

We are committed to our community

Our Company and our people participate in and contribute to the quality of life of the community around us. Our actions demonstrate our care for the community and the environment we live in.

Strength through our Brands

By having one Company, MyState Limited, but two ways of connecting with our customers, MyState Financial and Tasmanian Perpetual Trustees are well placed to benefit from the services of highly respected and regarded brands. Both businesses are about the customer experience.

The MyState Financial brand continues to outperform the competition on many key metrics. Recent independent quantitative research undertaken in July 2011 by a leading research firm, Millward Brown, shows that MyState Financial customer loyalty levels are amongst the highest in the market, with an overall customer satisfaction ratings of 95%, far outperforming other major financial institutions in Tasmania. These results are a testament to our people and their commitment to our customers and our community.

Despite the intense competition for retail deposits and quality lending opportunities, we have continued to take market share from our local competitors, with our home lending portfolio growing by $151 million or 10.48% compared to national system growth of 6.30% and our household deposit portfolio growing by $98 million or 7.93% compared to national system growth of 7.35%. Importantly we have managed to achieve this result while still maintaining a healthy average net interest margin.

Over the coming months, the MyState Financial brand will be extended to encompass a full service business banking solution, primarily to the small

“We aim to secure customers with long-term generational relationships in mind”

to medium sized business market, building on the long standing expertise and brand credibility of Tasmanian Perpetual Trustees in the commercial and rural lending markets.

Brand strength is not something that is just created. It is developed and nurtured over many years. It is the result of a level of trust being developed within our customer base and our community. Our branding strategies are different in our two operating businesses. However, given our strength, opportunity exists to offer an extended service and product mix regardless of the initial point of customer entry. Through the offer of full financial services, we aim to secure customers with long-term generational relationships in mind.

One of the most encouraging signs of the success of the Group distribution capability, flowing from the merger, has been the 26.6% increase (to around 1600 annually) in new and revised Wills being written by our Trustee company, largely as a direct result of cross referral within the Group, supported by renewed marketing effort.

As previously announced to the market, the development of the new MyState Wealth Management Platform in conjunction with Powerwrap and using Praemium technology, will also significantly enhance our ability to distribute our cash products, managed funds and advice based services, both to our 200,000 strong local customer base, as well as to a wider national customer base.

In addition to our strong and proven branch network and our extensive product and service mix, we have developed great strategic partnerships with third-party providers such as CGU Insurance and St Luke’s Health. By designing and delivering the right products and services, by supporting a strong team culture and ensuring that our staff are fully trained to the highest standards, we know that we can deliver value to our customers, at a level that differentiates us from our competitors.

Capital Management

The management of working capital and short-term financing is not dealt with in isolation at MyState Limited. The Group Internal Capital Adequacy Assessment Plan (ICAAP) is a core component of managing risk within the business. ICAAP comprises identifying risk, assessing the level of capital to be allocated to address risk, developing sound forward capital planning and determining what level of capital is required.

Another significant achievement during the year was in Residential Mortgage Backed Securities (RMBS) wherein a transaction of $250.25 million was successfully instituted with a wide range of investors. This is the second such transaction undertaken in recent years and allows for loans provided by MyState Financial to be effectively taken off the balance sheet. That results in improved liquidity and capital benefits to assist in future asset growth.

Going Forward

MyState Limited will continue to grow. Over the next year we will again strive to lift customer service, improve our product offering and enhance our distribution capability. We will also continue to engage with and support the communities we serve. We will do all these things, while continuing to focus on improving our efficiency, in the strong belief that the combination of these efforts will achieve improved shareholder value and sustained earnings growth.

Consistent with that objective, towards the end of last year we changed the Group structure. Brands and Communications is now part of the Wealth Management and Trustee Services Division. The Product Management team joined with the Retail Division and People and Development report to the Managing Director.

This meant that Colin Kent left the business and I would like to thank him for his commitment and contribution, in particular through the merger of Tasmanian Perpetual Trustees and MyState Financial.

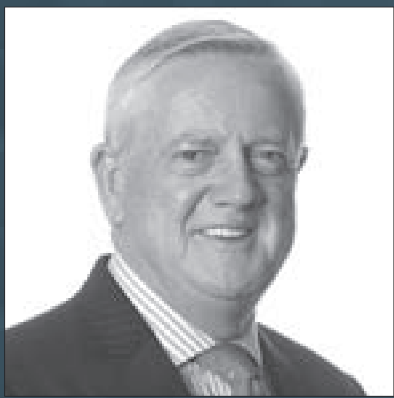
As Managing Director, my prime focus will continue to be on formulating and implementing strategy, ensuring that we have the right people in the right jobs, continuing to develop our approach to risk management and maintaining a culture that results in high performance.

I would like to take this opportunity to thank the many talented and dedicated team members we have in our organisation. The profound changes that have occurred in our Company during the past year have tested the strength and character of our employees and I am proud to be a part of such a fine group of people.

I would also like to take this opportunity to thank my fellow Directors and thank you, our Shareholders, for your support during this time of change.

John Gilbert
Managing Director

One Team

Two Brands

myState financial

Tasmanian Perpetual Trustees

Growth is Key

During the second full year of operation, the efforts of MyState Limited Divisions have been focused towards four key goals:

- Consolidating the benefits of the merger;
- Refining and documenting the Group strategies;
- Building internal capability to execute the strategies; and
- Implementing the strategies to deliver growth.

The period of rapid internal transformation which was described in last year's Annual Report has continued. However, the focus has become more strategic, with the changes aiming to address both current operational issues as well as the future needs of the business. This 'one eye on the oars and one eye on the horizon' approach has taken significant investment and energy and stretched the internal capacity of our people. They have risen to the challenge.

The results achieved during the year are an impressive list both in output terms as well as the overall Group outcomes and reflect the collective effort and teamwork across Divisions.

The Divisional reports which follow detail a number of these significant achievements including the following:

Consolidating the benefits of the merger

- Group cultural values established.
- Group enterprise agreement negotiated.
- Distribution footprint rationalised.
- Legacy products rationalised.
- Revenue synergies realised via cross-referral.
- Property rationalised.

Refining and documenting the Group strategies

- Group's vision and growth strategy confirmed.
- Brand(s) strategies refined.
- Group product strategy and the Group distribution strategy fully documented.
- IT strategic plan developed.

Building internal capability

- Leadership programs implemented.
- Group-wide training established.
- Common reward and recognition program established.
- Change and project management capability resourced.
- Shared services capability enhanced.
- Group governance and policy framework upgraded including enhanced enterprise risk management frameworks, capital adequacy and liquidity management policies and plans.
- M&A capability enhanced.
- Corporate services capacity upgraded.

Implementing the strategies

- Brand repositioning commences.
- Business banking initiatives commenced.
- MSF Wealth Management created.
- MSF investment platform under development.
- New or upgraded products and services launched.
- M&A activity progressing.

The MyState Limited divisional structure consists of the following:

Retail Banking, Distribution, Product Development and Research – responsible for sales and customer services via our distribution channels, including branch network, internet, call centre, mortgage brokers and our strategic partners.

Wealth Management, Trustee Services, Brands and Communications – 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. More recently it has taken on responsibility for marketing, communications and research.

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 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 four aligned business units delivering services to both brands. These are:

- Retail and Strategic Partners.
- Retail Support Services.
- Mortgage Broker Management.
- Product Development and Research.

The on-going 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.

The finalisation of the Group Distribution Strategy has resulted in some refinement of the distribution model to achieve greater efficiency and improved customer outcomes. Through developing a multi skilled service team within the MyState Financial Retail Branch network, we are able to provide our Tasmanian Perpetual Trustee customers with transaction services across the state. Our commitment to ensuring all customers across MyState Financial and Tasmanian Perpetual Trustees have a consistently high level of service delivered everywhere everytime is something we are very proud of. This continues to ensure that product expertise and customer relationships held within each business are preserved.

Greater access to value adding products and service across both businesses

We have been very pleased 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 a considerable increase 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

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

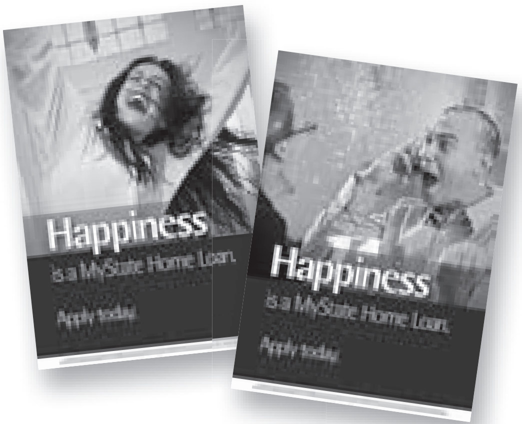
We continue to develop and support our relationship with a significant number of local mortgage brokers, each of whom have become valued and trusted partners. We have been developing our broker support model to expand the cross sales capability of the business unit. We look forward to the broker network becoming an even more valuable distribution channel for the Group, as they begin to support sales and service for a much broader range of products and services.

During the year, Retail Banking and Distribution successfully engaged alliance partnerships with the memberships of two major unions, the CPSU and the ANF. Both alliances have created further opportunity to acquire new sales and support existing service relationships. The alliances have gained additional recognition through our sponsorship of a number of joint scholarship grants to assist trainee nurses and other students from the CPSU family to complete their tertiary studies at UTAS.

Access to competitively priced products

We have witnessed strong growth across a number of key portfolios. This success has been underpinned by a highly skilled and engaged Retail Banking and Distribution team. In addition, the business has been well supported by Brands and Communications, Treasury and Loan Operations to deliver well positioned and competitively priced products.

Despite the intense competition for retail deposits and quality lending opportunities, we have continued to take market share from our local competitors, with our home lending portfolio growing by $151 million or 10.48% compared to national system growth of 6.30% and our household deposit portfolio growing by $98 million or 7.93% compared to national system growth of 7.35%. Importantly we have managed to achieve this result while still maintaining a healthy average net interest margin above 3.2%, slightly up on last year. In addition, MyState Financial's general insurance portfolio has grown by 14.6% and this product now contributes around $1.6 million in revenue to the business.



As previously mentioned we will be expanding our product and service offering to include a full service business banking solution, primarily to the small to medium sized business market in Tasmania and with increased capacity to leverage the expertise and brand credibility of Tasmanian Perpetual Trustees in the commercial and rural lending markets and grow this part of the business. An experienced team of business banking specialists are currently being recruited to develop and support these business customer relationships.

We are extremely proud of these achievements and the confidence shown in our products and services. 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.

Product Strategy

The formation of a Product Development and Research team in March 2010 provided a significant boost to shared services capability across the Group, enabling specialist focus on this complex and increasingly demanding area. Following a rigorous research and analysis process, a detailed Group product strategy has been developed. This strategy has been developed from a customer centric position, taking account of the changing competitive context and matched against the Group's strengths and capabilities, including brand and product distribution capability. This reinvigorated product strategy, with an emphasis on simplicity and value, is providing a clear blueprint for the future direction of product development within the business.

The product strategy involves three main bodies of work, each progressing to plan:

- Product Rationalisation
  - A continued investment of considerable time and effort in reducing the number of both legacy and offered products in order to achieve business efficiencies across multiple departments including retail, technology, treasury, marketing, training, risk and compliance.
- Product Re-positioning
  - Changes to current policies, features, functionality, terms and conditions, pricing, collateral, processes and fulfilment, designed to improve customer utility or satisfaction or improve margin and product profitability.
- Product Innovation and Development
  - Creation of new products or technological capabilities that meet new or emerging customer needs or demands in order to grow or retain revenue.

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

We also have responsibility for the Brands and Communications strategies across the Group.

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

- Financial Planning.
- Investment Services.
- Lending Services.
- Trustee Services.
- Brands and Communications.

Financial Planning

Following the restructure of this business unit, as a consequence of bringing the MyState Financial and Tasmanian Perpetual Trustees financial planning practices together, and the development of a Group distribution strategy, a new MyState Wealth Management business is being created. This separately branded arm of the business will be focused towards the mass affluent market, but yet have a tiered service delivery offering which will also appeal to higher value and more traditional private client segments.

To support this redevelopment, the MyState Wealth Management business is also currently working on releasing its own MyState badged Investment/ Superannuation and Pension Platform which will be made available to all existing and new customers of the Group with an anticipated launch date by October 2011. Development is underway to include on the menu of the Platform, both MyState Financial Term Deposits and a Cash Management Account, as well as selected Tasmanian Perpetual Trustees managed investment products.

The new MyState Platform will offer clients a greater range of investment alternatives, together with consolidated reporting under the MyState branding. MyState's Platform is core to offering a revamped financial advice service to its 200,000 strong customer base. The Platform will be developed by Melbourne-based Powerwrap, whose service is underpinned by the proprietary technology of ASX-listed Praemium Limited (ASX:PPS).

The development of the MyState Platform will also deliver the Company – our advisers and our clients – with a modern, scalable solution that enables our advisers to provide clients with a more efficient, complete service. In addition the new Platform will give clients a wider choice of investment outcome, as well as greater transparency. Transparency is also the key requirement of next year's proposed *Future of Financial Advice (FOFA)* reforms. Our new platform will enable us to get ahead of the competition with a more flexible, lower-cost offering; one that delivers what investors want and take the Company in the direction that the industry is heading.

Advisers in our Wealth Management area will begin migrating clients across to the new Platform from November this year and at the same time will move clients across to new client service packages with appropriate fee structures. This process will effectively reprice ongoing service packages and move to a flat fee structure for service offering and be more in keeping with the FOFA reforms. The new Platform and migration strategy forms the cornerstone for growth strategies for the Wealth Management business and will enable the business to expand its distribution capability onto the mainland.

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

Investment Services

The competitive environment for cash deposit style products, post the global financial crisis, has impacted upon the capacity for growth in the managed investment portfolio, however we have seen stability return to this part of the business over the year, with funds under management stable at $930 million.

The Investment Services team is continuing to add value through the careful selection of quality high yielding securities whilst managing individual pool liquidity requirements. The performance of the Cash and Income Funds has been exceptionally strong with all these Funds exceeding their target benchmarks over the past year by between .31% and 1.47%. The increasing competitiveness of the Income Funds in recent months, as term deposit competition eases slightly, has seen these Funds start to gain competitive traction and signs of recovery.

Managed Investment Schemes investing in growth style assets have benefited from the improvement in investment markets over the year, though this asset class may take more time to recover given the level of global uncertainty.

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 implementing the strategy for the Group's expanded involvement in the business and rural banking market, in particular the capacity to source loans on behalf of both brands within the Group.

Trustee Services

Following work on the Group's distribution strategy, decisions have been made to further consolidate the back office administration functions of estate administration and on-going management of trusts. These functions have now been centralised to Hobart and Launceston as of September, in order to ensure greater consistency in this service coupled with better resource management.

During the year some 275 new probate applications were lodged, slightly down on previous years. Significantly the average value of these estates has declined by around 12% to around $332K due to the overall value of estate assets, comprising such assets such as real property and shares, also declining. Consequently revenues from this part of the business, which are generally based upon asset values, have been in decline, necessitating the structural adjustments to restore suitable profitability.

At the same time, one of the more encouraging signs of the success of the merger, has been the 26.6% increase (to around 1600 annually) in new and revised Wills being written by our Trustee services area, largely as a direct result of cross referral within the Group, supported by a highly successful marketing campaign aimed at differentiating the Trustee company on the basis of its specialist expertise. While not expecting to have any immediate significant revenue impact, the continuing investment in the Will bank will ultimately pay dividends to the Company, when a percentage of these Wills are converted to active estates.

A continuing push to enhance the skills and service delivery in the area of estate planning and trust administration has seen the further implementation of the STEP (Society of Trust and Estate Practitioners) continual professional development program. This program will ensure that staff in the Trustee Services area, are provided with on-going development and the ability to progress within a relevant accreditation framework.

Brand Strategy

MyState Financial and Tasmanian Perpetual Trustees provide MyState Limited's brand presence in Tasmania; and these brands have strong penetration into the Tasmanian market, in particular the 'mass affluent' market, with a combined customer base of around 200,000, representing more than 40% of the Tasmania population.

Utilising the Company's NOHC structure to strategic advantage, MyState Limited is starting to build a 'house of brands' model. This type of strategy is a strong one to pursue, because it enables the delivery of multiple brands, products and services to retail and wholesale markets – brands that occupy different consumer segments, needs and price points, providing opportunity to build greater market share within their defined category. As MyState Limited adds financial brands to its stable and begins to deliver sustained growth and Shareholder value, then its reputation as a sound Financial Services Group continues to be enhanced.

Consistent with this multi-brand strategy, MyState Limited has commenced building internal capacity to effectively manage multi-brand deployment through improved brand measurement and reporting strategies; better internal communications; and brand socialisation programs which aim to bring the brand and organisational values to life to ensure customer experiences match the promises of each brand.

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 the tangible way MyState Financial supports the Tasmanian community. In particular, MyState Financial is committed to building a strong, vibrant and sustainable community with a key focus on developing the talents of our young people.

During the year, a review of the community engagement initiatives was undertaken and a decision was made to focus MyState Financial sponsorships resources towards more significant Statewide events, where the Company could add substantial value to the broader community as well as to the brand; and preferably where the MyState Financial brand and what it stands for would be most prominent.

The decision to become the naming rights sponsor of the Australian Wooden Boat Festival in February 2011 provided such a significant opportunity for the Company. MyState added value to its brand, the Festival, its patrons and valuable customers by securing a coup for Tasmania; attracting Australian yachting hero Jessica Watson as MyState's Festival Ambassador. Importantly, MyState was able to involve its brand in the stories of those that attended the Festival, Tourism Tasmania research shows that 93% of all attendees recognised MyState Financial as the naming rights sponsor of the event.

Another major event, the MyState Financial Student Film Festival is now in its ninth year and continues to grow in statue. It encourages young people from primary school to university to participate in film-making – a process that builds creativity, team building, planning and negotiation skills. Over 150 entries were received from schools and individuals last 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.

Recent research undertaken by independent research company Millward Brown has confirmed around 75% of Tasmanians believe that MyState Financial cares about the local community and around 60% have a better impression of MyState Financial as a result of the sponsorship of the MyState Australian Wooden Boat Festival and the MyState Student Film Festival.

Similarly, Tasmanian Perpetual Trustees continues to support a wide range of local community events and initiatives across the State, including the Glover Art Prize, Annual School Foundation Appeals, Agfest the largest agricultural expo in the southern hemisphere run by Rural Youth Organisation of Tasmania and the Dairy Business of the Year Awards. Tasmanian Perpetual Trustees sponsorships are designed to reach local audiences and support worthwhile community initiatives that are important to key customer segments.

MyState Financial Foundation

During the year the MyState Financial Foundation celebrated its 10th birthday. The Foundation, which is chaired by Board member Tim Gourlay, was founded 'To help in educating and nurturing the young people of Tasmania, and supporting and advancing their interests' and has remained true to this mission.

The work of the Foundation is centered on an annual small grants program and recipients stretch far and wide across rural and regional Tasmania. Through the grants program the Foundation strives to transform young peoples' lives, especially at-risk youth, by providing opportunities to further their education; improve financial literacy and consumer education; gain employment; develop self-reliance, confidence and independence; and assist young people with disabilities in need of special education, care and support.

In 10 years of operation, the Foundation has distributed $955,000 in grants that have helped over 80 not-for-profit organisations with funding for 171 individual youth projects. These projects have ranged from youth camps, to providing beach buggies and raised garden beds for the disabled, assisting Police Citizen & Youth Clubs around the State and many health related organisations; to providing funds for drum lessons to help youth with drug related issues, for the purchase of canoes and kayaks; for budgeting and cooking classes for young mums – these are just some of the programs supported by the Foundation.

The MyState Financial Community Foundation also continues to fund the innovative Springboard to Higher Education Bursary program in 20 schools statewide in partnership with University of Tasmania. Commenced in 2003, the bursary program aims to redress school retention rates in the State and recognises, rewards and supports young students, disadvantaged or at-risk of leaving the education system, who are moving into senior secondary or tertiary education. To date $127,000 has been awarded in bursaries to 129 students Statewide.

In April of this year, the MyState Community Foundation distributed $105,000 to 25 Statewide community organisations, as a further investment in preparing young Tasmanian's for life. Staff members also continue to be generous in their support of the Foundation and through their donations $25,000 has been distributed to local community groups.

The work of this Division aims to provide the best possible facilities, tools and services to facilitate highly efficient and effective delivery to the market of financial products and services that meet the needs of all stakeholders.

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

- Technology.
- Operations.
- Property.

Technology

During the year, an IT Strategic Plan was developed and approved by the Board. The Plan involves the high level consideration of our business needs into the future and identifies the possible network architecture and system applications solutions to support the delivery of our products and services to market. This includes core system and major application decisions and recognition within the business of the need to adopt more contemporary technologies in order to increase our efficiency and effectiveness.

In the meantime, the Technology area continues to focus on delivering high quality cost effective solutions for both internal and external customers. In the past twelve months this has included increasing the internal management reporting capability with more work continuing on this into FY2012. The Technology team has also worked hard with our external service providers and technology vendors to deliver platforms that will support the growth of our commercial, rural and business banking areas over the next five years. These are key components of our strategic plan, which we know will provide significant value to shareholders over the coming years.

During the past year the Group's project and change management capability has matured significantly, through the development and adoption of a formal project management framework. The framework has been built on key principles from internationally recognised methodologies - PRINCE2 for project management and PROSCI for change management. Group Project Management Office staff have been certified in these methodologies to enable them to facilitate subsequent development and rollout across the Group. Training in the new framework was not only provided to Group management, but also to approximately thirty staff undertaking management training as part of a Leadership Development Program.

Operations

The Operations area continues to support Group customer service imperatives, while managing to tight business objectives.

This has seen MyState Financial continue to deliver loan approvals and documentation to our customers faster then any of our competitors can achieve, substantially contributing to outstanding customer satisfaction outcomes. MyState Financial continues to finalise and dispatch to customers, 90% of all loan contracts and documentation, within 48 hours of receiving the request for that loan documentation (with the completion of the remainder of documentation dependent on external providers).

We also continue to see the benefits of investment in operations made over the past twelve to eighteen months. Despite seven increases in the official RBA cash rate and more difficult economic conditions, our 30 day secured loan arrears are still sitting at less than 1% by value, far less than that reported by the major and second tier banks. Our continuing high credit quality is testimony to our rigorous credit assessment processes as well as the quality of our on-going customer relationship management.

The implementation of new software to assist in better recovery outcomes and the on-going maintenance of accounts that remain in arrears, along with the implementation of SMS technology to remind customers that they have missed a loan repayment, have greatly assisted our Company to reduce the need to impose unpopular arrears penalties. As a result, over the past twelve months, we have made a significant reduction in the number of loans more than 30 days in arrears.

MyState Financial's collections processes also ensure that we continue to balance the requirements of our customers to meet their obligations, whilst supporting customers undergoing genuine financial hardship.

Property

In April 2011, the MyState Limited Board approved the consolidation of all Hobart based MyState Financial and Tasmanian Perpetual Trustees back office staff. This consolidation will see staff who currently work over thirteen floors in four buildings come together into a single three storey purpose built office located at 137 Harrington Street, Hobart.

As a green star rated building, this location will support MyState Limited as we continue to ensure environmentally and socially responsible business practices. In addition to the obvious power savings, significant work is also being undertaken to ensure that efficiencies such as telecommunications, document management and office support are also realised in line with the move to the new building.

This consolidation will also result in the sale of 172 Collins St, Hobart (Heritage House) and 29 Murray Street, Hobart. The sale of these buildings is expected to be finalised in late 2011.

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 following.

Finance

Standard financial reporting protocols have been established to ensure the Board is able to review and analyse the operational performance of the Group. Finance and accounting systems and processes have been reviewed and plans are being drawn up to progress towards systems consolidation. The team has also provided support to the Group Risk Committee of the Board by reviewing the internal control environment of subsidiary operations in the post merger environment.

The taxation arrangements of the new Group have received intense focus in the past year, with a number of key projects finalised with support from the Group's tax advisers, KPMG.

The Finance Team has also further developed its 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.

A full review of the finance policy framework has been completed during the year under review.

Legal and Compliance

This operation draws upon the legal and compliance process strengths of both MyState Financial and Tasmanian Perpetual Trustees and is charged with ensuring the highest compliance standards are achieved.

Group compliance systems and processes have been reviewed and agreed standardisation is well progressed. 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 the design of a new internal audit plan for the Group, which is now in place.

Risk

The Risk Team has been focused on reviewing and enhancing the Enterprise Risk Management Framework, Credit Risk management activities and enhanced fraud prevention and detection strategies. The Risk Management Policy has been reviewed and a new Risk Management Framework, Risk Appetite Statement with specific Key Risk Indicators (KRI's) and Risk Management Process have been developed and implemented. The Risk Appetite Statement is aligned with strategy, key business activities and our corporate values to ensure the desired risk culture is achieved and maintained throughout the business.

All employees have undergone extensive fraud detection and awareness training over the past twelve months and the Whistleblower Protection Policy, has been reviewed and communicated to all staff. In addition, two new Whistleblower Protection Officers (WPO's) were nominated by staff and appointed by the Executive, increasing the total number of WPO's to four and ensuring ready access throughout the State. The Whistleblower Protection Policy has been posted to the Company's website.

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 67,000 Shareholders in the post merger environment.

Finally, this Unit has provided advice and support for the reconsideration of MyState Limited Group's governance structures post merger. Board Committee structure has been changed with revised Committee arrangements 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.

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. 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 resulted in co-operative arrangements between MyState Financial's Treasury Unit and Tasmanian Perpetual Trustees regarding balance sheet and investment opportunities. Such arrangements are enhancing 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 .

RESPONSIBILITY

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 Aurora Energy a member of the Advisory Board of Australian Government Education Investment Fund and Chairman of the Independent Review of the Finances of the State of Victoria. 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 Group Corporate Governance and Nomination Committee.

G John Gilbert B Com, FAICD, FAMI

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 a Director of QBE Lenders Mortgage Insurance and CUNA Mutual Life and 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 a member of MyState Limited Board's Group Risk and Group Human Resources and Remuneration Committees. 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,

Independent non-executive Director Appointed 12 February 2009.

Mr Armstrong is Chairman of the MyState Limited Board's Group Human Resources and Remuneration Committee and is a member of the Group Audit Committee. Mr Armstrong is a former Chairman of connectfinancial and Teachers, Police and Nurses Credit Union. He was appointed a Director of MyState Financial and subsidiary companies on 1 July 1998 and is a Director of the Gourmet Club Pty Ltd. He was appointed a Director of Tasmanian Perpetual Trustees Limited on 22 September 2009. Mr Armstrong is President of Tennis Tasmania and a Member Representative to Tennis Australia.

Robert L Gordon BSc, MIFA, MAICD, 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 sixteen 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 Group Human Resources and Remuneration and Group Mergers and Acquisitions Committees.

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

Independent non-executive Director Appointed 12 February 2009.

Mr Gourlay is Executive Director of Centacare Tasmania and was formerly Capital Works and Planning Consultant with the Tasmanian Catholic Education and 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 Group Corporate Governance and Nomination and Group Risk Committees. He was appointed a Director of Tasmanian Perpetual Trustees Limited on 22 September 2009.

Miles L Hampton BEc (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 MyState Limited Board's Group Risk Committee and a member of the Group Audit and Group Mergers and Acquisitions Committees. 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 is Chairman of 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.

Colin M Hollingsworth CPA, MAICD

Independent non-executive Director Appointed 12 February 2009.

Mr Hollingsworth was General Manager, Corporate Services, TAFE Tasmania from1998 until April 2008. 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 MyState Limited Board's Group Audit Committee and a member of the Group Risk and Group Mergers and Acquisitions Committees.

Sarah Merridew BEc, FCA, FAICD

Independent non-executive Director Appointed 12 February 2009.

Mrs Merridew is a Non-Executive Director of Tasmanian Railway and the Tasmanian Water and Sewerage Corporations. 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 MyState Limited Board's Group Audit, the Group Corporate Governance and Nomination and the Group Mergers and Acquisitions Committees.

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; 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, Sandhurst Trustees Ltd and Goulburn-Murray Water. He was appointed a Director of Tasmanian Perpetual Trustees Ltd in March 2004, and MyState Financial on 22 September 2009. He is Chairman of MyState Limited Board's Group Mergers and Acquisitions Committee and a member of the Group Risk Committee.

Anthony B Reidy FAICD, MFIA, JP

Independent non-executive Director Appointed 8 October 2008.

Mr Reidy is Chief Executive of the Tasmanian Council of Social Service. He was appointed a Director of MyState Financial on 26 October 2001 and was Chairman from December 2006 until September 2009. He was elected Chairman of The Gourmet Club Pty Ltd in December 2006. Mr Reidy was appointed a Director of Tasmanian Perpetual Trustees Limited on 22 September 2009. Mr Reidy is a member of the MyState Limited Board's Group Corporate Governance and Nomination and the Group Human Resources and Remuneration Committees.

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.

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 across the Group - good governance is not considered to be just a matter for the Board and Management, rather a culture entrenched Company-wide.

These governance 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 and may be accessed via the 'Corporate Governance' section.

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 continuing full compliance with each of the following ASX Corporate Governance Principles and Recommendations:

1. **Lay solid foundations for management and oversight** ✓
   Establish and disclose 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 2011 can report full compliance.

Further amendments to the Principles came 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.

In addressing the challenges posed by these latest changes to the Corporate Governance Principles, MyState Limited's Board has now established a formal Diversity Policy and further progressed many of the diversity related initiatives which have already been underway across the Group. The Diversity Policy is underpinned by a comprehensive set of measureable diversity objectives which encompass gender diversity targets at both a Board and workplace level.

The Board's Group Corporate Governance and Nomination Committee Charter now includes 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 is now specifically considered in Board succession planning. Similarly, the Board Evaluation Policy has been enhanced to address the new requirements - specifically, the mix of skills and diversity which the Board is looking for in its membership.

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 has developed the following suite 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:

- The Role and Composition of the Board;
- The Role, Skills and Attributes of the Chairman;
- The Role and Skills of Individual Directors; and
- The Role of the Managing Director / Chief Executive Officer.

These documents are available on the corporate governance section of the Company's website.

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

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

The Board is responsible for the appointment of the Managing Director, sets his/her remuneration and monitors his/her performance annually.

The Board also reviews and approves the Senior Executive structure of the Company, their appointment and remuneration and annually monitors their performance, with recommendations brought forward by the Managing Director.

The Managing Director is responsible to the Board for the day-to-day operation of the Company.

Board Structure

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

The names, terms of office and individual skills, experience, and expertise profile of each of the Board members are set out on pages 34 to 36 of this Annual Report.

The Company's Constitution 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.

In accordance with the transitional provisions contained in the Company's Constitution, at the conclusion of the forthcoming 2011 Annual General Meeting of the Company, there must be no more than eight remaining Directors appointed under clause 58.4. Three Directors will retire from office at the conclusion of the 2011 Annual General Meeting and will not be seeking re-election. Those Directors are acknowledged in the Chairman's Letter to Shareholders, contained in this Annual Report.

Director Independence

Directors are expected to bring independent views and judgement to the Board's deliberations as well as a strong understanding of the Group's core businesses. 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 developed a set of 'Independent Director Standards'. In defining the characteristics of an independent Director, the Board uses the ASX Principles together with its own consideration of the Company's operations and business, applying appropriate materiality thresholds on a case-by-case basis with reference to each Director and having regard to both quantitative and qualitative principles.

The Independent Director Standards are available on the Company's website.

To qualify as being 'independent', a Director must, in the opinion of the Board, be independent of Management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of his/her unfettered and independent judgement.

Information about any such businesses or relationships, including any related financial or other details, is assessed by the Board to determine whether the relationship could, or could reasonably be perceived to, materially interfere with the exercise of a Director's unfettered and independent judgment. In determining whether an interest or relationship is considered to interfere with a Director's independence, the Board adopts a conservative approach to materiality.

The Board considers that, among other things, Executive positions, substantial shareholdings, acting as a material professional advisor or consultant, having material business relationships, serving as a long-term Director, being affiliated with or employed by a present or former auditor of the Company, being a material supplier or customer or having a material contractual relationship are all matters to be considered in determining Director independence.

The Board has reviewed the position and associations of each of the Directors in office at the date of this Annual Report and considers that all ten of the current non-executive Directors are independent.

The Board assesses the independence of new Directors upon appointment and reviews their independence and the independence of the other Directors, as appropriate. Where a Director's independence status changes, the Company has procedures in place to provide a timely disclosure to the market of the change.

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 Group 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 diversity, 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.

In 2006, the Australian Prudential Regulation Authority (APRA) introduced Prudential Standard 520 (Prudential Standard). This requires Directors', Senior Management and auditors of an authorised deposit-taking institution to be assessed to determine whether or not they have the appropriate skills, experience and knowledge to perform their role. They also need to be able to establish that they have acted with honesty and integrity.

A 'Fit and Proper' Policy that meets the requirements of the Prudential Standard has been approved by the Board and implemented by the Company. All 'responsible persons', as defined by the Prudential Standard, have been assessed as meeting the criteria to ensure that they are 'fit and proper'.

Board, Committee and Director Performance Evaluation

The Board Evaluation Policy governs the process of regular review of its overall effectiveness and is available on the Company's website.

Pursuant to the Policy, the Group Corporate Governance and Nomination Committee is responsible for strengthening the governance framework of the Company through an ongoing assessment of the composition and effectiveness of the Board as a whole. This includes developing and recommending to the Board effective processes for annually reviewing and assessing the performance of:

- The Board as a whole;
- Board Committees; and
- The Chairman and each of the Directors.

An annual and detailed internal assessment is made of the Board's performance in meeting its various responsibilities. The Group Corporate Governance and Nomination Committee also review a Board Skills Assessment matrix completed annually by Directors to assist the Board Succession Planning process. This review is designed to assist with deliberations regarding the Board's performance as a whole.

This internal process is combined with an independent external review by Board performance consulting specialists conducted at least every three years, most recently finalised in 2010.

Plans for those areas identified for further improvement as a result of the evaluation process are developed where required, with the Board agreeing on which recommendations are to be implemented, when it is proposed to do so and who is to take responsibility for their implementation.

The Group Corporate Governance and Nomination Committee also annually reviews the Company's adherence to the Board Evaluation Policy and reports to the Board in this regard.

The annual performance evaluation for the Board, its respective Committees and the individual Directors has been conducted during the current financial year in accordance with the process disclosed in this Annual Report.

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 Group 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 Assessment matrix 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 which sets out the key conditions of their appointment including such matters as their term of appointment, duties, rights, responsibilities, time commitments, expectations of the role and remuneration.

Induction and Continuing Education

Management, working with the Board, provide a comprehensive induction program for new Directors which canvas the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its respective Codes of Conduct, its management structure, its internal and external audit programs, and Directors' rights, duties and responsibilities. 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.

To assist Directors to gain a broader understanding of the Company, Management also periodically conducts additional presentations for Directors about the Company, and the factors impacting, or likely to impact, on its businesses.

Directors are also encouraged to personally keep up-to-date on topical issues.

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.

The Board also provides time for discussion at each meeting without Management being present.

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 Board meetings and each Director's attendance at those meetings for the financial year ended 30 June 2011 is set out in the Directors' Report on page 63 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.

Conflicts of Interest

Directors are expected to avoid any action, position or interest that conflicts or appears to conflict with an interest of the Group. This is a matter for ongoing consideration by all Directors, and any Director who has a material personal interest in a matter relating to the Group's affairs must notify the other Directors of that interest.

The Group's corporate governance standards provide that when a potential conflict of interest arises, the Director concerned does not receive copies of the relevant Board papers and withdraws from the Board meeting while such matters are considered. Accordingly, in such circumstances, the Director concerned takes no part in discussions and exercises no influence over other members of the Board.

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 under which authority is delegated by the Board and which set out matters relevant to the composition, responsibilities and administration of those Committees. The Charters are reviewed annually.

During the reporting period, the Board undertook a comprehensive review of its Committee structures to achieve greater alignment and less duplication and overlap of Committee functions and responsibilities. The revised Committee structure was submitted to and received APRA approval. The revised Committee governance structure encompassing all Committee Charters is available on the Company's website.

The performance of each Committee is reviewed annually by the respective Committee and then reported to the Board.

Minutes of Committee meetings and Committee recommendations are provided to the Board.

Each Committee (including the Chairperson of the Committee) is appointed by the Board of Directors, following consideration of recommendations from the Group Corporate Governance and Nomination Committee. Membership of each Committee is reviewed by the Board on an annual basis.

All Committees are comprised of non-executive members of the Board, with the majority of members being independent Directors, based on the assessment of the Board under its Independent Director Standards.

The Chairperson of each Committee may call a meeting of the relevant Committee at any time, or if so requested by any member of the Committee.

Each Committee develops and maintains an annual 'Programme of Events', which details major items of business to be considered at set points throughout the year, to support both the Committee's and the Board's activities.

Each Committee is empowered, with the prior approval of the Chairman of the Board, to consult experts at the expense of the Company where the Committee considers it necessary to carry out its duties.

The Chairman of the Board as well as each Director is entitled to attend meetings of all Board Committees.

Group Audit Committee

The Board has established a Group Audit Committee that assists the Directors in discharging the Board's responsibilities of oversight and governance in relation to financial and audit matters.

The Committee is comprised of at least four non-executive Directors and at least one member should have professional accounting, or professional financial management expertise. Members will be financially literate, or become financially literate within a reasonable period of time after appointment to the Committee. The Chairman of the Committee must be an independent non-executive Director. The Chairman of the Board of Directors and the Chairman of the Group Risk Committee are precluded from being the Chairman of the Group Audit Committee.

The Committee meets at least four times per annum and otherwise as required. Two of the Committee meetings must be prior to Board meetings at which the Group's consolidated half year and annual financial reports are adopted.

The Group Audit Committee is comprised of Mr C M Hollingsworth (Chairman), Mr P D Armstrong, Mr M L Hampton and Mrs S Merridew. Details of Committee member's respective skills, qualifications are set out on pages 34 to 36, the number of Committee meetings that were held over the reporting period and the attendance of Committee members at these meetings are set out on page 63 of this Annual Report.

Pursuant to its Charter, the Group Audit Committee is responsible for reviewing and making recommendations to the Board on:

- The integrity of the Company's financial reporting, in particular the half year and annual financial reports;
- Compliance with applicable accounting standards to give a true and fair view of the financial position and performance of the Group;
- Application of accounting policies;
- The systems for internal control established by Management and the Board; and
- The quality, adequacy and effectiveness of the external auditor and coordinates its operation with the internal audit function.

The Committee also:

- Oversees the procedures for the selection and appointment (or removal) of the external auditor;
- Oversees and assesses the independence of the external and internal auditors;
- Evaluates and monitors the Company's exposure to fraud;
- Establishes and maintains the Company's Whistleblower Protection Policy and related processes; and
- Actively monitors compliance with relevant laws, including the *Corporations Act*, trustee company legislation, taxation laws, the requirements of ASIC, APRA and the ASX listing and business rules.

The Managing Director, Chief Financial Officer/ Company Secretary, Senior Manager Legal and Compliance, internal auditors and external auditors are invited to attend meetings on a regular basis, as required.

The members of the Committee also meet with both external and internal auditors without Management personnel being present at least once per annum. These meetings address, amongst other things, whether the external or internal auditors (as the case may be) have received co-operation from Management and whether there have been any impediments to carrying out their respective audits. The internal and external auditors have a direct line of communication with the Chairman of the Group Audit Committee.

Group Risk Committee

The Board has established a Group Risk Committee that assists the Directors in discharging the Board's responsibilities to set the risk appetite, promote awareness of a risk-based culture, oversee the risk profile and recommend the risk management framework of the MyState Limited Group to the Board.

The Committee is comprised of at least four non-executive Directors. The Chairman of the Committee must be an independent non-executive Director.

The Committee meets at least four times per annum and otherwise as required. The Group Risk Committee is comprised of Mr M L Hampton (Chairman), Mr T M Gourlay, Mr C M Hollingsworth, Mr I G Mansbridge and Mr N L d'Antoine. Details of Committee member's respective skills, qualifications are set out on pages 34 to 36, the number of Committee meetings that were held over the reporting period and the attendance of Committee members at these meetings are set out on page 63 of this Annual Report.

Under its Charter, the Group Risk Committee:

- Makes recommendations to the Board on the parameters of the Group's risk management strategy;
- Monitors the risk profile and oversees inherent market, liquidity, balance sheet, credit, operational and compliance risk management;
- Assists the Board in the management of compliance obligations including overseeing APRA statutory reporting requirements pertaining to risk matters;
- Ensures 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; and
- Ensures that appropriate controls are in place to effectively manage current and future risks and compliance requirements.

The Managing Director, Chief Financial Officer/ Company Secretary and Senior Manager Risk attend meetings on a regular basis, as required.

Group Human Resources and Remuneration Committee

The Board has established a Group Human Resources and Remuneration Committee that assists the Directors in discharging the Board's responsibilities in relation to Human Resource and Remuneration Policy.

The Committee is comprised of at least three non-executive Directors the majority of which are independent. The Chairman of the Committee must be an independent non-executive Director.

The Group Human Resources and Remuneration Committee is comprised of Mr P D Armstrong (Chairman), Mr N L d'Antoine, Mr R L Gordon and Mr A B Reidy. Details of Committee member's respective skills, qualifications are set out on pages 34 to 36, the number of Committee meetings that were held over the reporting period and the attendance of Committee members at these meetings are set out on page 63 of this Annual Report.

Under its Charter the Group Human Resources and Remuneration Committee's primary remuneration related responsibilities are reviewing and making recommendations to the Board on:

- Remuneration policy and arrangements for Directors;
- The remuneration and review of performance of the Managing Director and other Senior Executives;
- Matters such as a Company Share Scheme or other incentive schemes for Senior Executives and staff; and
- The general remuneration policy and practices of the Company, having regard to comparative remuneration in the financial services industry and independent advice. This includes an assessment of the Remuneration Policy's effectiveness and compliance with the requirements of APRA Prudential Standard (APS 510).

Formal performance evaluations have been undertaken for the Managing Director and Senior Executives during the current financial year in accordance with the process disclosed in this Annual Report.

These processes are also consistent with the ASX Principles.

The Committee also:

- Reviews and make recommendations to the Board in respect of Human Resources policy and procedures including the Corporate Code of Conduct and other policies relating to ethical conduct;
- Consults with the Board and Management regarding the negotiation and ratification of Industrial Agreements or Contracts for Senior Staff;
- Ensures compliance with relevant Company policies and legal requirements of employment (i.e. Occupational Health and Safety, Anti Discrimination etc); and
- Monitors programmes in place to ensure Company staff has skills in place to competently perform their roles, including a review of the Company's succession plan.

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 Group 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 fully compliant with all applicable laws and regulatory guidelines and 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.

Group Corporate Governance and Nomination Committee

The Board has established a Group Corporate Governance and Nomination Committee whose primary roles are to ensure that the Company adopts and adheres to the highest standards of corporate governance and 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.

The Committee and the Board are committed to ensuring that there is a transparent procedure for the selection, appointment and re-appointment of Directors to the Board. The Committee is responsible for making recommendations to the Board regarding:

- The general corporate governance policies and practices and best practice improvements;
- The necessary and desirable competencies of Directors;
- Board succession plans, including the succession of the Chairman and specific nominations for Directorship appointments, to maintain an appropriate mix of skills, experience, expertise and diversity on the Board;
- Appropriate policies and strategies to address Board diversity and to monitor the implementation of those policies;
- Formulating strategies on Board gender diversity and diversity in general (which includes age, ethnicity, culture and religion) and involves continuously reviewing the proportion of women at all levels of the Company;
- The Group's policy in relation to Board diversity and strategies to address Board diversity;
- The development of a process for the evaluation of the performance of the Board, its Committees and Directors;
- The appointment and re-election of Directors; and
- Effective new Director induction processes.

The Committee is comprised of at least three non-executive Directors the majority of which are independent. The Chairman of the Board is the Chairman of the Committee and must be an independent non-executive Director.

The Group Corporate Governance and Nomination Committee is comprised of Dr M J Vertigan AC (Chairman), Mr T M Gourlay, Mrs S Merridew and Mr A B Reidy. Details of Committee member's respective skills, qualifications are set out on pages 34 to 36, the number of Committee meetings that were held over the reporting period and the attendance of Committee members at these meetings are set out on page 63 of this Annual Report.

Group Mergers and Acquisitions Committee

The Board has established a Group Mergers and Acquisitions Committee whose primary role is to support the Board with the identification and analysis of merger, acquisition and investment opportunities for the Group in accordance with the Strategic Plan.

Under its Charter, the Group Mergers and Acquisitions Committee:

- Reviews acquisition strategies with the Group's Management and investigates merger, acquisition and investment candidates on behalf of the Group;
- Reviews merger, acquisition and investment strategies that are proposed to the Committee and then recommend candidates to the Board, as appropriate;
- Authorises and approves merger, acquisitions and investment investigations by the Group; and
- Considers appropriate consulting support and reviews relevant contracts for appointment (e.g. due diligence, legal support etc).

The Committee is comprised of at least three non-executive Directors the majority of which are independent. The Chairman of the Committee must be an independent non-executive Director.

The Group Mergers and Acquisitions Committee is comprised of Mr I G Mansbridge (Chairman), Mr R L Gordon, Mr M L Hampton, Mrs S Merridew and Mr C M Hollingsworth. Details of Committee member's respective skills, qualifications are set out on pages 34 to 36, the number of Committee meetings that were held over the reporting period and the attendance of Committee members at these meetings are set out on page 63 of this Annual Report.

Diversity

The Board approved the Company's Diversity Policy in February 2011, representing 'early adoption' of the related amendments to the ASX Corporate Governance Principles and Recommendations published on 30 June 2010. This early adoption clearly reflects the Company's commitment to the principles of diversity and that it both strongly recognises and appreciates the benefits that flow from fostering a balanced and diverse workforce - one which embraces differences in age, gender, culture and physical ability.

The Diversity Policy applies to all Companies within the Group and is available on the Company's website

The Company is strongly focused on attracting and retaining the most talented people. As part of this recruitment and retention strategy, diversity remains an important consideration throughout all levels of the organisation including the Board.

Diversity at Board Level:

In order to facilitate greater gender diversity at the Board level, the Diversity Policy requires:

- The Company to develop an appointment process for future Directors that takes diversity of background into account to fit and enhance the Board skills matrix (in addition to previous Board and leadership experience and candidates' skills and experience in a variety of specified fields); and
- The selection process for Board appointments must involve the following steps (including where the Company engages an external recruitment agency to identify and assess candidates):
  - a short-list identifying potential candidates for the appointment must be compiled and should include at least one woman candidate, subject to availability of suitable qualified candidates; and

- if, at the end of the selection process, a woman candidate is not selected, the Board must be satisfied that there are objective reasons to support its determination.

Diversity in the Workplace:

In order to facilitate greater gender diversity in Management and leadership roles, the Diversity Policy requires:

- The Managing Director to have reference to the Policy in selecting and assessing candidates and in presenting recommendations to the Board regarding appointments to the Senior Executive team; and
- The Board to also consider gender diversity and the objectives of the Policy when considering those recommendations.

In addition, the Policy requires the Company to:

- Implement policies which address impediments to gender diversity in the workplace and review their availability and utilisation;
- Monitor the effectiveness of and continue to expand on, existing initiatives designed to identify, support and develop talented women with leadership potential; and
- Continue to identify new ways to entrench diversity as a cultural priority across the Company.

Gender Diversity:

As at the 30 June 2011, women account for 69% of the Group's workforce and gender diversity by role within the Group sat at the following levels with percentages representative of women placed in all roles available at that job level:

Role Category	Women Representation %
Directors	10%
General Managers	Nil%
Senior Managers	22%
Middle Managers	52%
Entry Managers/Team Leaders	66%
Specialist Roles	68%
Generalist Roles	83%

The Board acknowledges that there is currently inequity in the representation of women at the Senior Manager level and above. The Board, however, considers the Company to be very well catered for in terms of gender diversity in all other levels of Management, with women well represented. Further development of this talented pool of women employees will be targeted through such Company initiatives as the Company's Leadership Development Program via identification through the Company's Succession Plan.

The Company is committed to identifying and implementing innovative ways to improve and better meet the needs of the talented women within the Company's workforce. These initiatives should see many of the Company's current Middle Management women employees well skilled and capable of applying for and progressing to Senior and General Manager positions which may arise in the future.

It is however important to note that the Group will still adhere to its Recruitment and Selection Policy and that the most suitable applicant for the role will always be successful, regardless of gender or any other demographic. The challenge is ensuring that the Company, as an employer, positions women employees well so as to be strongly considered for positions that arise, and that appropriate gender balance where possible is achieved when short listing applicants.

Diversity Objectives and Strategies:

The Diversity Policy provides that each year the Board will set measurable objectives with a view to progressing towards a balanced representation of women at a Board and Senior Executive level and that performance against these objectives will be reviewed annually by the Group Corporate Governance and Nomination Committee.

The Company's gender diversity strategy places emphasis on developing talented women and is not simply about increasing the number of women in the workforce. It seeks to ensure an ongoing focus to provide support and development for women throughout their career.

The Board's current set measurable objectives are detailed in the table below:

Measurable Diversity Objectives – Achievement Goal		
Objective 1:	Flexible Work Practices Procedures to be approved by the Group Human Resources and Remuneration Committee.	By June 2011
Objective 2:	Establish partnership/sponsorship/membership with an external body promoting a women's leadership initiative.	By June 2011
Objective 3:	The Group to expand the scope of the Company's Succession Planning program to identify high potential women managers and develop specific strategies to enhance the skills and experience of these managers to prepare them to take on Senior Manager/Executive Management roles. The General Manager Brands, Communications, People and Development to report annually to the Group Corporate Governance and Nominations Committee or Group Human Resources and Remuneration Committee on the success of this initiative.	Annually from June 2011
Objective 4:	The Company to implement an internal mentoring programme which aims to increase opportunities for women employees in Management or professional positions and from the Company's Future Leaders program to have access to Senior Managers and (for women in Senior Management) Directors.	June 2012
Objective 5:	Gender diversity target - Aim to increase the percentage of women in Senior Management positions (those positions either in the Company's Executive or reporting directly to the Company Executive) as vacancies arise, subject to identification of candidates with appropriate skills.	Women participation % by June 2013: - General Managers 15% - Senior Managers 33%
Objective 6:	Gender diversity target - The Board to develop a succession plan with an aim of increasing the representation of women on the Board.	Women participation by June 2013: 25%

Whilst it is difficult to set clear targets when the Company cannot predict natural attrition, nor changes to structure that may arise in the future, the Board believes that the targets set above are where the Company needs to be by that designated time and considers that the targets are realistic and achievable.

Other Diversity Initiatives:

In addition to its targeted gender related diversity initiatives, the Company is also currently proactively undertaking a number of other specific diversity initiatives, all of which the Board believe enhances the Company's ability to strategically diversify its workforce. Some of these include:

- On the job training placement, in association with Commonwealth Rehabilitation Services, to assist people recovering from physical and minor mental disabilities to gain work experience and aid in the process of transitioning back into the workforce. This may in some cases lead to permanent employment opportunity where such opportunity arises and participants are suitable for placement.
- Short term Indigenous Traineeships in association with Work and Training, providing work experience opportunities for young Indigenous Australians living in outlying areas, providing work experience in an industry they would not normally have ease of access to.
- Phase in retirement schemes to aid those nearing retirement age to transition into retirement slowly, allowing the Group to retain critical skills and knowledge whilst allowing the employee more control over their retirement by phasing into part time employment rather than making the difficult decision to go from full time to no work at all, a transition which is often difficult to make.
- Facilitating Traineeships through Work and Training allowing the Group to bring in young employees.

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 the Corporate Code of Conduct is 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 Code of Conduct is aimed at maintaining the highest ethical standards, behaviour and accountability across the Company.

Pursuant to the Code, employees and Directors are, among other things, expected to:

- Respect and comply with 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.

The Corporate Code of Conduct is consistent with ASX Principles and the Code is available via 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.

The Company has a Whistleblower Protection Policy for confidential reporting of unacceptable or undesirable conduct. The Whistleblower Protection Policy is designed to encourage employees to confidently and responsibly (anonymously if they wish) raise any concerns and report instances of unethical, fraudulent, non-compliant, suspicious or improper conduct without being subject to victimisation, harassment or discriminatory treatment.

More specifically, the purpose of this Policy is to:

- Encourage the reporting of matters that may cause financial or non-financial loss to the Company or damage to the Company's reputation;
- Enable the Company to effectively deal with reports from Whistleblowers in a way that will protect the identity of the Whistleblower and provide for the secure storage of the information provided;
- Formalise the Company's commitment to absolute confidentiality and fairness in dealing with all matters raised;
- Establish the protocols and procedures for supporting and protecting Whistleblowers who report violations in good faith against reprisal by any person internal or external to the entity;
- Provide for the appropriate infrastructure including the appointment of a 'Whistleblower Protection Officer' and a 'Whistleblower Investigations Officer' and alternative means of reporting; and
- Help to ensure the Company, Directors and employees maintain the highest standards of ethical behaviour and integrity at all times.

The Company will take all reasonable steps to protect a person who comes forward to disclose unacceptable or undesirable conduct, including disciplinary action (potentially resulting in dismissal) of any person taking reprisals against them.

Financial Reporting

Consistent with the ASX Principles, the Company's financial report preparation and approval process for the financial year ended 30 June 2011, involved both the Managing Director and Chief Financial Officer providing a written statement, to the best of their knowledge and belief, that:

- The financial records of the Company and its controlled entities for the financial year ended 30 June 2011 (Financial Period) have been properly maintained in accordance with section 286 of the *Corporations Act*;
- The financial statements and the notes referred to in section 295(3)(b) of the *Corporations Act* for the Financial Period comply with the accounting standards and other mandatory professional reporting requirements; and
- The Company's financial report presents a true and fair view, in all material respects, of the Company's financial condition and operating results.

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

Details on the Company's remuneration policies and practices are set out in the Remuneration Report which forms part of the Directors' Report attached to the Annual Report. The Remuneration Report includes details of remuneration of Directors and other Key Management Personnel of the Company and details of the Company's Executive Long Term Incentive Plan.

The Group Human Resources and Remuneration Committee assists the Directors in discharging the Board's responsibilities in relation to Human Resource and Remuneration Policy.

Non-executive Directors

The remuneration of non-executive Directors is structured separately from that of Executive Directors and Senior Executives.

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.

Details of the remuneration of each Director are set out in the Remuneration Report on pages 65 to 81 and in Note 41 of the financial statements.

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 fundamental objective of the Company's Remuneration Policy is to foster and maintain behaviour that supports the sustained financial performance and security of the Group and to reward Executive and Management efforts which increase shareholder and customer value.

The Remuneration Policy is premised on delivering long-term sustainable financial security through:

- 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
- Structuring short-term and long-term incentive performance criteria within the overall risk management framework of the Company.

Based on the above guiding principles, 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 65 to 81 and in Note 41 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 Risk management Framework, Risk Appetite Statement and Risk Management Processes that is aligned to strategy, normal business operations and corporate values to ensure the desired risk culture is achieved and maintained.
- 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 Group Audit Committee and the Group Risk Committee assist the Board in monitoring these issues.

MyState Limited has different firms providing internal and external audit services. Deloitte continues to provide outsourced internal audit services and monitor the internal control framework of the Company. The Group 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 Group Audit Committee at scheduled meetings.

The Company has an extensive process in place to review and update its risk registers and to manage identified risks and emerging issues. The Risk Appetite Statement consists of qualitative and quantitative statements, including key risk indicators, which are regularly monitored and reviewed to ensure all risk taking remains within the Group's desired risk appetite. This process includes regular review and reporting of risks associated with the core 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

The Company's external auditors for the financial year are Wise Lord and Ferguson. The effectiveness, performance and independence of the external auditor is annually reviewed by the Group Audit Committee. If it becomes necessary to replace the external auditor for performance or independence reasons, the Group Audit Committee will then formalise a procedure and policy for the selection and appointment of a new external 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 Group Audit Committee and the Board for the financial year ended 30 June 2011. The independence declaration forms part of the Directors' Report and is set out on page 64 of this Annual Report.

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*, prior approval of the Group Audit Committee is required for the provision of any non-audit services to the Company or its businesses by the external auditor. The Group 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 Group 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.

Remuneration of external auditor

Information about the total remuneration of the external auditor, including details of remuneration for any non-audit services, is set out in note 42 of the financial statements.

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 about the conduct of the audit and the preparation and content of the Auditor's Report.

Share Trading

The Company's Constitution allows Directors to acquire shares in the Company. In addition, the Board encourages Directors, Senior Executives and employees to own MyState shares to further align their interests with the interests of shareholders. Details of Directors' shareholdings are set out in the Directors' Report under the heading 'Directors' Interests' on page 63.

The Company undertook a comprehensive 'best practice' review and update of its Share Trading Policy during the financial year and the revised Policy is available on the Company's website.

The Share Trading Policy:

- Provides a summary of the insider trading prohibition and sets out the specific requirements in relation to the buying, selling or otherwise dealing in the Company's shares, or shares in other companies;
- Establishes procedures relating to buying and selling shares that provides protection to the Company, Directors and employees so as to ensure they do not abuse, and do not place themselves under suspicion of abusing, inside information that they have or may be thought to have, especially in periods leading up to an announcement of MyState's results; and
- Explains the type of conduct that is prohibited under the *Corporations Act*.

The Company's Share Trading Policy specifically regulates share dealings by the following defined 'Designated Persons':

- MyState Directors and other Key Management Personnel as defined by the *Corporations Act* and published in the Company's Remuneration Report;
- All members of the Executive Team ('ET'), to be constituted by the Managing Director and as notified to the ASX from time to time;

- All direct reports of members of the ET;
- All staff employed by:
  - Secretariat
  - Finance
  - Treasury
  - Risk
  - Legal and Compliance; and
- Other persons specified from time to time by the Managing Director, Chief Financial Officer/ Company Secretary.

The Share Trading Policy further aims to ensure that all Directors, employees and contractors are aware of the requirements to comply with insider trading prohibitions while in possession of unpublished price-sensitive information about:

- MyState; or
- In certain circumstances, about another company where, through an association with MyState, unpublished price-sensitive information is obtained about that company.

Price-sensitive information is information which a reasonable person would expect to have a material effect on the price or value of securities.

Accordingly, under the Share Trading Policy, Designated Persons must not deal in MyState shares if the Designated Person is in possession of unpublished information that, if generally available, might have a material effect on the price or value of the Company's shares or influence investors in deciding whether or not to buy or sell the shares. Subject always to this, the Board has established a policy that Designated Persons may only buy, sell or otherwise deal in the Company's shares during the following window periods:

- In the period between 3 days and 2 months after the release of the Company's half yearly results to the ASX;
- In the period between 3 days after the release of the Company's annual results to the ASX and 2 months after the close of the Company's Annual General Meeting; and
- At such other times as the Board permits.

Designated Persons must notify the Company Secretary:

- Before they or a relative buy, sell or otherwise deal in MyState shares during a window period; and
- If the proposed purchase, sale or other dealing does not occur within the relevant window period as previously notified to the Company Secretary.

In addition, members of the Executive Team may only buy, sell or otherwise deal in MyState shares during a window period if they have obtained the prior approval of the Chairman of the Board.

In these notifications, the Designated Person must declare that, at the time of the proposed purchase, sale or other dealing in MyState shares, they will not be in possession of any price sensitive information relating to MyState which is not generally available.

In exceptional circumstances and only after being granted approval, Designated Persons may trade in MyState shares outside the approved trading windows where, for example, there is severe financial hardship suffered by them or where required to do so by law. Approval will only be granted if the request is accompanied by sufficient evidence that the proposed purchase, sale or other dealing in MyState shares is the only reasonable course of action available in the circumstances, the Designated Person does not possess any price-sensitive information and a declaration to this effect is made.

The Company's Share Trading Policy clearly prohibits the hedging of any economic exposure to MyState 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 all announcements to the Australian Securities Exchange.

The Company is openly and transparently committed to complying with its continuous disclosure obligations under the ASX Listing Rules and the *Corporations Act* and by doing so ensuring that all shareholders and investors have equal and timely access to material information concerning the Company including its financial position, performance, ownership and governance.

The Company's Market Disclosure and Communications Policy is consistent with the ASX Principles and sets out the measures adopted by the Company to ensure its continuous disclosure obligations are met. The Policy attributes accountability at a Senior Executive level for that compliance. In particular, the Policy sets out how information will be identified, considered for disclosure and then (if necessary) disclosed by the Company to the market.

The Company's Market Disclosure and Communications Policy is available on the Company's website. Pursuant to the Policy, announcements made by the Company must be timely, factual, not omit material information, and be expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

The Policy is designed to:

- Provide advice on the requirements for disclosure of information to the market;
- Maintain the market integrity and market efficiency of the Company's securities;
- Ensure timely and accurate information is provided equally to all shareholders and market participants regarding the Company including its financial situation, performance, ownership, strategies, activities and governance;
- Ensure channels for disseminating information are adopted which are fair, timely and cost-efficient; and
- Ensure the Company does not communicate material price, or value sensitive information to any external party prior to that information being disclosed to all shareholders and market participants in compliance with its continuous disclosure obligations.

The Company's website contains copies of all ASX announcements covering such publications as annual financial reports, half year results, Notices of Meeting, media releases and analyst and investor briefings, with the latter released prior to or simultaneously with the commencement of the briefing.

The Board is responsible for reviewing material information and determining what information must be disclosed and ensuring that the Company complies with all disclosure obligations, including responsibility for ensuring that adequate processes are in place for the identification of inside information and the maintenance of the Company's insider lists of people in possession of inside information. The Company Secretary liaises with the Managing Director and the Chairman in relation to all continuous disclosure matters.

The Company Secretary is the nominated disclosure officer and has responsibility for overseeing and coordinating disclosure of information to the Australian Securities Exchange and administering the Policy.

The Board regularly evaluates the Policy to ensure that is effective in ensuring accurate and timely disclosure in accordance with the Company's disclosure obligations and that it remains consistent with best practice in the market place.

The Group Risk Committee also annually reviews the Company's adherence to Policy procedures.

Communications with Shareholders

The Company recognises the importance of effective, forthright, clear and transparent communication as a key plank in building shareholder value.

To prosper and achieve growth, the Company must (among other things) earn the trust of our employees, customers, suppliers, the community and security holders by being forthright in its communications and consistently delivering on its commitments.

The Company is accordingly committed to delivering communications that are informative and in plain, easily understood language so that all its stakeholders can find the information they need, read it, understand it and use it in a useful and practical way.

The Board is committed to monitoring ongoing developments that may improve the Company's Shareholder communication practices, including technological developments, regulatory changes and the continuing development of market place 'best practice' and whenever reasonably practicable to implement changes to the Company's communication protocols to reflect any such developments.

The Company's website is a pivotal plank in the Company's communication strategy with shareholders and the market. It has been designed to enable information to be obtained in a clear and readily accessible manner. The Company's website has a dedicated Corporate Governance section which supplements the communication to shareholders in the Annual Report regarding the Company's corporate governance policies and practices.

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

In addition to its formal disclosure obligations under the ASX Listing Rules, the Company's communications strategy promotes regular communication of information to Shareholders through a range of other forums and publications. These include:

- The Company's Annual General Meeting and accompanying notices and explanatory memoranda;
- The Chairman's address at the Annual General Meeting;
- Distribution of the annual and half yearly reports;
- Publishing a financial calendar on its website detailing target dates for the release of half year and full year results, other financial information, shareholder meetings and business briefings; and
- Trading updates and market/investor briefings.

The Company recognises the importance of the relationship between the Company and investors and analysts. From time to time the Company conducts analyst and investor briefings. In these cases the following protocols will apply:

- No information which could be expected to have a material effect on the price or value of the Company's securities will be disclosed at these briefings unless it has been previously or is simultaneously released to the market.
- If material information of the kind outlined above is inadvertently released it will immediately be released to the market via the securities exchange and be available on the Company's website.
- Questions at briefings that deal with material information not previously disclosed will not be answered.
- The Company will ensure a copy of the presentation material is available on the Company's website.

Annual General Meeting ('AGM'):

The Company's AGM is a major forum for Shareholders to ask questions about the performance of the Company and also provides an opportunity for Shareholders to provide feedback to the Company about information provided to shareholders.

The Board encourages and welcomes Shareholder attendance at, and participation in, the AGM at which the external auditor is available to answer Shareholder questions about the conduct of the audit and preparation and content of the Independent Audit Report.

Shareholders are encouraged to use this opportunity to ask questions of the Board and the external auditor.

The 2011 Notice of Annual General Meeting will be provided to all Shareholders and posted on the Company's website.

For Shareholders unable to attend, an AGM Question Form will accompany the Notice of Meeting, giving Shareholders the opportunity to forward questions and comments to the Company or the external auditor prior to the AGM.

Additional Company Policies

In addition to the policies and procedures discussed above, the Company has also implemented a wide range of policies forming part of its broader governance documentation suite. Where appropriate, these policies are supplemented by supporting Company procedures and guidance releases designed to ensure that the requisite standards of operation are maintained. Copies of key policies are available on the corporate governance section of the Company's website.

Your Directors present their report on MyState Limited ACN 133 623 962 (the Company) for the financial year ended 30 June 2011.

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, FAMI
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,
Independent non-executive Director
Appointed 12 February 2009.

Robert L Gordon BSc, MIFA, MAICD, 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 B Ec(Hons), FCIS, FCPA, FAICD
Independent non-executive Director
Appointed 12 February 2009.

Colin M Hollingsworth CPA, 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 34-36 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 Services	Trustee Services	Wealth Management
Transactional and internet banking	Estate planning	Financial planning
Insurance and other alliances	Estate and trust administration	Managed fund investments
Savings and investments	Power of attorney	Portfolio Administration Services
Business banking	Corporate and custodial trustee	Portfolio Advisory Services
Personal and business lending		Private Client Services

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 $22,019,846 (2010: $17,341,323)

Dividends

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

(a) A fully franked dividend of 12.5 cents per share for the year ended 30 June 2010 paid 30 September 2010.

(b) An interim fully franked dividend of 12 cents per share for the year ended 30 June 2011 paid 31 March 2011.

(c) A final fully franked dividend of 15 cents per share declared for the year ended 30 June 2011 to be paid on 7 October 2011.

Further details are set out in Note 11of the financial statements.

Review and Results of Operations

Profit after tax for the year ended 30 June 2011 increased by 27% to $22.019 million, compared to the 2010 result of $17.341 million. The prior year result included profit from Tasmanian Perpetual Trustees Limited for the 10 month period post the merger with MyState Financial Limited. Return on Equity for the year ended 30 June 2011 was 10.76% up from 8.74% the previous year and earnings per share was 32.65 cents up 18.9% on the prior period.

This represents a strong result in a period of intense competition and subdued economic activity and reflects the continued progress being made in delivering the cost synergies and revenue gains from the merger of MyState Financial (MSF) and Tasmanian Perpetual Trustees (TPT) in September 2009. The results also confirm the strengths of MyState Limited's brands and ability to win business and maintain strong customer loyalty through the delivery of exceptional customer service and highly competitive offerings.

The result contains one-off costs flowing from the merger implementation, associated with restructuring and redevelopment of the business, together with a significant level of reinvestment in the strategic priorities of the business.

The Group has continued to take market share from local competitors, with the MSF home lending portfolio growing by $151 million or 10.48% compared to national system growth of 6.30% and the household deposit portfolio growing by $98 million or 7.93% compared to national system growth of 7.35%. Importantly MSF has managed to achieve this result while still maintaining a healthy average net interest margin of 3.23%, slightly up on last year.

Despite seven increases in the official RBA cash rate and more difficult economic conditions, the MSF 30 day secured loan arrears is still sitting at less than 1% by value, far less than that reported by major and second tier banks. Continuing high credit quality is testimony to the Group's rigorous credit assessment processes as well as the quality of on-going customer relationship management.

MyState Financial's net interest margin over the past 12 months was relatively stable compared with the volatilities experienced in the previous years. The first six months was negatively impacted by higher deposit rates in an aggressive funding market with the second six months impacted positively by the increase to the official cash rate in November, combined with strong loan growth as well as a noticeable softening in retail term funding markets.

MyState Limited 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 has had a significant positive effect on MyState Financial liquidity and capital adequacy ratios.

Revenues in the Trustee Company are stable as is the retail managed investment portfolio at approximately $930 million, whilst wealth management funds under advice remains constant at around $740 million.

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 the that the Directors have resolved to merge with The Rock Building Society Limited through a Scheme of Arrangement. Further details are available from the ASX Company Announcements Platform.

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.

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 2010/2011

	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	13	-	-	-	-	3	3	-	-	4	4	-	-
P D Armstrong	13	13	5	6	-	-	6	6	-	-	-	-	-	-
N L D'Antoine*	12	13	-	-	1	1	5	6	1	1	-	-	-	-
R L Gordon*	13	13	-	-	-	-	5	6	1	1	-	-	1	1
T M Gourlay	12	13	-	-	3	4	-	-	-	-	3	4	-	-
M L Hampton	12	13	6	6	4	4	-	-	-	-	-	-	3	3
C M Hollingsworth	13	13	6	6	4	4	-	-	-	-	-	-	3	3
I G Mansbridge	12	13	-	-	4	4	-	-	1	1	-	-	3	3
S Merridew	13	13	6	6	-	-	-	-	1	1	4	4	3	3
A B Reidy*	11	13	-	-	-	-	3	3	1	1	3	4	-	-
G J Gilbert	13	13	-	-	-	-	-	-	-	-	-	-	-	-

* Denotes change in Committee Membership.

** Committee Disbanded following Board Meeting 25 January 2011.

A - Number of meetings attended.

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	-	437,403
P D Armstrong	387	774	-	-
N L d'Antoine	29,920	80 ,600	64,355	298,628
G J Gilbert	-	-	-	-
R L Gordon	387	-	-	-
T M Gourlay	387	387	-	-
M L Hampton	-	500,000	-	-
C M Hollingsworth	3,000	7,274	-	-
I G Mansbridge	170,000	-	-	-
S Merridew	4,000	20,000	-	-
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 42 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 Group 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 Group 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.

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 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

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

D McCarthy
Partner
Wise Lord & Ferguson

30 August 2011
Hobart

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.

This Remuneration Report forms part of the Directors' Report and outlines the Director and Executive remuneration arrangements of MyState Limited for the year ended 30 June 2011 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.

Group Human Resources and Remuneration Committee

The Board has established a Group Human Resources and Remuneration Committee ('GHRRC') that assists the Directors in discharging the Board's responsibilities in relation to Remuneration Policy by reviewing and making recommendations to the Board on:

- Remuneration policy and arrangements for Directors;
- The remuneration and review of performance of the Managing Director and other Senior Executives;
- Matters such as the Company's Employee Share Scheme or other incentive schemes for Senior Executives and staff; and
- The general remuneration policy and practices of the Company, having regard to comparative remuneration in the financial services industry and independent advice. This includes an assessment of the Remuneration Policy's effectiveness and compliance with the requirements of APRA Prudential Standard (APS 510).

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 GHRRC has continued to enhance remuneration practices during the course of the year, to ensure the Company's Policy and practices are fully compliant with all applicable laws and regulatory guidelines and clearly fall within the Community's expectations of appropriate remuneration and reward practices.

Remuneration philosophy

The fundamental objective of the Company's Remuneration Policy is to foster and maintain behaviour that supports the sustained financial performance and security of the Group and to reward Executive and Management efforts which increase shareholder and customer value.

The Remuneration Policy is premised on delivering long-term sustainable financial security through:

- 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.

In accordance with best practice corporate governance, the structure of non-executive Director remuneration is separate and distinct from Executive 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)
C L Kent	General Manager – Brands, Communications, People and Development (appointed 11 January 2010, resigned 8 July 2011)
T M Rutherford	General Manager – Technology and Operations (appointed 11 January 2010)
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.

Consequences of performance on Shareholder wealth

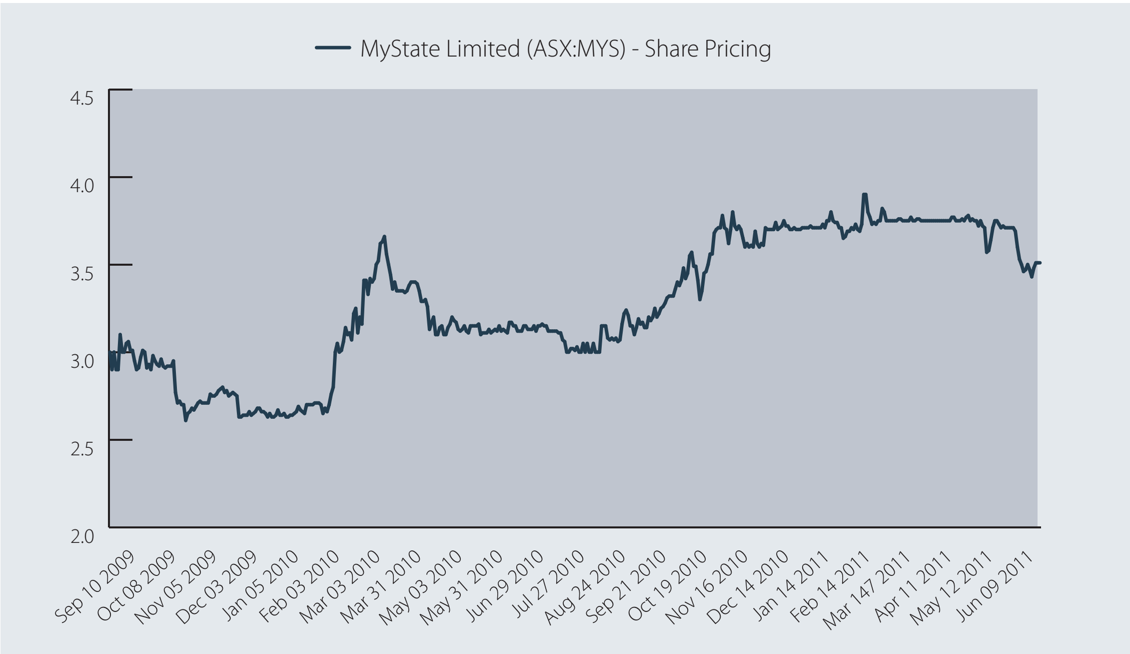
In considering the consolidated entity's performance and benefits for Shareholder wealth, the GHRRC has regard to the following indices:

Indicator	2011	2010 [2]	Change %
Profit after income tax	$22,019,846	$17,341,323	27.23%
Earnings per share	32.65 cents	27.46 cents	19.16%
Dividends paid	$16,522,942	$13,482,212	22.55%
Change in share price [1]	$3.51	$3.12	12.5%
Return of capital	Nil	Nil	

[1] See share price chart below.

[2] Tasmanian Perpetual Trustees Limited trading 10 months and MyState Financial trading 12 months in Financial Year 2010.

Share price movements for MYS since listing are illustrated in the graph below:



The consolidated entity ultimately assesses its performance from increases in earnings and shareholder value. The performance measures for triggering both the Company's cash based Short Term Incentive Plan and Long Term Incentive Plan have been tailored to align 'at-risk' remuneration and performance hurdle thresholds to the delivery of financial and operational objectives and sustained shareholder value growth.

Non-executive Director Remuneration

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 Board reviews its fees to ensure the Company's non-executive Directors are fairly remunerated for their services, recognising the level of skill and experience required to conduct the role and to have in place a fee scale which enables the Company to attract and retain talented non-executive 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. 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.

Managing Director and Executive Remuneration

i. Key Management Personnel Remuneration Policy

The primary responsibility of the GHRRC 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 GHRRC 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. Fixed Annual Remuneration (FAR)

The FAR is paid by way of cash salary, superannuation and fringe benefits and is reviewed annually by the GHRRC. In addition, external consultants provide analysis and advice to ensure Executives' remuneration is competitive in the marketplace. The total employment cost of any remuneration package, including fringe benefits tax, is taken into account in determining an employee's FAR.

iii. Cash based short term incentive

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% and based upon Key Performance Indicators (KPI's) to be agreed with the Board; and
- Other Executives - up to 15% and based upon KPI's to be agreed between the Executive and the Managing Director with reference to those applicable to the Managing Director.

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

The GHRRC recommended and the Board approved 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. These transitional arrangements are summarised in a later section of this Remuneration Report.

Each year the GHRRC sets the KPI's for the Managing Director who, in turn, sets KPI's for Executives. The GHRRC selects performance objectives which provide a robust link between Executive reward and the key drivers of long term shareholder value.

The KPI's 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 to best align the individual's reward to the KPI's of the Company and its overall performance.

In the 2010/11 financial year, the STI KPI's for the Executives were weighted as follows:

Manager Director	
Financial Outcomes Based	25%
Non-financial Outcomes Based	75%
Other Executives	
Financial Outcomes Based	25%
Non-financial Outcomes Based	75%

The financial performance objectives relate to profit after income tax compared to budgeted amounts and the maintenance of capital and liquidity with company policy levels plus cost/income ratio. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, compliance and support of the Company's risk management policies and compliance culture, customer satisfaction and staff development.

After the end of the financial year, the Chairman assesses the actual performance of the Company and the Managing Director against the KPI's set at the beginning of the financial year. Based upon that assessment, a recommendation is made to the GHRRC as to the STI payment.

After the end of the financial year, the Managing Director assesses the actual performance of the Company and the Executives against their KPI's set at the beginning of the financial year. Based upon that assessment a recommendation is made to the GHRRC as to the STI payment.

The GHRRC 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. Executive Long Term Incentive Plan

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 as follows:

- For the Managing Director - 50%; and
- For the General Managers and Chief Financial Officer/Company Secretary - 30%.

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 relevant performance period. The performance criteria to apply over the performance period are as follows:

- 2009 and 2010 ELTIP offers made - growth in Earnings Per Share outcomes (EPS) and Total Shareholder Return (TSR) with the respective measures weighted equally; and
- 2011 ELTIP offer yet to be made - growth in TSR.

ELTIP performance assessment will be measured against the performance of 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.

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 (e.g. 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 or is at the initiation of the Company without cause. 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. 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.

a) 2009 ELTIP offer and 2010 ELTIP offer

The 2009 ELTIP Offer applies to the three year performance period commencing 1 July 2009 and ending on 30 June 2012.

The 2010 ELTIP offer applies to the three year performance period commencing 1 July 2010 and ending on 30 June 2013.

ELTIP performance assessment for the 2009 Offer will be measured against the performance of companies sized by market capitalisation within the S&P/ASX 201 - 300 Industrial Index (the 2009 benchmark group).

ELTIP performance assessment for the 2010 Offer will be measured against the performance of companies sized by market capitalisation within the S&P/ASX 300 Index (the 2010 benchmark group).

In respect of each of these respective ELTIP offers, any reward payable to any member of the Executive Team 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.
- MyState Limited EPS baseline for calculation of the 2010 ELTIP offer is to be 27.46cps.

- 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.
  - MyState Limited share price baseline for TSR calculation for the 2010 ELTIP offer is $3.12.

b) 2011 ELTIP Offer

For offers to be made during the financial year ended 30 June 2012 ('2011 ELTIP offer'), the three year performance period commencing 1 July 2011 and ending on 30 June 2014 will apply.

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

In the 2011 ELTIP offer, any reward payable to any member of the Executive Team will be calculated as follows:

- 100% 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 2011 ELTIP will be determined at the time the offer is made.

The Board has determined that 100% of the ELTIP reward will be determined based totally upon TSR for the 2011 offers. This differs from the 2009 and 2010 Offers, which provided for 50% of the ELTIP reward to be determined based upon 50% TSR weighting and 50% EPS. The Board resolved to move to the TSR only mechanism for 2011 and onwards (as reflected in the revised Remuneration Policy lodged with the ASX) due to statistical difficulties encountered in valuing the EPS component of the potential rewards.

Details of offers made under the 2009 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

Details of offers made under the 2010 ELTIP are as follows:

	Managing Director	Other Executives
Date of offer ('Grant' date)	29 March 2011	29 March 2011
Performance period	1 July 2010 – 30 June 2013	1 July 2010 – 30 June 2013
Maximum number of shares that may be allocated under the offer	59,840	104,731
Value of the offer	$225,000	$393,789
Share price used in the calculations of the offer	$3.76	$3.76

v. Terms of Employment

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; and
- 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	$470,250 per year (Subject to ongoing annual market based review mechanisms)
	Termination Provisions	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. An STI payment for the year in which the termination takes effect equivalent to 100% of that year's applicable STI. 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. If the Company does not offer a further 2 year term, the application of the ELTIP shall be as follows: 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. 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, 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	$281,840 per year [(1)]
	Termination Provisions	12 months TFR plus STI for current year and pro-rata ELTIP for current offers [(2)]
General Manager – Brands, Communications, People and Development - C L Kent [(3)]	Commencement Date	11 January 2010
	Contract Term	No Fixed Term
	Fixed Annual Remuneration	$257,700 per year [(1)]
	Termination Provisions	12 months TFR plus STI for current year and pro-rata ELTIP for current offers [(2)]
General Manager – Retail Banking and Distribution - D W Turner	Commencement Date	11 January 2010
	Contract Term	No Fixed Term
	Fixed Annual Remuneration	$257,700 per year [(1)]
	Termination Provisions	12 months TFR plus STI for current year and pro-rata ELTIP for current offers [(2)]
General Manager – Wealth Management and Trustee Services - D E Benbow	Commencement Date	11 January 2010
	Contract Term	No Fixed Term
	Fixed Annual Remuneration	$257,700 per year [(1)]
	Termination Provisions	12 months TFR plus STI for current year and pro-rata ELTIP for current offers [(2)]
General Manager – Technology and Operations - T M Rutherford	Commencement Date	11 January 2010
	Contract Term	No Fixed Term
	Fixed Annual Remuneration	$257,700 per year [(1)]
	Termination Provisions	12 months TFR plus STI for current year and pro-rata ELTIP for current offers [(2)]

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.

[(1)] Subject to ongoing annual market based review mechanisms.
[(2)] Subject to Shareholder approval, if over 1 year TFR.
[(3)] Resigned 8 July 2011.

Remuneration of Key Management Personnel

		Salary & Fees	Cash Bonus[2]	Non-Monetary Benefits	Post Employment Superannuation	Termination Benefits	Share Based Payment[1]	Total
Non-Executive Directors		$	$	$	$	$	$	$
M J Vertigan AC	**2011**	**118,939**	**-**	**-**	**10,704**	**-**	**-**	**129,643**
	2010	117,773	-	-	10,600	-	-	128,373
P D Armstrong	**2011**	**56,244**	**-**	**-**	**13,564**	**-**	**-**	**69,808**
	2010	56,321	-	-	11,190	-	-	67,511
N L d'Antoine	**2011**	**19,447**	**-**	**-**	**50,001**	**-**	**-**	**69,448**
	2010	33,252	-	-	46,025	-	-	79,277
R L Gordon	**2011**	**59,470**	**-**	**-**	**5,352**	**-**	**-**	**64,822**
	2010	49,209	-	-	12,489	-	-	61,698
T M Gourlay	**2011**	**45,469**	**-**	**-**	**19,353**	**-**	**-**	**64,822**
	2010	42,082	-	-	19,617	-	-	61,699
M L Hampton	**2011**	**47,058**	**-**	**-**	**22,750**	**-**	**-**	**69,808**
	2010	63,728	-	-	5,735	-	-	69,463
C M Hollingsworth	**2011**	**21,188**	**-**	**-**	**48,621**	**-**	**-**	**69,809**
	2010	19,889	-	-	50,247	-	-	70,136
I G Mansbridge	**2011**	**63,024**	**-**	**-**	**5,672**	**-**	**-**	**68,696**
	2010	59,062	-	-	5,316	-	-	64,378
S Merridew	**2011**	**59,470**	**-**	**-**	**5,352**	**-**	**-**	**64,822**
	2010	60,715	-	-	5,464	-	-	66,179
A B Reidy	**2011**	**46,137**	**-**	**-**	**18,685**	**-**	**-**	**64,822**
	2010	49,139	-	-	19,497	-	-	68,636
Sub Total	**2011**	**536,446**	**-**	**-**	**200,054**	**-**	**-**	**736,500**
Non Executive Directors Remuneration:	2010	551,170	-	-	186,180	-	-	737,350

		Salary & Fees	Cash Bonus[2]	Non-Monetary Benefits	Post Employment Superannuation	Termination Benefits	Share Based Payment[1]	Total
Executive Director		$	$	$	$	$	$	$
G J Gilbert [3]	**2011**	**410,667**	**141,075**	**11,681**	**62,858**	**-**	**75,629**	**701,910**
	2010	376,288	135,000	5,434	34,355	-	56,836	607,913
Executives								
D E Benbow	**2011**	**215,847**	**38,654**	**6,000**	**38,348**	**-**	**17,117**	**315,966**
	2010	170,101	45,244	29,462	19,655	-	5,000	269,462
C L Kent [4]	**2011**	**251,685**	**38,654**	**4,999**	**28,748**	**315,183**	**30,311**	**669,580**
	2010	182,804	44,717	21,486	17,950	-	5,000	271,957
T M Rutherford	**2011**	**225,256**	**38,654**	**6,191**	**27,638**	**-**	**17,117**	**314,856**
	2010	192,798	46,490	12,948	16,358	-	5,000	273,594
D W Turner	**2011**	**218,495**	**38,654**	**11,587**	**30,367**	**-**	**17,117**	**316,220**
	2010	177,690	45,240	14,690	19,538	-	5,000	262,158
P K M Viney	**2011**	**253,127**	**42,274**	**-**	**32,169**	**-**	**18,719**	**346,289**
	2010	226,249	59,030	-	20,362	-	5,471	311,112
Sub Total	**2011**	**1,575,077**	**337,965**	**40,458**	**220,128**	**315,183**	**176,010**	**2,664,821**
Executive Remuneration:	2010	1,325,930	375,721	84,020	128,218	-	82,307	1,996,196
Total	**2011**	**2,111,523**	**337,965**	**40,458**	**420,182**	**315,183**	**176,010**	**3,401,321**
	2010	1,877,100	375,721	84,020	314,398	-	82,307	2,733,546

(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, in respect of the 2010/11 financial year STI offers, has been accrued on the basis that it is probable that the executive management team will meet their respective KPI's for the period. Any adjustments between the actual amounts to be paid as determined by the GHRRC and Board and the amounts accrued will be adjusted and disclosed in the MyState Limited financial statements for 2012. In addition, the disclosed amounts include satisfaction of prior year STI obligations.

(3) Appointed Managing Director on 10 December 2009.

(4) Mr Kent resigned from the Company effective 8 July 2011. Remunerations amounts disclosed for Mr Kent Included; the amount paid for redundancy, payment In lieu of notice, the cost of the share based payment expense in relation to his outstanding ELTIP entitlement and other adjustments to his cash salary in respect of salary sacrifice arrangements. These amounts were paid to Mr Kent on or after 8 July 2011.

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 – Brands, Communications, People and Development - C L Kent [1]	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 – Technology and Operations - T M Rutherford	15%	New STI rate specified in 11 January 2010 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.

[1] Mr Kent resigned 8 July 2011.

STI and ELTIP allocations during 2010/11 Financial Year

During the 2010/11 financial year, the Managing Director and Executives were paid their STI entitlement in respect of the 2009/10 financial year. Details of the amounts paid and forfeited are set-out in the accompanying table. Determination of the STI entitlements for the 2010/11 financial year has not yet occurred and payment has not taken place, as at the date of this report.

The minimum and maximum STI's to be paid to Executives in the 2010/11 financial year performance period are as follows:

Name	Maximum STI	Minimum STI
Managing Director	**$**	**$**
G J Gilbert	141,075	Nil
Other Executives	**$**	**$**
D E Benbow	38,655	Nil
T M Rutherford	38,655	Nil
D W Turner	38,655	Nil
P K M Viney	42,276	Nil

Offers made under ELTIP to the Managing Director and Executives have not yet crystallised for the 2009/10 year as they have not completed the performance period to allow a determination for final entitlements.

However, due to the resignation of Mr Kent, his outstanding STI and ELTIP entitlements have been determined In accordance with the relevant offers and plan rules. Mr Kent received 100% of his entitlement under the 2010/11 STI and 100% of his pro-rata entitlement under the '2009' and '2010' ELTIP offers.

The cost of these outstanding entitlements for Mr Kent is included in the amounts disclosed In the Remuneration of Key Management Personnel table.

Offers made in 2009/10 Year

Name	Short Term		ELTIP	
Managing Director	**Paid %**	**Forfeited %**	**Awarded %**	**Forfeited %**
G J Gilbert	100	0	n.a.	n.a.
Other Executives	**Paid %**	**Forfeited %**	**Awarded %**	**Forfeited %**
D E Benbow	100	0	n.a.	n.a.
C L Kent [1]	100	0	100	0
T M Rutherford	100	0	n.a.	n.a.
D W Turner	100	0	n.a.	n.a.
P K M Viney	100	0	n.a.	n.a.

(1) Mr Kent resigned 8 July 2011.

Offers made in 2010/11 Year

Name	Short Term		ELTIP	
Managing Director	**Paid %**	**Forfeited %**	**Awarded %**	**Forfeited %**
G J Gilbert	n.a.	n.a.	n.a.	n.a.
Other Executives	**Paid %**	**Forfeited %**	**Awarded %**	**Forfeited %**
D E Benbow	n.a.	n.a.	n.a.	n.a.
C L Kent [1]	100	0	100	0
T M Rutherford	n.a.	n.a.	n.a.	n.a.
D W Turner	n.a.	n.a.	n.a.	n.a.
P K M Viney	n.a.	n.a.	n.a.	n.a.

[1] Mr Kent resigned 8 July 2011.

STI Contractual Arrangements Going Forward

Title	STI % of TFR	Notes
Managing Director - G J Gilbert	30%	Based upon KPI's to be agreed with the Board.
General Manager – Wealth Management and Trustee Services - D E Benbow	15%	Based upon KPI's 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 KPI's 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 KPI's 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 KPI's to be agreed between the Executive and the Managing Director with reference to those applicable to the Managing Director.

Signed in accordance with the resolution of the Directors.

Dr Michael Vertigan AC
Chairman

John Gilbert
Managing Director

30 August 2011
Hobart

Our Results

OUR RESULTS

Income Statement

For the Financial Year Ended 30 June 2011

MyState Limited

	Notes	Consolidated		Company	
		30 June 2011 $	30 June 2010 $	**30 June 2011 $**	30 June 2010 $
Interest income	3	**151,680,743**	120,998,943	**81,858**	-
Interest expense	3	**(84,074,437)**	(60,982,881)	**-**	-
Net interest margin		**67,606,306**	60,016,062	**81,858**	-
Other revenue	4	**35,675,196**	34,583,389	**22,808,779**	25,707,067
Other expenses	5	**(68,366,146)**	(66,319,736)	**(6,368,038)**	(8,057,942)
Profit before bad and doubtful debts and income tax		**34,915,356**	28,279,715	**16,522,599**	17,649,125
Less bad and doubtful debts	18 (b)	**(3,990,872)**	(3,621,951)	**-**	-
Profit before income tax expense	6	**30,924,484**	24,657,764	**16,522,599**	17,649,125
Income tax expense/(benefit)	8	**8,904,638**	7,316,441	**(428,268)**	(686,926)
Net profit after income tax		**22,019,846**	17,341,323	**16,950,867**	18,336,051
Basic earnings per share (cents per share)	13	**32.65**	27.46		
Diluted earnings per share (cents per share)	13	**32.65**	27.46		

The accompanying notes form part of these financial statements.

Statement of Comprehensive Income

For the Financial Year Ended 30 June 2011

MyState Limited

	Consolidated		Company	
	30 June 2011 $	30 June 2010 $	**30 June 2011 $**	30 June 2010 $
Net profit after income tax	**22,019,846**	17,341,323	**16,950,867**	18,336,051
Other comprehensive income/(expense):				
Cashflow hedge movements	**78,273**	3,354,286	**-**	-
Net fair value gains/(losses) on available for sale financial assets	**428,764**	(383,246)	**-**	-
Fair value revaluation of land and buildings	**176,321**	(955,060)	**-**	-
Income tax on other comprehensive income	**(205,007)**	(604,794)	**-**	-
Total other comprehensive income for the period	**478,351**	1,411,186	**-**	-
Total comprehensive income for the period	**22,498,197**	18,752,509	**16,950,867**	18,336,051
Total comprehensive income for the period is attributable to:				
Ordinary equity holders of MyState Limited	**22,498,197**	18,752,509	**16,950,867**	18,336,051
Total comprehensive income for the period	**22,498,197**	18,752,509	**16,950,867**	18,336,051

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2011

MyState Limited

	Notes	Consolidated		Company	
		30 June 2011 $	30 June 2010 $	**30 June 2011 $**	30 June 2010 $
ASSETS					
Cash and cash equivalents	14	**34,970,545**	36,769,699	**29,422**	100
Available for sale financial assets	16	**269,168,902**	226,800,495	**-**	-
Receivables	17	**15,145,969**	10,801,752	**4,672,672**	3,929,886
Loans at amortised cost	18 (a)	**1,854,540,236**	1,708,232,546	**-**	-
Other investments	20	**4,520,527**	4,550,527	**170,527,844**	170,527,844
Assets classified as held for sale	21	**5,625,000**	-	**-**	-
Property, plant and equipment	22	**8,083,636**	15,872,784	**-**	-
Tax assets	9	**5,832,281**	6,950,428	**1,423,141**	1,878,130
Other assets	23	**36,194**	36,194	**-**	-
Intangible assets and goodwill	24	**48,830,553**	48,695,865	**-**	-
TOTAL ASSETS		**2,246,753,843**	2,058,710,290	**176,653,079**	176,335,960
LIABILITIES					
Deposits	25	**1,496,596,212**	1,486,678,739	**-**	-
Interest bearing loans and borrowings	26	**507,130,202**	328,625,262	**-**	-
Payables and other liabilities	27	**29,829,111**	34,185,065	**1,555,091**	3,546,277
Tax liabilities	10	**3,707,978**	6,642,028	**1,527,886**	-
Provisions	28	**4,889,348**	4,193,684	**377,751**	265,482
TOTAL LIABILITIES		**2,042,152,851**	1,860,324,778	**3,460,728**	3,811,759
NET ASSETS		**204,600,992**	198,385,512	**173,192,351**	172,524,201
EQUITY					
Share capital	29	**64,701,212**	64,623,801	**170,629,367**	170,551,956
Retained earnings	30	**137,274,562**	131,777,658	**2,309,944**	1,882,019
Asset revaluation reserve	30	**2,340,314**	2,216,890	**-**	-
Employee equity benefits reserve	30	**253,040**	90,226	**253,040**	90,226
Hedging reserve	30	**-**	(54,791)	**-**	-
Net unrealised gains reserve	30	**31,864**	(268,272)	**-**	-
TOTAL EQUITY		**204,600,992**	198,385,512	**173,192,351**	172,524,201

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the Financial Year Ended 30 June 2011

MyState Limited

	Attributable to equity holders of the company								
Consolidated	**Share Capital** $	**Retained Earnings** $	**Asset Revaluation Reserve** $	**Employee Equity Benefit Reserve** $	**Hedging Reserve** $	**General Reserve** $	**Redeemed Share Capital Reserve** $	**Net Unrealised Gains Reserve** $	**Total** $
At 1 July 2009	1,148,047	-	2,885,432	-	(2,402,791)	127,490,400	407,700	-	129,528,788
Net profit after income tax	-	17,341,323	-	-	-	-	-	-	17,341,323
Other comprehensive expense	-	-	(668,542)	-	2,348,000	-	-	(268,272)	1,411,186
Total comprehensive income for the period	-	17,341,323	(668,542)	-	2,348,000	-	-	(268,272)	18,752,509
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	-	-	-	-	-	-	-	63,494,257
Equity issued under employee share scheme	24,112	-	-	-	-	-	-	-	24,112
Share based payment expense recognised	-	-	-	90,226	-	-	-	-	90,226
Other movements	(42,615)	20,447	-	-	-	-	-	-	(22,168)
Dividends paid	-	(13,482,212)	-	-	-	-	-	-	(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
At 1 July 2010	64,623,801	131,777,658	2,216,890	90,226	(54,791)	-	-	(268,272)	198,385,512
Net profit after income tax	-	22,019,846	-	-	-	-	-	-	22,019,846
Other comprehensive income/(expense)	-	-	123,424	-	54,791	-	-	300,136	478,351
Total comprehensive income for the period	-	22,019,846	123,424	-	54,791	-	-	300,136	22,498,197
Equity issued under employee share scheme	77,411	-	-	-	-	-	-	-	77,411
Share based payment expense recognised	-	-	-	162,814	-	-	-	-	162,814
Dividends paid	-	(16,522,942)	-	-	-	-	-	-	(16,522,942)
At 30 June 2011	**64,701,212**	**137,274,562**	**2,340,314**	**253,040**	**-**	**-**	**-**	**31,864**	**204,600,992**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity *continued*

For the Financial Year Ended 30 June 2011

MyState Limited

	Attributable to equity holders of the company								
Company	**Share Capital** $	**Retained Earnings** $	**Asset Revaluation Reserve** $	**Employee Equity Benefit Reserve** $	**Hedging Reserve** $	**General Reserve** $	**Redeemed Share Capital Reserve** $	**Net Unrealised Gains Reserve** $	**Total** $
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
Equity issued to acquire the issued capital of Tasmanian Perpetual Trustees Limited and MyState Financial Limited	170,527,744	-	-	-	-	-	-	-	170,527,744
Equity issued under employee share scheme	24,112	-	-	-	-	-	-	-	24,112
Share based payment expense recognised	-	-	-	90,226	-	-	-	-	90,226
Dividends paid	-	(13,482,212)	-	-	-	-	-	-	(13,482,212)
At 30 June 2010	170,551,956	1,882,019	-	90,226	-	-	-	-	172,524,201
At 1 July 2010	170,551,956	1,882,019	-	90,226	-	-	-	-	172,524,201
Net profit after income tax	-	16,950,867	-	-	-	-	-	-	16,950,867
Total comprehensive income for the period	-	16,950,867	-	-	-	-	-	-	16,950,867
Equity issued under employee share scheme	77,411	-	-	-	-	-	-	-	77,411
Share based payment expense recognised	-	-	-	162,814	-	-	-	-	162,814
Dividends paid	-	(16,522,942)	-	-	-	-	-	-	(16,522,942)
At 30 June 2011	**170,629,367**	**2,309,944**	**-**	**253,040**	**-**	**-**	**-**	**-**	**173,192,351**

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the Financial Year Ended 30 June 2011

MyState Limited

	Notes	Consolidated		Company	
		30 June 2011 $	30 June 2010 $	**30 June 2011 $**	30 June 2010 $
Cash flows from operating activities					
Interest received		**145,658,347**	121,647,662	**81,858**	-
Interest paid		**(83,121,261)**	(54,594,121)	**-**	-
Fees and commissions received		**33,509,091**	33,696,293	**10,017,584**	-
Other non-interest income received		**356,841**	331,761	**104**	-
Payments to suppliers and employees		**(62,585,506)**	(72,511,544)	**(4,569,954)**	-
Dividends received and distributions from managed funds		**1,161,224**	699,293	**-**	-
Income tax paid		**(10,815,851)**	(3,744,794)	**(13,595,317)**	-
Tax contribution received from subsidiaries		**-**	-	**16,007,216**	-
Net cash flows from operating activities	31 (c)	**24,162,885**	25,524,550	**7,941,491**	-
Cash flows from investing activities					
Cash acquired on the acquisition of Tasmanian Perpetual Trustees Limited		**-**	6,716,590	**-**	-
Net (increase)/decrease in loans to customers		**(145,744,180)**	(210,602,413)	**-**	-
Net movement in amounts due from other financial institutions		**(42,060,611)**	(34,295,156)	**-**	-
Dividend received		**-**	-	**16,522,594**	19,981,106
Acquisition of investments		**-**	(439,823)	**-**	-
Disposals of investments		**30,000**	8,550,247	**-**	-
Purchase of intangible assets		**(847,192)**	(306,064)	**-**	-
Disposal of property, plant and equipment		**18,410**	-	**-**	-
Purchase of property, plant and equipment		**(214,569)**	(1,032,011)	**-**	-
Net cash flows from/ (used in) investing activities		**(188,818,142)**	(231,408,630)	**16,522,594**	19,981,106
Cash flows from financing activities					
Issue of share capital /(Redemption of member shares)		**77,411**	(42,615)	**77,411**	-
Net increase in deposits		**9,917,472**	264,486,955	**-**	-
Net (increase)/decrease in loans to related entities		**-**	-	**(7,989,232)**	(6,498,894)
Net increase/(decrease) in amounts due to other financial institutions		**169,384,162**	(14,561,243)	**-**	-
Dividends paid	11	**(16,522,942)**	(13,482,212)	**(16,522,942)**	(13,482,212)
Net cash flows from financing activities		**162,856,103**	236,400,885	**(24,434,763)**	(19,981,106)
Net increase/(decrease) in cash held		**(1,799,154)**	30,516,805	**29,322**	-
Cash at beginning of financial year		**36,769,699**	6,252,894	**100**	100
Closing cash carried forward	31 (a)	**34,970,545**	36,769,699	**29,422**	100

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2011

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 2011 (the 'period') of MyState Limited (the 'Company') and the entities it controlled at the end of, or during the period (together, 'the consolidated entity'). During the year ending 30 June 2010 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 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 was 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.

This financial report covers the year to 30 June 2011. 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 year to 30 June 2010. This information includes the income and expenses of MSF for the full year and the income and expenses of the company and TPT from the date control was established on 9 September 2009 until 30 June 2010.

(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.

(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 for early adoption at 30 June 2011, but have not been applied in preparing this financial report. The consolidated entity will adopt these standards on their effective date.

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 ending 30 June 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.

1 Summary of significant accounting policies (continued)

The principal 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 (SPE's). As the consolidated entity is exposed to the majority of the residual risk associated with these SPE's, 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 1(i)).
- impairment losses on loans and advances and held for sale investments (see note 1(s)).
- recoverability of deferred tax assets (see note 1(u)).
- impairment losses on goodwill (see notes 1(m) and 24).

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.

1 Summary of significant accounting policies (continued)

(g) 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.

(h) 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.

(i) Investments

All investments are initially recognised at cost at trade date, 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 35.

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.

(j) 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.

(k) 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.

1 Summary of significant accounting policies (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 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 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%	(2010: 2.50%)
Office furniture and fittings	15.00%	(2010: 15.00%)
Building fit-out (owned buildings)	25.00%	(2010: 25.00%)
Office equipment	25.00%	(2010: 25.00%)
Computer hardware	33.33%	(2010: 33.33%)

Leasehold improvements - over the expected term of the lease. This is consistent with the 2010 financial year.

(l) 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.

(m) 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. Impairment is reviewed in accordance with the principles outlined in note 24.

1 Summary of significant accounting policies (continued)

(n) 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 Limited 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.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

1 Summary of significant accounting policies (continued)

(s) 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.
- 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.

(t) 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.

Corpus administration fees

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

Management fee revenue

Trustee Company revenue is recognised as it accrues and is calculated in accordance within the meaning of Chapter 5D of the *Corporations Act 2001* and the Funds' Constitutions.

Distributions from managed fund investments

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

Notes to the Financial Statements

For the Year Ended 30 June 2011

MyState Limited

1 Summary of significant accounting policies (continued)

(u) 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
- 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.

The Company and consolidated entity exercise judgement in determining whether deferred tax assets, particularly in relation to tax losses, are probable of recovery. Factors considered include the ability to offset tax losses within the tax consolidated group, the nature of the tax loss, the length of time that tax losses are eligible for carry forward to offset against future taxable profits and whether future taxable profits are expected to be sufficient to allow recovery of deferred tax assets.

The consolidated entity undertakes transactions in the ordinary course of business where the income tax treatment requires the exercise of judgement. The consolidated entity estimates its tax liability based on its understanding of the tax law.

1 Summary of significant accounting policies (continued)

Tax consolidation

The consolidated entity's tax liabilities are determined according to tax consolidation legislation. During the year ended 30 June 2011, MyState Limited and its wholly owned subsidiaries, Tasmanian Perpetual Trustees Limited, MyState Financial Limited, The Gourmet Club Proprietary Limited and Connect Asset Management Proprietary Limited have elected to form a tax consolidated group with effect from 17 September 2009. The head company is MyState Limited.

The head entity, MyState Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Company has applied the separate tax payer within group approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details of the tax funding agreement are disclosed in note 8.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(v) 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.

(w) 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.

(x) 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 in 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.

1 Summary of significant accounting policies (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.

(y) Comparatives

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

(z) 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 7. Information about products and services and geographical segments are based on the financial information used to produce the consolidated entity's financial statements.

(aa) 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.

(ab) 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 of the equity instruments at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than (if applicable); non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment in equity or cash (non-vesting conditions); or, conditions that are linked to the price of the shares of the Company (market conditions).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and service 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.

Any award subject to a market condition or non-vesting condition is considered to vest irrespective of whether or not that market condition or non-vesting is fulfilled, provided that all other conditions are satisfied.

2 Change in Accounting Policies

During the year the Company and its wholly-owned subsidiaries, Tasmanian Perpetual Trustees Limited, MyState Financial Limited, The Gourmet Club Proprietary Limited and Connect Asset Management Proprietary Limited, formed a tax consolidated group with the Company as the head entity. These policies are detailed in Note 1 (u).

	Consolidated		Company	
	30 June 2011 $	30 June 2010 $	**30 June 2011 $**	30 June 2010 $
3 Interest income and interest expense				
Interest income				
Loans, other than commercial	**132,413,841**	107,336,466	**-**	-
Commercial loans	**3,918,150**	3,602,132	**-**	-
Deposits with other financial institutions	**15,348,752**	10,060,345	**81,858**	-
Total interest income	**151,680,743**	120,998,943	**81,858**	-
Interest expense				
Interest on deposits	**61,661,072**	50,407,279	**-**	-
Interest due to other financial institutions	**22,413,365**	10,575,602	**-**	-
Total interest expense	**84,074,437**	60,982,881	**-**	-
4 Other revenue				
Revenue from operating activities				
Bad debts recovered	**824,606**	287,837	**-**	-
Loan fee income	**2,942,057**	3,418,073	**-**	-
Other fees	**9,933,283**	9,769,536	**-**	-
Management fees	**8,732,338**	7,724,424	**-**	-
Commissions	**8,672,841**	9,087,430	**-**	-
Estate administration	**3,161,446**	2,469,511	**-**	-
Dividends received from subsidiaries	**-**	-	**16,522,594**	19,981,106
Intercompany management fees	**-**	-	**6,286,081**	5,725,961
Other income	**247,401**	338,138	**104**	-
Total revenue from operating activities	**34,513,972**	33,094,949	**22,808,779**	25,707,067
Revenue from non-operating activities				
Profit on sale of investments	**-**	1,100,062	**-**	-
Dividends and distributions:				
- Other corporations	**1,161,224**	388,378	**-**	-
Total revenue from non-operating activities	**1,161,224**	1,488,440	**-**	-
Total other revenue	**35,675,196**	34,583,389	**22,808,779**	25,707,067

Notes to the Financial Statements

For the Year Ended 30 June 2011

MyState Limited

	Notes	Consolidated 30 June 2011 $	Consolidated 30 June 2010 $	Company 30 June 2011 $	Company 30 June 2010 $
5 Expenses					
Salaries and associated costs		**32,793,804**	32,895,730	**3,360,040**	1,724,766
Marketing and promotion		**2,916,106**	2,502,003	**21,404**	20,180
Governance and compliance costs		**2,721,093**	4,996,095	**2,167,137**	2,529,412
IT costs		**6,296,634**	5,947,662	**2,741**	1,040
Office occupancy and associated costs		**4,092,851**	3,407,522	**6,369**	209
General administrative expenditure		**19,545,658**	16,570,724	**810,347**	3,782,335
Total expenses		**68,366,146**	66,319,736	**6,368,038**	8,057,942
6 Profit before income tax expense					
Profit before income tax expense includes the following specific revenues and expenses:					
(i) Revenue					
Profit on the sale of investments		**-**	1,100,062	**-**	-
Special dividend from Cuscal Limited		**712,845**	-	**-**	-
(ii) Expenses					
Termination payments		**201,593**	3,226,979	**342,410**	-
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		**646,110**	397,698	**6,473**	-
Supervision levy		**78,291**	68,252	**-**	-
Auditors' remuneration	42	**387,238**	309,294	**68,118**	49,770
Depreciation of property, plant and equipment:					
- Depreciation of plant and equipment	22	**901,799**	1,257,103	**-**	-
- Depreciation of buildings	22	**1,260,232**	113,891	**-**	-
Total depreciation of property, plant and equipment		**2,162,031**	1,370,994	**-**	-
Amortisation of intangible assets:					
- Amortisation of software	24	**397,496**	722,618	**-**	-
- Amortisation of CUTD licence	24	**157,085**	214,130	**-**	-
- Amortisation of RMBS setup costs	24	**157,923**	87,822	**-**	-
Total amortisation of intangible assets		**712,504**	1,024,570	**-**	-
Total depreciation and amortisation expenses		**2,874,535**	2,395,564	**-**	-

6 Profit before income tax expense (continued)

(iii) Restructuring Costs

The consolidated entity commenced several projects during the reporting period. These included:

The development of a 'distribution strategy' for the Tasmanian Perpetual Trustees Limited (TPT) business which is intended to improve its profitability. One of the consequences of the strategy is that TPT has, and will, withdraw from a number of the sites it currently occupies. There is a consequent reduction in staffing levels. The consolidated entity has sought to re-deploy affected staff where a vacancy exists elsewhere in the staff structure. There are leasehold improvements and office equipment which, on the vacating of the respective site, have minimal value to the consolidated entity. There are existing contractually committed lease payment obligations in respect of the sites.

A property consolidation exercise to address the number of locations that the consolidated entity occupies in Hobart. It aims to locate staff in one location within a modern and efficient office layout. Retail locations are not affected. The consolidated entity has entered into a long term lease for a new 'Headquarters' building which is currently under construction by the landlord. Several sites around Hobart, both owned and leased, will be vacated. There are leasehold improvements and office equipment which, on the vacating of the respective site, have minimal value to the consolidated entity. There are existing contractually committed lease payment obligations in respect of some of the sites.

There have also been several cost saving initiatives which have resulted in some employees being made redundant, and budget measures which have had an impact on the remaining useful life of leasehold improvements.

The effect of these initiatives is that the consolidated entity has recognised an expense in the reporting period for the following items:

Termination costs in respect of a number of employees that have been, or will be made redundant.

The consolidated entity has altered its estimate of the remaining useful life of the affected leasehold improvements and office equipment and has recognised an additional depreciation expense in respect of these assets. This change in estimate relates solely to the affected assets and will not have a material impact in future reporting periods. This additional expense is included within the total depreciation expense disclosed above.

The cost of contractually committed lease payments that relate to the period after the consolidated entity has vacated the particular site. The consolidated entity is endeavouring to withdraw from all affected sites on the most beneficial terms that it can negotiate with the respective landlords. This additional expense is included within the total operating lease payment disclosed above.

Properties owned by the consolidated entity which are to be vacated will be offered for sale and have been classified as assets held for sale and have been disclosed accordingly in the Statement of Financial Position. They have been valued at their fair value less costs to sell and an impairment cost has been recognised in relation to the write-down from their prior carrying value (refer Note 21).

		Consolidated		Company	
	Notes	**30 June 2011 $**	30 June 2010 $	**30 June 2011 $**	30 June 2010 $
Termination costs		**201,593**	-	**342,410**	-
Depreciation expense		**786,423**	-	**-**	-
Contractually committed lease payments		**366,127**	-	**-**	-
Impairment loss on properties	21	**359,869**	-	**-**	-
		1,714,012	-	**342,410**	-

Notes to the Financial Statements

For the Year Ended 30 June 2011

MyState Limited

7 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 entity's 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 licensed within the meaning of Chapter 5D of the Corporations Act 2001 and is the only private trustee company with significant operations in Tasmania. TPT holds an Australian Financial Services Licence. TPT holds over $900 million 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.

Year ended 30 June 2011	MSF $	TPT $	Corporate and consolidation adjustment $	Consolidated Total $
Interest revenue	151,549,907	48,978	81,858	151,680,743
Interest expense	84,074,437	-	-	84,074,437
Other revenue				
Bad debts recovered	824,606	-	-	824,606
Loan fee income	2,543,258	398,799	-	2,942,057
Other fees	8,907,839	1,025,444	-	9,933,283
Management fees	-	8,732,338	-	8,732,338
Commissions	6,150,977	2,521,864	-	8,672,841
Estate administration	-	3,161,446	-	3,161,446
Other income	355,657	1,080	(109,336)	247,401
Dividends and distributions	1,161,224	-	-	1,161,224
Total other revenue	**19,943,561**	**15,840,971**	**(109,336)**	**35,675,196**
Material expenditures				
Termination payments	(331,367)	190,550	342,410	201,593
Impairment loss on properties	288,761	71,108	-	359,869
Contractually committed lease payments	141,127	225,000	-	366,127
Bad and doubtful debts	3,990,872	-	-	3,990,872
Operating lease payments	484,847	154,790	6,473	646,110
Depreciation and amortisation	1,876,948	997,587	-	2,874,535
Income Tax	8,935,425	619,558	(650,345)	8,904,638
Segment net profit after income tax	19,870,951	1,561,655	587,240	22,019,846
Segment assets held for sale	3,655,000	1,970,000	-	5,625,000
Segment assets	2,183,800,238	31,953,890	30,999,715	2,246,753,843
Capital expenditure	190,176	24,393	-	214,569
Total liabilities	2,039,954,639	3,310,918	(1,112,706)	2,042,152,851

	MSF $	TPT $	Corporate and consolidation adjustment $	Consolidated Total $
7 Segment Financial information (continued)				
Year ended 30 June 2010				
Interest revenue	120,967,053	31,890	-	120,998,943
Interest expense	60,982,881	-	-	60,982,881
Other revenue				
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
Total other revenue	**19,820,717**	**14,851,705**	**(89,033)**	**34,583,389**
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	1,690,847	(70,094)	17,341,323
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

	Consolidated		Company	
	30 June 2011 $	30 June 2010 $	**30 June 2011 $**	30 June 2010 $
8 Income tax				
Income tax expense (benefit)				
The major components of income tax expense /(benefit) are:				
Current tax expense	**8,819,721**	7,813,531	**(258,004)**	-
Deferred tax expense				
- decrease/(increase) in deferred tax assets	**305,332**	(379,835)	**273,587**	(686,926)
- (decrease)/increase in deferred tax liabilities	**(146,828)**	(92,220)	**-**	-
Adjustments for current tax of prior years	**(1,210,660)**	-	**(625,035)**	-
Adjustments for deferred tax of prior years	**1,137,073**	(25,035)	**181,184**	-
	8,904,638	7,316,441	**(428,268)**	(686,926)
Reconciliation of income tax expense to prima facie tax payable				
Accounting profit/ (loss) before tax	**30,924,484**	24,657,764	**16,522,599**	17,649,125
Prima facie tax at statutory income tax rate of 30% (2010: 30%)	**9,277,345**	7,397,329	**4,956,780**	5,294,738
Tax effect of amounts which are non assessable/(non deductible) in calculating taxable income:				
- Adjustments for current tax of prior years	**(473,791)**	-	**(625,035)**	-
- Non taxable dividends received	**(348,367)**	-	**(4,956,778)**	(5,994,331)
- Other adjustments	**95,191**	(80,888)	**15,581**	12,667
- Adjustments for deferred tax of prior years	**354,260**	-	**181,184**	-
Income tax expense/(benefit)	**8,904,638**	7,316,441	**(428,268)**	(686,926)
Weighted average effective tax rates	**29%**	30%	**-3%**	-4%

8 Income tax (continued)

Tax consolidation

(i) Members of the tax consolidated group and the tax sharing arrangement

During the year ended 30 June 2011, MyState Limited and its wholly owned subsidiaries, Tasmanian Perpetual Trustees Limited, MyState Financial Limited, The Gourmet Club Proprietary Limited and Connect Asset Management Proprietary Limited have elected to form a tax consolidated group with effect from 17 September 2009. The head company is MyState Limited. Members of the group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

(ii) Tax effect accounting by members of the tax consolidated group

Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The consolidated entity has applied the separate tax payer within group approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Income Taxes. The nature of the tax funding agreement is discussed further below.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Nature of the tax funding agreement

Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement the funding of tax within the consolidated entity is based on accounting profit, which is not an acceptable method of allocation under AASB Interpretation 1052 (10). The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call. To the extent that there is a difference between the amount charged under the tax funding agreement and the allocation under AASB Interpretation 1052, the head entity accounts for these as equity transactions with the subsidiaries.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Tax consolidation contributions/(distributions)

	Company	
	30 June 2011 **$**	30 June 2010 $
MyState Limited has recognised the following amounts as tax consolidation contribution adjustments:		
Total increase to tax payable of the Company	**16,007,216**	-
Total increase to intercompany assets of the Company	**16,007,216**	-
Total (reduction) to investment in subsidiary accounts of the Company	**-**	-
Income tax expense	**-**	-

Notes to the Financial Statements

For the Year Ended 30 June 2011

MyState Limited

	Consolidated		Company	
	30 June 2011 $	30 June 2010 $	**30 June 2011 $**	30 June 2010 $
9 Deferred tax assets				
The balance comprises temporary differences attributable to:				
Amounts recognised in the Income Statement				
Other	**11,014**	95,106	**-**	7,919
Provision for doubtful debts	**870,130**	1,039,183	**-**	-
Depreciation of property, plant & equipment	**1,292,136**	1,116,628	**-**	-
Land and buildings	**-**	308,287	**-**	-
Employee provisions	**1,622,804**	1,258,102	**113,325**	79,644
Creditors & accruals	**666,568**	2,359,419	**199,912**	160,121
Carried forward losses	**243,500**	455,544	**243,500**	251,531
Capital losses	**152,515**	152,965	**-**	-
Other costs to be amortised for tax purposes	**973,614**	165,194	**866,404**	1,378,915
	5,832,281	6,950,428	**1,423,141**	1,878,130
Movements				
Opening balance	**6,950,428**	4,726,320	**1,878,130**	1,141,279
Balance transferred in on merger	**-**	2,617,944	**-**	-
Reclassification deferred tax	**(420,861)**	(64,557)	**-**	-
Credited/(charged) to Income Statement	**(305,332)**	444,460	**(273,587)**	686,926
Credited/(charged) to Equity	**(109,270)**	(893,434)	**(181,402)**	7,919
Transfers	**(6,769)**	-	**-**	-
Adjustments for deferred tax of prior years	**(275,915)**	119,695	**-**	42,006
Closing balance at 30 June 2011	**5,832,281**	6,950,428	**1,423,141**	1,878,130

	Consolidated		Company	
	30 June 2011 $	30 June 2010 $	**30 June 2011 $**	30 June 2010 $
10 Tax liabilities				
The deferred tax balance comprises temporary differences attributable to:				
Amounts recognised in the Income Statement				
Other	**149,671**	-	**-**	-
Accrued income	**419,632**	354,590	**-**	-
Prepaid expenses	**117,735**	1,889	**-**	-
Intangible asset	**-**	-	**-**	-
Investments	**69,758**	-	**-**	-
Land and buildings	**898,296**	1,036,873	**-**	-
	1,655,092	1,393,352	**-**	-
Movements				
Opening balance	**1,393,352**	377,960	**-**	-
Balance transferred in on merger	**-**	1,365,090	**-**	-
Reclassification deferred tax asset	**(420,861)**	(64,557)	**-**	-
Charged/(credited) to Income Statement	**(146,828)**	(11,143)	**-**	-
Credited/(charged) to equity	**51,620**	(214,548)	**-**	-
Adjustments for deferred tax of prior years	**777,809**	(59,450)	**-**	-
Deferred tax closing balance at 30 June 2011	**1,655,092**	1,393,352	**-**	-
Current tax liabilities				
Current tax payable	**2,052,886**	5,248,676	**1,527,886**	-
Total tax liabilities	**3,707,978**	6,642,028	**1,527,886**	-

Notes to the Financial Statements

For the Year Ended 30 June 2011

MyState Limited

	Consolidated		Company	
	30 June 2011 $	30 June 2010 $	**30 June 2011 $**	30 June 2010 $
11 Dividends				
a) Dividends paid				
2010 Final dividend paid: 12.5 cents per share (2009: 10 cents per share) Payment date: 30/09/10	**8,430,243**	6,741,106	**8,430,243**	6,741,106
2011 Interim dividend paid: 12 cents per share (2010: 10 cents per share) Payment date: 31/03/11	**8,092,699**	6,741,106	**8,092,699**	6,741,106
Total dividends paid (Note 30 - Reserves)	**16,522,942**	13,482,212	**16,522,942**	13,482,212
The dividends paid during the year were fully franked at the 30 per cent corporate tax rate.				
b) Dividends not recognised at the end of the financial year				
At a Directors' meeting held on 30th August 2011, Directors resolved that a final dividend for the 2011 financial year of 15 cents per share, fully franked at the 30 per cent corporate tax rate, be paid (2010: 12.5 cents per share, fully franked at the 30 per cent corporate tax rate). This dividend has not been brought to account as the amount had not been determined at the reporting date.				
Final dividend paid	**10,115,874**	8,430,243	**10,115,874**	8,430,243
The payment of the 2011 final dividend reduced the balance of the franking account by:	**4,335,375**	3,612,961	**4,335,375**	3,612,961
12 Franking credit balance				
The amount of franking credits available for the subsequent financial year are:				
Franking account balance as at the end of the period at 30% (2010: 30%).	**51,889,637**	48,456,855	**6,353,359**	2,785,241
Franking credits that will arise from the payment of income tax payable at the end of the period.	**2,043,489**	4,715,043	**2,043,489**	-

Notes to the Financial Statements

For the Year Ended 30 June 2011

MyState Limited

	30 June 2011 cents	30 June 2010 cents
13 Earnings per share		
Basic earnings per share	**32.65**	27.46
Diluted earnings per share	**32.65**	27.46
The following reflects the income and share data used in the calculation of basic and diluted earnings per share:		
	$	$
Net Profit	**22,019,846**	17,341,323
	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share:	**67,434,769**	63,147,106

	Consolidated		Company	
	30 June 2011 $	30 June 2010 $	**30 June 2011 $**	30 June 2010 $
14 Cash and cash equivalents				
Cash on hand	**34,970,545**	36,769,699	**29,422**	100
Total cash and cash equivalents	**34,970,545**	36,769,699	**29,422**	100
15 Securitisation				
During this period, the consolidated entity securitised residential, mortgage insured home loans, amounting to $283,789,837 (2010: $126,239,046). Connect Asset Management Proprietary Limited, pursuant to AASB 127 Consolidated and Separate Financial Statements is consolidated, and accordingly securitised loans are included in the consolidated accounts.				
16 Available for sale financial assets				
Due from other financial institutions	**142,530,471**	142,489,847	**-**	-
Due from other non-bank financial institutions	**126,638,431**	84,310,648	**-**	-
Total due from other financial institutions	**269,168,902**	226,800,495	**-**	-
17 Receivables				
Interest receivable	**2,314,835**	22,214	**-**	-
Related party receivables				
- Controlled entities within the wholly owned consolidated entity	**-**	-	**4,475,325**	3,865,024
Other receivables	**12,831,134**	10,779,538	**197,347**	64,862
Total receivables	**15,145,969**	10,801,752	**4,672,672**	3,929,886

Notes to the Financial Statements

For the Year Ended 30 June 2011

MyState Limited

	Notes	Consolidated 30 June 2011 $	Consolidated 30 June 2010 $	Company 30 June 2011 $	Company 30 June 2010 $
18 Loans held at amortised cost					
(a) Classification					
Residential		**1,591,809,360**	1,439,294,259	**-**	-
Personal		**220,915,497**	230,070,357	**-**	-
Commercial		**44,715,813**	42,331,873	**-**	-
Total loans		**1,857,440,670**	1,711,696,489	**-**	-
Provision for doubtful debts	18 (b)	**(2,900,434)**	(3,463,943)	**-**	-
Total net loans		**1,854,540,236**	1,708,232,546	**-**	-
(b) Provision for doubtful debts					
Specific provision					
Opening balance		**3,463,943**	3,302,832	**-**	-
Charge/(credit) against profit		**(563,509)**	161,111	**-**	-
Closing balance		**2,900,434**	3,463,943	**-**	-
Charge to profit for bad and doubtful debts comprises:					
- Bad debts written off directly		**4,554,381**	3,460,840	**-**	-
- Increase/(decrease) in doubtful debts provisions		**(563,509)**	161,111	**-**	-
Total charge for bad and doubtful debts		**3,990,872**	3,621,951	**-**	-

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.

Notes to the Financial Statements

For the Year Ended 30 June 2011

MyState Limited

	Notes	Consolidated 30 June 2011 $	Consolidated 30 June 2010 $	Company 30 June 2011 $	Company 30 June 2010 $
19 Impaired assets					
Non-accrual loans					
With provisions		**5,251,158**	5,372,766	**-**	-
Specific provision for impairment		**(2,879,377)**	(3,463,943)	**-**	-
Net non-accrual loans		**2,371,781**	1,908,823	**-**	-
Restructured loans					
With provisions		**52,644**	-	**-**	-
Specific provision for impairment		**(21,057)**	-	**-**	-
Net restructured loans		**31,587**	-	**-**	-
Specific provision					
Non-accrual loans		**(2,879,377)**	(3,463,943)	**-**	-
Restructured loans		**(21,057)**	-	**-**	-
Total specific provision for impairment	18 (b)	**(2,900,434)**	(3,463,943)	**-**	-
Past due loans		**5,175,138**	3,591,369	**-**	-
Interest recognised on impaired assets		**62,098**	49,299	**-**	-
Interest income forgone on impaired assets		**457,528**	344,759	**-**	-
20 Other investments					
Shares in Cuscal Limited		**3,347,304**	3,347,304	**-**	-
Shares in Credit Union Technology Development Limited		**25,223**	25,223	**-**	-
Debentures in CGU Insurance VACC Limited		**648,000**	648,000	**-**	-
Term deposit at bank		**500,000**	500,000	**-**	-
Government stocks		**-**	30,000	**-**	-
Shares in subsidiaries		**-**	-	**170,527,844**	170,527,844
Total other investments		**4,520,527**	4,550,527	**170,527,844**	170,527,844
21 Assets classified as held for sale					
At 1 July 2010		**-**	-	**-**	-
Initial classification	22	**5,984,869**	-	**-**	-
Impairment loss recognised on initial classification		**(359,869)**	-	**-**	-
Net carrying amount		**5,625,000**	-	**-**	-

Assets classified as held for sale are two freehold properties, located in Hobart, which the consolidated entity is offering for sale (refer note 6(iii)).

An impairment loss of $359,869 on the remeasurement of the assets to the lower of its carrying amount and its fair value less costs to sell has been recognised in other expenses (refer note 6(iii)).

22 Property, plant and equipment

Consolidated	Notes	Furniture, fittings and equipment at cost	Leasehold improvements at cost	Buildings at independent valuation (1)	Land at independent valuation (1)	Total
Year ended 30 June 2011		**$**	**$**	**$**	**$**	**$**
At 1 July 2010, net of accumulated depreciation		1,493,728	3,292,563	5,946,493	5,140,000	**15,872,784**
Additions		213,053	1,516	-	-	**214,569**
Revaluations		-	-	66,320	110,000	**176,320**
Reclassification as assets held for sale	21	-	-	(3,384,869)	(2,600,000)	**(5,984,869)**
Disposals		(33,137)	-	-	-	**(33,137)**
Depreciation charge for the year		(901,799)	(1,156,593)	(103,639)	-	**(2,162,031)**
At 30 June 2011, net of accumulated depreciation		**771,845**	**2,137,486**	**2,524,305**	**2,650,000**	**8,083,636**
At 30 June 2011						
Cost or fair value		8,461,380	6,113,919	2,845,000	2,650,000	**20,070,299**
Accumulated depreciation		(7,689,535)	(4,297,128)	-	-	**(11,986,663)**
Net carrying amount		**771,845**	**1,816,791**	**2,845,000**	**2,650,000**	**8,083,636**

The Company holds no property plant and equipment. Land and buildings of the consolidated entity are held at valuation. During the year independent valuations were conducted by Mr. John Vestakis AAPI, MRICS of AON Valuation Services at 30 June 2011 for financial reporting purposes.

22 Property, plant and equipment (continued)

Consolidated **Year ended 30 June 2010**	**Furniture, fittings and equipment at cost** **$**	**Leasehold improvements at cost** **$**	**Buildings at independent valuation** [1] **$**	**Land at independent valuation** [1] **$**	**Total** **$**
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)
At 30 June 2010, net of accumulated depreciation	1,493,728	3,292,563	5,946,493	5,140,000	15,872,784
At 30 June 2010					
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)
Net carrying amount	1,493,728	3,292,563	5,946,493	5,140,000	15,872,784

[1] Freehold land and buildings are carried at Directors' valuation, based upon independent valuer's advice. Had these land and buildings been recognised under the cost model the carrying amount would have been: $4,343,477 (2010: $7,814,462).

	Consolidated		Company	
	30 June 2011 **$**	30 June 2010 $	**30 June 2011** **$**	30 June 2010 $
23 Other assets				
Other	**36,194**	36,194	**-**	-
Total other assets	**36,194**	36,194	**-**	-

24 Intangible assets and goodwill

Consolidated	Goodwill $	Licence fees $	Software $	RMBS setup costs $	Total $
Year ended 30 June 2011					
At 1 July 2010, net of accumulated amortisation	47,757,894	170,163	723,382	44,426	**48,695,865**
Additions	-	-	372,117	475,075	**847,192**
Amortisation	-	(157,085)	(397,496)	(157,923)	**(712,504)**
At 30 June 2011, net of accumulated amortisation	**47,757,894**	**13,078**	**698,003**	**361,578**	**48,830,553**
At 30 June 2011					
Cost (gross carrying amount)	47,757,894	2,592,942	8,209,233	930,191	**59,490,260**
Accumulated amortisation	-	(2,579,864)	(7,511,230)	(568,613)	**(10,659,707)**
Net carrying amount	**47,757,894**	**13,078**	**698,003**	**361,578**	**48,830,553**
Year ended 30 June 2010					
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)
At 30 June 2010, net of accumulated amortisation	47,757,894	170,163	723,382	44,426	48,695,865
At 30 June 2010					
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)
Net carrying amount	47,757,894	170,163	723,382	44,426	48,695,865

24 Intangible assets and goodwill (continued)

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

MyState Limited has goodwill on consolidation following the merger on 9 September 2009 between MyState Financial Limited and Tasmanian Perpetual Trustees Limited to form MyState Limited.

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 2011 $	30 June 2010 $
MyState Financial Limited	**22,491,617**	22,491,617
Tasmanian Perpetual Trustees Limited	**25,266,277**	25,266,277
	47,757,894	47,757,894

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. 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 and approved by the Board. 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. 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 and approved by the Board. 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.

Notes to the Financial Statements

For the Year Ended 30 June 2011

MyState Limited

	Consolidated		Company	
	30 June 2011 $	30 June 2010 $	**30 June 2011 $**	30 June 2010 $
25 Deposits				
Deposits	**1,496,596,212**	1,486,678,739	**-**	-
Total deposits	**1,496,596,212**	1,486,678,739	**-**	-

Concentration of liabilities

There are no customers who individually have deposits which represent 10% or more of total liabilities.

26 Interest bearing loans and borrowings				
Due to other financial institutions	**507,130,202**	328,625,262	**-**	-
Total Interest bearing loans and borrowings	**507,130,202**	328,625,262	**-**	-
27 Payables and other liabilities				
Accounts payable and other creditors	**13,254,078**	18,484,937	**1,555,091**	32,090
Related party payables	**-**	-	**-**	3,514,187
Accrued interest payable	**16,575,033**	15,621,857	**-**	-
Interest rate swap liability	**-**	78,271	**-**	-
Total payables and other liabilities	**29,829,111**	34,185,065	**1,555,091**	3,546,277
28 Provisions				
Provision for annual leave	**2,000,387**	1,686,069	**212,567**	145,385
Provision for long service leave	**2,888,961**	2,507,615	**165,184**	120,097
	4,889,348	4,193,684	**377,751**	265,482
Current	**3,656,788**	2,654,870	**219,107**	145,385
Non- current	**1,232,560**	1,538,814	**158,644**	120,097
	4,889,348	4,193,684	**377,751**	265,482

	Consolidated		Company	
	30 June 2011 $	30 June 2010 $	**30 June 2011 $**	30 June 2010 $
29 Share Capital				
Issued and paid up capital				
Ordinary shares fully paid	**64,701,212**	64,623,801	**170,629,367**	170,551,956

	Consolidated			
	30 June 2011		30 June 2010	
Movements in share capital	**Number of shares**	**Amount $**	Number of shares [1]	Amount $
Ordinary Shares				
Opening balance	**67,411,055**	**64,623,801**	47,250,698	1,148,047
Redemption of share capital from members of MyState Financial Limited	-	-	(1,753,925)	(42,615)
Share Capital on issue immediately prior to the merger of MyState Financial Limited and Tasmanian Perpetual Trustees Limited	**67,411,055**	**64,623,801**	45,496,773	1,105,432
Share capital issued to acquire Tasmanian Perpetual Trustees Limited	-	-	21,905,902	63,494,257
Shares issued pursuant to the Employee share scheme of the consolidated entity	**28,103**	**77,411**	8,380	24,112
Closing balance	**67,439,158**	**64,701,212**	67,411,055	64,623,801

(1) The merger was classified as a 'reverse acquisition' with MSF identified as the accounting acquirer. The consolidated financial report is prepared on the basis that it a continuation of the accounts of MSF. The number of shares disclosed for the opening balance and number of shares redeemed during the period ended 30 June 2010, 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 2011		30 June 2010	
Movements in share capital	**Number of shares**	**Amount $**	Number of shares	Amount $
Opening balance	**67,411,055**	**170,551,956**	100	100
Share Capital issued to acquire MyState Financial Limited and Tasmanian Perpetual Trustees Limited	-	-	67,402,575	170,527,744
Shares issued pursuant to the Employee share scheme of the consolidated entity	**28,103**	**77,411**	8,380	24,112
Closing balance	**67,439,158**	**170,629,367**	67,411,055	170,551,956

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.

30 Reserves

The comparative consolidated financial report is prepared on the basis that it is a continuation of the accounts of MyState Financial Limited (MSF). 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 was 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 which is reflected in the comparative period ended 30 June 2010.

Nature and purpose of reserves

Retained Earnings

The retained earnings 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.

Asset revaluation reserve

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

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.

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.

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.

31 Statement of Cash Flows

(a) For the purpose of the Statement of Cash Flows, cash includes the items at note 1 (g) which are reconciled to the related items in the Statement of Financial Position.

	Consolidated		Company	
	30 June 2011 $	30 June 2010 $	**30 June 2011 $**	30 June 2010 $
Cash on hand	**34,970,545**	36,769,699	**29,422**	100
Total cash and cash equivalents	**34,970,545**	36,769,699	**29,422**	100

(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) Due from other financial institutions

(iv) Loans from subsidiaries

(v) Due to other financial institutions

(vi) Customer loans

(c) Reconciliation from net profit to net cash flows provided by operating activities:

	Consolidated		Company	
	30 June 2011 $	30 June 2010 $	**30 June 2011 $**	30 June 2010 $
Net profit	**22,019,846**	17,341,323	**16,950,867**	18,336,051
Adjustments for				
Depreciation of non-current assets	**2,162,031**	1,370,994	**-**	-
Amortisation of non-current assets	**712,504**	1,024,570	**-**	-
Net loss/(gain) on sale of non current assets	**-**	(1,003,244)	**-**	-
Dividends received	**-**	-	**(16,522,594)**	(19,981,106)
Changes in assets and liabilities				
Decrease/(increase) in accrued interest	**(2,292,621)**	3,798,426	**-**	-
Decrease/(increase) in receivables	**4,024,088**	(1,295,066)	**3,731,539**	2,331,981
Decrease/(increase) in property, plant & equipment	**14,726**	-	**-**	-
Decrease/(increase) in other assets	**(51,837)**	(112,763)	**-**	-
Decrease/(increase) in deferred tax assets	**1,136,416**	411,721	**454,989**	(694,845)
Increase/(decrease) in payables	**(1,741,346)**	(7,988,854)	**1,523,724**	-
Increase/(decrease) in interest payable	**953,176**	6,388,762	**-**	-
Increase/(decrease) in provision for employee benefits	**695,658**	(189,829)	**112,267**	-
Increase/(decrease) in provision for doubtful debts	**(563,509)**	161,111	**-**	-
(Increase)/decrease in provision for deferred tax liabilities	**-**	(7,317)	**-**	-
Increase/(decrease) in provision for income tax liabilities	**(2,957,295)**	2,928,876	**1,527,885**	-
(Increase)/decrease in reserves	**51,048**	2,695,840	**162,814**	7,919
Net cash flows from operating activities	**24,162,885**	25,524,550	**7,941,491**	-

32 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 Group Risk Committee and the Board.

The main risks faced by the consolidated entity are market risk, credit risk, liquidity risk, operational 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 consolidated entity's Group Risk Committee. The MyState Financial Limited (MSF) 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 Company's Group Risk 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.

32 Financial Risk Management (continued)

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

	Equivalent S&P rating		New customers [1]		Existing Customers		
Consolidated	A+ and above	A- and below	Closely monitored [2]	No default [3]	Closely monitored [2]	No default [3]	Total
	$	$	$	$	$	$	%
2011							
Cash and liquid assets	34,970,545	-	-	-	-	-	**34,970,545**
Due from other financial institutions	80,525,503	188,643,399	-	-	-	-	**269,168,902**
Financial assets other than loans and advances	115,496,048	188,643,399	-	-	-	-	**(304,139,447)**
Gross loans and advances at amortised cost	-	-	1,690,272	523,846,518	19,891,656	1,309,111,790	**1,854,540,236**
Total financial assets	**115,496,048**	**188,643,399**	**1,690,272**	**523,846,518**	**19,891,656**	**1,309,111,790**	**2,158,679,683**
2010							
Cash and liquid assets	36,769,699	-	-	-	-	-	36,769,699
Due from other financial institutions	150,919,730	75,880,765	-	-	-	-	226,800,495
Financial assets other than loans and advances	187,689,429	75,880,765	-	-	-	-	263,570,194
Gross loans and advances at amortised cost	-	-	2,010,587	559,055,327	18,212,935	1,128,953,697	1,708,232,546
Total financial assets	187,689,429	75,880,765	2,010,587	559,055,327	18,212,935	1,128,953,697	1,971,802,740

(1) New customers are counterparties with whom the consolidated entity has traded for less than one year.
(2) Closely monitored customers are customers who have overdue loan repayments in excess of 30 days or overdue overdraft repayments in excess of 14 days.
(3) No default customers are customers that have no history of default, late payments, renegotiated terms or breach of their credit terms.

32 Financial Risk Management (continued)

Loans and advances which were past due but not impaired

Loans which are 90 or more days past due are not classified as impaired assets where the estimated net realisable value of the security is sufficient to cover the repayment of all principal and interest amounts due.

	Past due but not impaired			Impaired	Total	Fair Value of Collateral Held
Consolidated	31 to 60 days $M	61 to 90 days $M	More than 90 days $M	$M	$M	$M
2011						
Class of financial asset						
Loan assets held at amortised cost	9.31	1.62	5.19	5.30	21.42	24.76
Total	**9.31**	**1.62**	**5.19**	**5.30**	**21.42**	**24.76**
2010						
Class of financial asset						
Loan assets held at amortised cost	6.18	5.18	3.59	5.37	20.32	20.41
Total	6.18	5.18	3.59	5.37	20.32	20.41

MSF holds collateral against loans and advances to customers in the form of mortgage interest over property, other registered securities over assets and guarantees and mortgage insurance. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except where a loan is individually assessed as impaired.

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 the consolidated entity 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 MSF ALCO assists the Board 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 Group Risk Committee and MSF ALCO. MSF funding and liquidity management is performed centrally by Treasury, with oversight from MSF ALCO. Tasmanian Perpetual Trustees Limited's (TPT) 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 Group Risk Committee and MSF and TPT ALCOs.

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.

MSF Treasury and TPT 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.

32 Financial Risk Management (continued)

Liquidity facilities

The consolidated entity has an approved overdraft of $6.5 million and a standby facility of $20.0 million with Cuscal Limited. Cuscal Limited holds an equitable charge over all the assets of MyState Financial Limited as security for facilities provided. In addition, there is an uncommitted $10 million overnight facility with the National Australia Bank. Bendigo and Adelaide Bank Limited (BABL) provides an overdraft facility of $100,000, a business card facility of $100,000, an asset purchase/lease facility of $200,000 and a 'within-the-day' facility of $10 million. These facilities are secured by a negative pledge from Tasmanian Perpetual Trustees Limited (TPT) not to mortgage or encumber, without the consent of BABL, the freehold properties owned by TPT. None of the facilities were in use at 30 June 2011.

At 30 June 2011 the ConQuest Securities securitisation program had available a number of support facilities provided by Westpac Banking Corporation. These were a $2 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 $155 million liquidity facility provided available for the repayment of maturing ConQuest notes in the event that the notes could not be reissued within the market place at the time of maturity. As at 30 June 2011, this facility 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 2011 this facility has not been drawn upon. The ConQuest 2010-2 Trust has collateral liquidity of $4.4 million held in a separate account with Westpac Banking Corporation to provide liquidity support which can be drawn upon. MyState Financial provides a redraw facility to the ConQuest 2010-2 Trust of $550,000 to meet redraw commitments if there are cash shortfalls. As at 30 June 2011, both facilities had not been drawn upon.

32 Financial Risk Management (continued)

The below table summarises the maturity profile of financial assets and liabilities as at 30 June 2011 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 $
2011 Assets						
Available for sale assets	9,001,685	185,989,438	74,177,779	-	-	**269,168,902**
Receivables	-	15,145,969	-	-	-	**15,145,969**
Loans	129,666,656	16,970,797	48,867,555	79,197,113	1,579,838,115	**1,854,540,236**
Other receivables	4,020,527	-	500,000	-	-	**4,520,527**
Total	**142,688,868**	**218,106,204**	**123,545,334**	**79,197,113**	**1,579,838,115**	**2,143,375,634**
2011 Liabilities						
Due to Banks and other financial institutions	2,436,616	196,945,428	-	-	307,748,158	**507,130,202**
Deposits	623,814,325	371,054,122	492,877,360	8,850,405	-	**1,496,596,212**
Payables	-	29,829,111	-	-	-	**29,829,111**
Total	**626,250,941**	**597,828,661**	**492,877,360**	**8,850,405**	**307,748,158**	**2,033,555,525**
Net mismatch	**(483,562,073)**	**(379,722,457)**	**(369,332,026)**	**70,346,708**	**1,272,089,957**	**109,820,109**
Derivative financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**
2010 Assets						
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
Total	178,513,283	70,682,657	112,358,843	415,838,848	1,172,991,689	1,950,385,320
2010 Liabilities						
Due to Banks and other financial institutions	782,715	206,883,360	-	120,959,187	-	328,625,262
Deposits	587,874,565	351,665,145	514,206,680	32,932,349	-	1,486,678,739
Payables	-	34,185,065	-	-	-	34,185,065
Total	588,657,280	592,733,570	514,206,680	153,891,536	-	1,849,489,066
Net mismatch	(410,143,997)	(522,050,913)	(401,847,837)	261,947,312	1,172,991,689	100,896,254
Derivative financial liabilities	-	-	(54,790)	-	-	(54,790)

32 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.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

During the period, if interest rates had varied, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	Post tax profit higher/(lower)	
	2011 $000	2010 $000
Judgements of reasonably possible movements:		
+ 1.0% (100 basis points)	**3,182**	2,724
- 0.5% (50 basis points)	**(1,591)**	(1,362)

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 (2010: nil) in the Income Statement due to hedge ineffectiveness. At 30 June 2011, the fair value of outstanding derivatives held and designated as cash flows was $nil (2010: $78,271 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.

MyState Financial Limited provides a Basis Swap to the ConQuest 2010-2 RMBS Trust to reduce the potential volatility in changing rates given a potential delay in effecting a lending rate change against an immediate change in the base rate of the notes (i.e. BBSW). Given the amount of the payments, the consolidated entity does not believe the amounts to be material to require the derivative to be valued on the face of the Statement of Financial Position.

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.

	2011 $M	2010 $M
Average	**0.768**	1.128
Maximum	**0.920**	1.850
Minimum	**0.650**	0.650

32 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 MyState Limited Group Risk 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 2011 and the corresponding weighted average effective interest rates.

			Asset and Liability repricing				
Consolidated	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
2011	$	$	$	$	$	$	%
Assets							
Cash and liquid assets	26,560,475	-	-	-	8,410,070	34,970,545	1.78%
Available for sale assets	5,092,808	263,574,797	-	-	501,297	269,168,902	5.65%
Receivables	-	-	-	-	15,145,969	15,145,969	0.00%
Loans	1,653,535,434	97,222,452	103,782,350	-	-	1,854,540,236	7.35%
Other investments	-	500,000	-	-	4,020,527	4,520,527	0.67%
Total financial assets	**1,685,188,717**	**361,297,249**	**103,782,350**	**-**	**28,077,863**	**2,178,346,179**	
Liabilities							
Deposits	623,814,323	863,931,484	8,850,405	-	-	1,496,596,212	4.13%
Interest bearing liabilities and borrowings	2,436,616	196,945,428	-	307,748,158	-	507,130,202	4.39%
Payables and other liabilities	-	-	-	-	29,829,111	29,829,111	0.00%
Total financial liabilities	**626,250,939**	**1,060,876,912**	**8,850,405**	**307,748,158**	**29,829,111**	**2,033,555,525**	
Net mismatch	**1,058,937,778**	**(699,579,663)**	**94,931,945**	**(307,748,158)**	**(1,751,248)**	**144,790,654**	
Derivatives	-	-	-	-	-	-	0.00%
	1,058,937,778	**(699,579,663)**	**94,931,945**	**(307,748,158)**	**(1,751,248)**	**144,790,654**	

32 Financial Risk Management (continued)

Consolidated	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
		Asset and Liability repricing					
2010	$	$	$	$	$	$	%
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	887,687,679	8,156,861	-	-	1,486,678,739	4.97%
Interest bearing liabilities and borrowings	782,678	327,842,584	-	-	-	328,625,262	4.75%
Payables and other liabilities	-	-	-	-	34,185,065	34,185,065	0.00%
Total financial liabilities	591,616,877	1,215,530,263	8,156,861	-	34,185,065	1,849,489,066	
Net mismatch	953,484,478	(880,775,034)	75,816,248	-	(10,859,739)	137,665,953	
Derivatives	-	-	-	-	-	-	
	953,484,478	(880,775,034)	75,816,248	-	(10,859,739)	137,665,953	

32 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 MSF'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.

The consolidated entity has developed a detailed Internal Capital Adequacy Assessment Plan (ICAAP). This plan covers the capital requirements of the Company and also MSF and TPT.

The ICAAP aims to ensure that adequate planning activities take place so that the consolidated entity is efficiently capitalised to a level also satisfactory to regulators. The ICAAP 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. MSF reports to APRA as an Authorised Deposit Taking Institution (ADI). The Company reports to APRA as a non-operating holding company (NOHC). As at reporting date MSF's Level One capital adequacy ratio was - 15.00% (2010: 13.83%) and the Group's Level Two ratio - 15.38% (2010: 14.5%).

Regulatory capital requirements are measured for MSF 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 MSF, its subsidiaries and its immediate parent less certain subsidiaries of MSF 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.

MSF 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.

MSF'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, MSF 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. MSF'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.

Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The consolidated entity cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

Notes to the Financial Statements

For the Year Ended 30 June 2011

MyState Limited

33 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.

	2011			2010		
	Average balance	**Interest**	**Average rate**	Average balance	Interest	Average rate
Consolidated	**$**	**$**	**%**	$	$	%
Average assets and interest income						
Interest-earning assets						
Cash and liquid assets	**43,375,163**	**540,073**	**1.25%**	12,381,247	210,049	2.76%
Due from other financial institutions	**243,694,973**	**14,808,679**	**6.08%**	216,117,846	10,060,344	4.66%
Loans	**1,779,150,232**	**136,331,991**	**7.66%**	1,613,744,559	110,728,550	6.86%
Total average interest-earning assets	**2,066,220,368**	**151,680,743**	**7.34%**	1,842,243,652	120,998,943	6.57%
Non interest earning assets						
Property, plant and equipment	**13,173,196**	**-**	**-**	18,256,966	-	-
Other assets	**13,874,505**	-	**-**	60,009,903	-	-
Total average non interest earning assets	**27,047,701**	**-**	**-**	78,266,869	-	-
Total average assets	**2,093,268,069**	**151,680,743**	**7.25%**	1,920,510,521	120,998,943	6.30%
Average liabilities and interest expense						
Interest-bearing liabilities						
Deposits	**1,447,537,529**	**58,541,643**	**4.04%**	1,387,445,121	47,301,097	3.41%
Due to other financial institutions	**59,579,450**	**3,293,005**	**5.74%**	66,846,343	3,182,443	4.84%
ConQuest Notes and bonds on issue	**402,697,413**	**22,239,789**	**5.52%**	270,406,657	10,499,341	3.88%
Total average interest-bearing liabilities	**1,909,814,392**	**84,074,437**	**4.40%**	1,724,698,121	60,982,881	3.54%
Non interest bearing liabilities						
Other	**33,917,943**	**-**	**-**	31,623,807	-	-
Total average non interest bearing liabilities	**33,917,943**	**-**	**-**	31,623,807	-	-
Total average liabilities	**1,943,732,335**	**84,074,437**	**4.33%**	1,756,321,928	60,982,881	3.47%
Reserves	**149,535,734**	**-**	**-**	164,188,593	-	-
Total average liabilitiesand reserves	**2,093,268,069**	**84,074,437**	**4.02%**	1,920,510,521	60,982,881	3.18%

34 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	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
2011	$	$	$	$	$	$	$	$
Assets								
Cash and liquid assets	32,219,492	-	2,751,053	-	-	-	-	**34,970,545**
Due from other financial institutions	9,001,685	-	185,989,438	74,177,779	-	-	-	**269,168,902**
Receivables	11,296,157	-	3,849,812	-	-	-	-	**15,145,969**
Loans	-	108,084,728	16,970,797	48,867,555	79,197,113	1,601,420,043	-	**1,854,540,236**
Other investments	-	-	-	500,000	-	-	4,020,527	**4,520,527**
Total assets	**52,517,334**	**108,084,728**	**209,561,100**	**123,545,334**	**79,197,113**	**1,601,420,043**	**4,020,527**	**2,178,346,179**
Liabilities								
Deposits	623,814,325	-	371,054,122	492,877,362	8,850,403	-	-	**1,496,596,212**
Due to other financial institutions	2,436,615	-	196,945,428	-	-	307,748,159	-	**507,130,202**
Accounts payable and other liabilities	-	-	29,829,111	-	-	-	-	**29,829,111**
Total liabilities	**626,250,940**	**-**	**597,828,661**	**492,877,362**	**8,850,403**	**307,748,159**	**-**	**2,033,555,525**
2010								
Assets								
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
Total assets	45,607,336	103,644,893	197,173,651	129,037,347	81,733,272	1,425,907,993	4,050,527	1,987,155,019
Liabilities								
Deposits	795,587,908	-	384,126,213	298,814,354	8,150,264	-	-	1,486,678,739
Due to other financial institutions	782,674	-	-	206,883,359	-	120,959,229	-	328,625,262
Accounts payable and other liabilities	-	-	33,818,065	367,000	-	-	-	34,185,065
Total liabilities	796,370,582	-	417,944,278	506,064,713	8,150,264	120,959,229	-	1,849,489,066

35 Net fair value

The aggregate net fair values of financial assets and financial liabilities, at balance date, are as follows:

	Consolidated			
	2011		2010	
	Carrying value $	Net fair value $	Carrying value $	Net fair value $
Assets				
Cash and liquid assets	**34,970,545**	**34,970,545**	36,769,699	36,769,699
Due from other financial institutions	**269,168,902**	**269,176,482**	226,800,495	226,784,483
Receivables	**15,145,969**	**15,145,969**	10,801,752	10,801,752
Loans	**1,854,540,236**	**1,854,883,646**	1,708,232,546	1,708,051,258
Other investments	**4,520,527**	**4,520,527**	4,550,527	4,550,527
Total financial assets	**2,178,346,179**	**2,178,697,169**	1,987,155,019	1,986,957,719
Liabilities				
Deposits	**1,496,596,212**	**1,506,199,164**	1,486,678,739	1,571,488,427
Due to other financial institutions	**507,130,202**	**507,130,202**	328,625,262	241,285,448
Accounts payable	**29,829,111**	**29,829,111**	34,185,065	34,185,065
Total financial liabilities	**2,033,555,525**	**2,043,158,477**	1,849,489,066	1,846,958,940

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.

Notes to the Financial Statements

For the Year Ended 30 June 2011

MyState Limited

	Consolidated		Company	
	30 June 2011 $	30 June 2010 $	**30 June 2011 $**	30 June 2010 $
36 Contingent liabilities and expenditure commitments				
(a) Lease expenditure commitments				
(i) Operating leases				
- not later than 1 year	**3,927,735**	2,042,130	**6,473**	-
- later than 1 and not later than 5 years	**13,902,631**	5,053,270	**15,103**	-
- later than 5 years	**24,962,557**	-	**-**	-
Total lease expenditure contracted for at balance date	**42,792,923**	7,095,400	**21,576**	-
During the reporting period the consolidated entity entered into an agreement for the lease of a property as part of its Hobart 'property consolidation' project (refer note 6(iii). The term of the lease is fifteen years, with an option for a further ten year term. The lease term will commence following the construction of the property by the landlord. This is expected to occur during the first half of the 2012 calendar year. The expected lease payments in respect of this property are included in the amounts disclosed above. Other 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) Loans approved but not advanced	**29,676,689**	31,270,738	**-**	-
(c) Undrawn continuing lines of credit	**90,741,599**	87,820,574	**-**	-
(d) Performance guarantees	**3,077,029**	3,743,105	**-**	-
(e) Bank Guarantee	**-**	-	**-**	-
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.				
(f) Loan Guarantees	**205,860**	140,870	**-**	-
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.				

36 Contingent liabilities and expenditure commitments (continued)

(g) Contracts

The consolidated entity, has contracted computer requirements to Transaction Solutions Proprietary Limited.

(h) Estate Administration

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.

37 Capital and other expenditure commitments

Contracted commitments for expenditure on plant and equipment as at the reporting date are for minimal amounts only. The consolidated entity has entered into a long term lease for a property as part of its Hobart 'property consolidation' project (refer note 6 (iii)). During the year ending 30 June 2012 the consolidated entity expects to incur costs in excess of $2 million for the fit out and office equipment at the new property. No contractual commitments for this expenditure have been entered into.

38 Economic dependency

The consolidated entity has an economic dependency on the following suppliers of services:

(i) Cuscal Limited

Cuscal provides central banking services including overdraft and standby facilities, electronic settlement services and access to chequing, Visa and Redicard.

(ii) Fiserv (ASPAC) Proprietary Limited

Fiserv provides services and maintains the core banking system for MyState Financial Limited (MSF).

(iii) First Data International (FDI)

FDI is the provider of the electronic switching network which transfers transactions and settlement details for the EFT, Visa and Redicard systems of MSF.

	Notes	Consolidated		Company	
		30 June 2011 $	30 June 2010 $	**30 June 2011 $**	30 June 2010 $
39 Employee benefits					
The aggregated employee benefit liability is comprised of the following:					
Bonus		**1,123,856**	369,651	**395,436**	369,651
Provisions	28	**4,889,348**	4,193,684	**377,751**	265,482
Total employee benefits		**6,013,204**	4,563,335	**773,187**	635,133

Superannuation commitments

Superannuation plans have been established for the provision of benefits to employees on retirement, death or disability. Benefits provided under the plan 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.

40 Related parties

(i) Ultimate Parent Company

MyState Limited is the ultimate parent company.

(ii) Significant subsidiaries

Name	Country of Incorporation	Ownership interest	
		30 June 2011 %	30 June 2010 %
MyState Financial Limited	Australia	**100**	100
Tasmanian Perpetual Trustees Limited	Australia	**100**	100
The Gourmet Club Proprietary Limited	Australia	**100**	100
Connect Asset Management Proprietary Limited	Australia	**100**	100

	Consolidated		Company	
	30 June 2011 $	30 June 2010 $	**30 June 2011 $**	30 June 2010 $
40 Related parties (continued)				
(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.				
Management fees received	**-**	-	**6,286,081**	5,725,961
Dividends	**-**	-	**16,522,942**	19,981,106
The following balances with subsidiaries were outstanding as at financial year end:				
Amounts receivable	**-**	-	**(6,559,316)**	3,865,024
Amounts payable	**-**	-	**2,083,991**	3,514,187
			(4,475,325)	7,379,211
(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	**8,732,338**	7,724,424	**-**	-
Investments in managed funds				
Balance at year end	**5,492,855**	4,337,591	**-**	-
Distributions received from managed funds	**229,696**	381,422	**-**	-

40 Related parties (continued)

The Funds have:

- 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 $17,750,000 (2010: $16,000,000).
- loaned money to ConQuest 2010/2 Trust, in the form of Class B RMBS notes, totalling $9,996,061 (2010: Nil).

These deposits are made on the same terms and conditions that apply to all similar transactions.

(v) MyState Financial Limited (MSF)

MSF has a controlling interest in The Gourmet Club Proprietary Limited, Connect Asset Management Proprietary Limited, ConQuest 2007/1 Trust, ConQuest 2010/1R Trust and ConQuest 2010/2 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 Proprietary Limited

MSF made payments on behalf of The Gourmet Club Proprietary Limited (TGC), which are reimbursed the following month through a loan account. At the end of the financial year the loan balance totalled $23,276 (2010: $20,676).

Connect Asset Management Proprietary Limited

MSF makes payments on behalf of Connect Asset Management Proprietary Limited (CAM), which are reimbursed the following month. At the end of the financial year, the loan balance totalled $3,243 (2010: Nil). MSF charges CAM a management fee of $4,120 per month. This fee covers accounting, payroll, computer and occupancy charges. MSF also charges CAM 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 2011 financial year the total of the servicing fee was $213,218 (2010: $304,731).

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 2011 financial year the total of the servicing fee was $271,568 (2010: $324,708).

ConQuest 2010/1R Trust

MSF charges the ConQuest 2010/1R Trust a loan servicing fee based on the outstanding monthly balance of the loans sold to ConQuest 2010/1R Trust at an interest rate of 0.25% per annum. For the 2011 financial year the total of the servicing fee was $253,302 (2010: $40,165).

ConQuest 2010/2 Trust

MSF charges the ConQuest 2010/2 Trust a loan servicing fee based on the outstanding monthly balance of the loans sold to ConQuest 2010/2 Trust at an interest rate of 0.25% per annum. For the 2011 financial year the total of the servicing fee was $504,277 (2010: Nil).

41 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 2011 $	30 June 2010 $	**30 June 2011 $**	30 June 2010 $
Short-term employee benefits	**2,489,945**	2,737,379	**2,489,945**	1,607,159
Post employment benefits	**420,183**	371,708	**420,183**	224,791
Share-Based payment [(1)]	**176,010**	82,307	**176,010**	82,307
Termination benefits	**315,183**	1,732,855	**315,183**	-
	3,401,321	4,924,249	**3,401,321**	1,914,257

[(1)] 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 41 (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, refer note 1 (ab).

(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.

41 Key Management Personnel disclosure (continued)

Any reward payable to any member of the Executive Team under the two ELTIP offers made (the '2009' and '2010' offers) 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.
- 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.

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 [(2)] 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 the Company, 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.

[(2)] 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.

41 Key Management Personnel disclosure (continued)

Details of offers made under the ELTIP are as follows:

	'2010' Offer		'2009' Offer	
	Managing Director	**Other Executives**	**Managing Director**	**Other Executives**
Date of offer ('Grant' date)	29 March 2011	29 March 2011	30 June 2010	30 June 2010
Performance period	1/7/2010 to 30/6/2013	1/7/2010 to 30/6/2013	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	59,840	104,731	71,884	56,581
Value of the offer	225,000	393,789	225,000	177,098
Share price used in the calculations of the offer	$3.76	$3.76	$3.13	$3.13
EPS baseline used in the offer (cents per share)	27.46cps	27.46cps	23.32cps	23.32cps
MyState Limited share price baseline for TSR calculation	$3.12	$3.12	$2.70	$2.70

The Trustee has not acquired any shares pursuant to the ELTIP.

(d) Shareholdings of Directors and Executives

2011	Balance 1 July 2010	Granted as compensation [4]	Net Change Other [3]	Balance 30 June 2011
Ordinary Shares held in the Company				
Directors				
M J Vertigan AC	20,000	-	-	20,000
G J Gilbert	-	-	-	-
N L d'Antoine	110,520	-	-	110,520
P D Armstrong	1,161	-	-	1,161
R L Gordon	387	-	-	387
T M Gourlay	774	-	-	774
M L Hampton	376,312	-	123,688	500,000
C M Hollingsworth	2,274	-	8,000	10,274
I G Mansbridge	170,000	-	-	170,000
S Merridew	19,328	-	4,672	24,000
A B Reidy	774	-	-	774
Executives				
D E Benbow	35,612	-	-	35,612
C L Kent	30,190	-	-	30,190
T M Rutherford	-	-	-	-
D W Turner	387	-	-	387
P K M Viney	31,905	-	-	31,905
Total	**799,624**	**-**	**136,360**	**935,984**

41 Key Management Personnel disclosure (continued)

(d) Shareholdings of Directors and Executives (continued)

2010	Balance 1 July 2009	Granted as compensation [4]	Net Change Other [3]	Balance 30 June 2010
Ordinary Shares held in the Company				
Directors				
M J Vertigan AC	14,000	-	6,000	20,000
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
Executives				
D E Benbow	35,612	-	-	35,612
C L Kent	30,190	-	-	30,190
T M Rutherford	-	-	-	-
D W Turner	-	-	387	387
P K M Viney	31,905	-	-	31,905
Total	358,755	**-**	440,869	799,624

[3] No equity transactions with Directors and Executives, other than those arising as payment for compensation, have been entered into with the Company.

[4] 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 41.

	2011	2010
At the end of the reporting period the number of shares that were owned by or had vested in the respective Director or Executive were:		
D E Benbow	35,612	35,612
C L Kent	30,190	30,190
D W Turner	387	387
P K M Viney	31,905	31,905

[5] 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.

41 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 MyState Financial Limited (MSF). 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.

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. 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 $
2011 Key Personnel						
D W Turner	265,901	14,640	-	-	240,194	265,901
C L Kent	-	7,366	-	-	362,266	364,633
2010 Key Personnel						
D W Turner	292,790	13,326	-	-	265,901	292,790

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For the Year Ended 30 June 2011

MyState Limited

	Consolidated		Company	
	30 June 2011 $	30 June 2010 $	**30 June 2011 $**	30 June 2010 $
41 Key Management Personnel disclosure (continued)				
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	**602,460**	669,640		
Total for key management personnel and their related parties	**602,460**	669,640		
Number of loans included in the total	**2**	3		
Interest charged	**22,006**	40,699		

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.

	Consolidated		Company	
	30 June 2011 $	30 June 2010 $	**30 June 2011 $**	30 June 2010 $
42 Auditors' remuneration				
Amounts received or due and receivable by the external auditors Wise, Lord & Ferguson for:				
- Audit of the financial statements of the consolidated entities	**287,634**	190,929	**54,015**	27,000
- Other non-external audit services				
Tax compliance services	**33,933**	50,622	**-**	-
Assurance related services	**17,262**	47,393	**14,103**	22,770
Audit of loans sold into the securitisation program	**44,330**	20,350	**-**	-
Other services	**4,079**	-	**-**	-
	99,604	118,365	**14,103**	22,770
Total	**387,238**	309,294	**68,118**	49,770

43 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 the following:

Following the close of ASX trading on 30 August 2011, the Company resolved to participate in a Scheme of Arrangement with The Rock Building Society Limited. Full details of the proposal and narrative are available on the ASX Announcements Platform.

Directors' Declaration

For the Year Ended 30 June 2011

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 84 to 142 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 2011 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 2011.

3. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1(c) .

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 30 August 2011.

Wise Lord & Ferguson
advice to advantage
Chartered Accountants

Independent auditor's report to the members of MyState Limited
Report on the financial report

We have audited the accompanying financial report of MyState Limited, which comprises the statements of financial position as at 30 June 2011, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

1st floor 160 Collins Street Hobart 7000, PO Box 1083 Hobart TAS 7001
Tel: (03) 6223 6155 Fax: (03) 6223 8993 Email: email@wlf.com.au Internet: www.wlf.com.au

SGS

Opinion
In our opinion:

a. the financial report of MyState Limited is in accordance with the *Corporations Act 2001*, including:

  i giving a true and fair view of the company's and consolidated entity's financial positions as at 30 June 2011 and of their performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. 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.

Opinion
In our opinion, the Remuneration Report of MyState Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

D J McCARTHY
PARTNER
Wise Lord & Ferguson

Dated: 26 . 8 . 11

Information relating to Shareholders

MyState Limited Ordinary Fully Paid Shares (Total) As of 31 August 2011

Range	Total Holders	Units	% of Issued Capital
1 - 1,000	67,252	26,202,029	38.85
1,001 - 5,000	688	1,891,648	2.80
5,001 - 10,000	296	2,305,721	3.42
10,001 - 100,000	372	10,523,676	15.60
100,001 - 9,999,999,999	52	26,516,084	39.32
Rounding			**0.01**
Total	**68,660**	**67,439,158**	**100.00**

Unmarketable Parcels As of 31 August 2011

	Minimum Parcel Size	Holders	Units
Minimum $500.00 parcel at $3.62 per unit	139	115	7663

Top 20 Shareholders As of 31 August 2011

Name	Number of Shares	% of Units
1 Mecu Limited	3,751,797	5.56
2 Australian United Investment Company Limited	2,600,000	3.86
3 Diversified United Investment Limited	2,600,000	3.86
4 RBC Dexia Investor Services Australia Nominees Pty Limited	1,858,809	2.76
5 The Ian Potter Foundation Ltd	1,800,000	2.67
6 Select Managed Funds Ltd	1,225,960	1.82
7 J P Morgan Nominees Australia Limited	954,887	1.42
8 Cogent Nominees Pty Limited	912,049	1.35
9 UBS Wealth Management Australia Nominees Pty Ltd	762,201	1.13
10 Mr Brian David Faulkner	726,000	1.08
11 RBC Dexia Investor Services Australia Nominees Pty Limited	545,841	0.81
12 Rubi Holdings Pty Ltd	493,500	0.73
13 Burnham Equities Pty Ltd	488,150	0.72
14 Milton Corporation Limited	444,992	0.66
15 Mrs Wendy Jean Faulkner	405,000	0.60
16 Mr Miles Lawrence Hampton & Mrs Therese Mountford Hampton	400,000	0.59
17 Rocket Science Pty Ltd	400,000	0.59
18 Wenola Pty Limited	325,000	0.48
19 Laravon Pty Ltd	324,920	0.48
20 Mrs Joan E Evershed	312,160	0.46
Total Top 20 Holders	**21,331,266**	**31.63**
Total Remaining Holders Balance	**46,107,892**	**68.37**

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, FAMI

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

Minter Ellison
Level 23 South Rialto Towers
525 Collins Street
Melbourne Victoria 3000

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 1173

Email info@mystatelimited.com.au
Internet site: www.mystatelimited.com.au

MyState LIMITED

Registered Office: 23 Paterson Street, Launceston 7250
Corporate Office: Level 2, Heritage House, 172 Collins Street, Hobart 7000
Email: info@mystatelimited.com.au
www.mystatelimited.com.au

MyState Financial Limited

www.mystate.com.au

Corporate	**172 Collins Street, Hobart, 7000 P: 138 001**
Burnie	49 Wilson Street, Burnie, 7320 P: 138 001
Claremont	Shop 9 Claremont Village Shopping Centre, Claremont, 7011 P: 138 001
Devonport	53 Best Street, Devonport, 7310 P: 138 001
Glenorchy	366 Main Road, Glenorchy, 7010 P: 138 001
Hobart	144 Collins Street, Hobart, 7000 P: 138 001
Kings Meadows	Shop 27 Centro Meadow Mews Shopping Centre, Kings Meadows, 7249 P: 138 001
Kingston	Shop 1 Kingston Plaza, Kingston, 7050 P: 138 001
Launceston	67 St John Street, Launceston, 7250 P: 138 001
New Norfolk	45 High Street, New Norfolk, 7140 P: 138 001
New Town	Shop 4 Centro New Town Shopping Centre, New Town, 7008 P: 138 001
Rosny	11 Bayfield Street, Rosny, 7018 P: 138 001
Sandy Bay	183 Sandy Bay Road Sandy Bay, 7005 P: 138 001

Tasmanian Perpetual Trustees Limited

www.tasmanianperpetual.com.au

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