MyState
LIMITED

2014 Annual Report

MyState Limited
Registered Office

Level 2, 137 Harrington Street
Hobart, Tasmania, 7000
Telephone: 138 001
Facsimile: (03) 6215 9760
Email: info@mystatelimited.com.au
Website: www.mystatelimited.com.au

MyState Limited
ABN 26 133 623 962

Annual General Meeting

Date: 16 October 2014
Time: 10.00am
Venue: RACV/RACT Hobart Apartment Hotel
154-156 Collins Street
Hobart, Tasmania

Contents

"Every customer is important and we want to provide a superior experience for our customers every time they deal with us. It's in our DNA to make banking simple and trustworthy."

Tracey Walker
Senior Manager, Retail
MyState Financial

Welcome

MyState is a leading provider of banking, trustee and wealth management services.

Through our retail brands – MyState Financial, The Rock and Tasmanian Perpetual Trustees – we provide services to around 240,000 customers across Australia.

Highlights

Net profit after tax increased to $29.6m

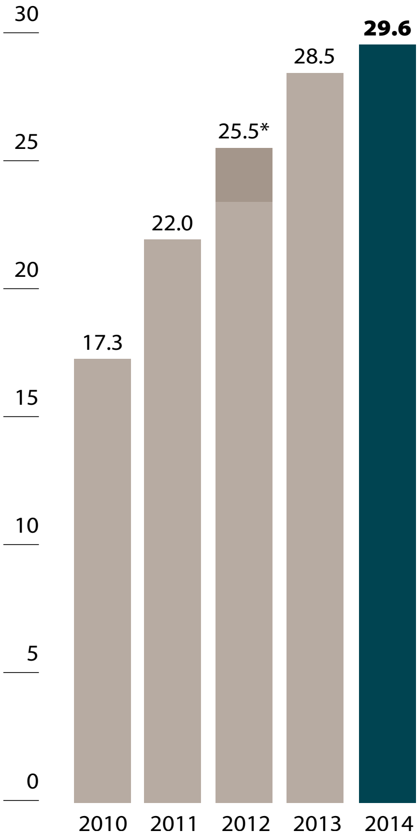
Improved cost-to-income ratio of 64.5%, down from 65.7%

Improved return on average equity of 10.5%, up from 10.4%

28.5¢ total dividends for the year fully franked, up 1.8%

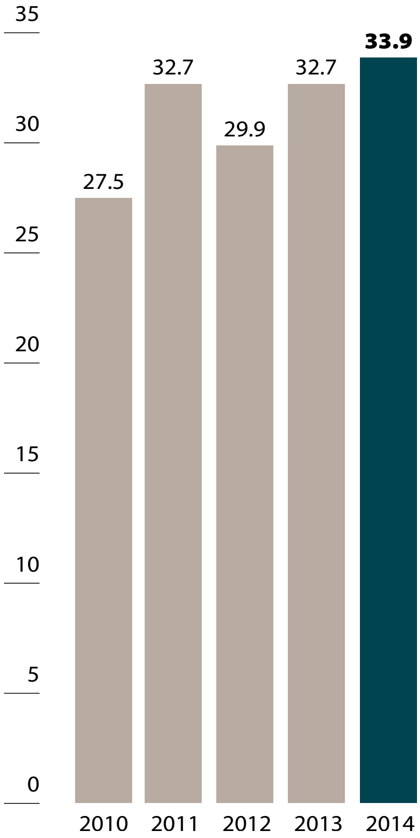
Group Performance

Normalised NPAT ($ millions)

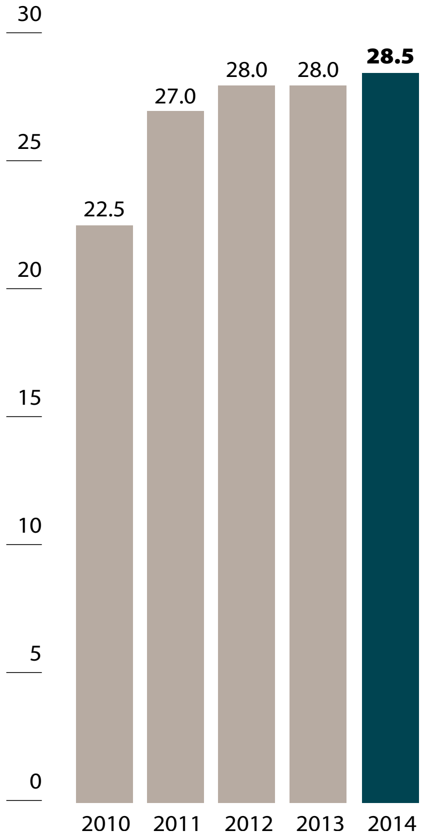


* $23.4m reported + $2.1m merger costs

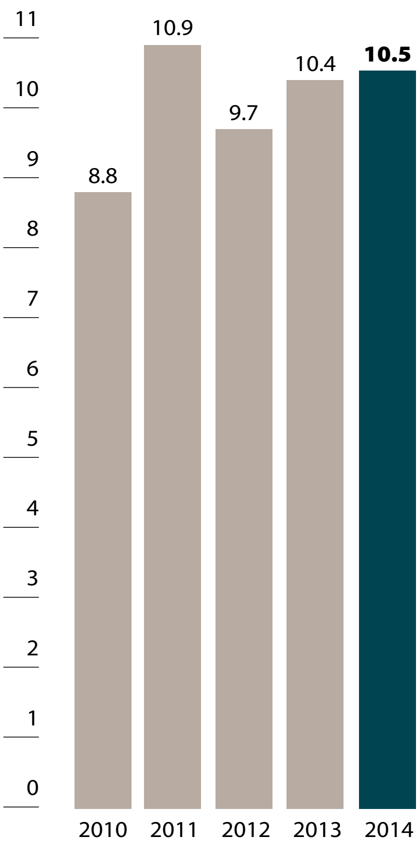
Earnings per share (cents)



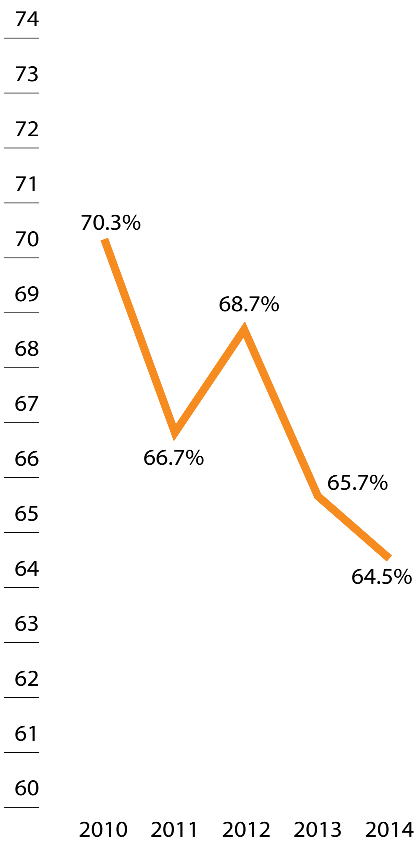
Dividends – fully franked (cents)



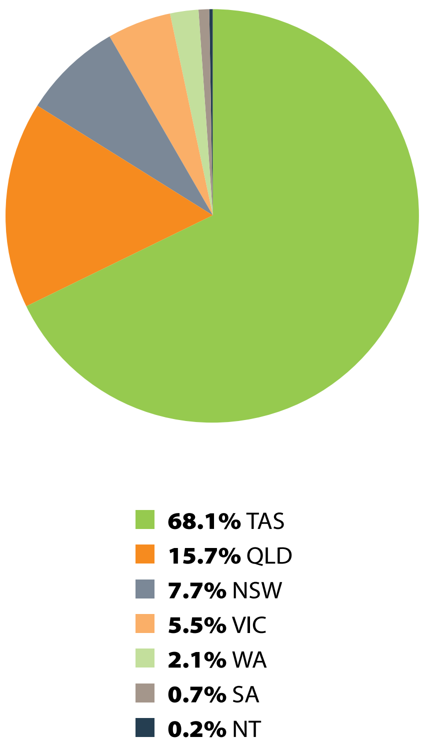
Return on average equity (%)



Cost to income ratio (%)



Loan distribution by state



Chairman's Report

"MyState Limited's financial performance for the 2014 financial year was solid, but it was also a little disappointing... On a positive note we ended the year with a very sound balance sheet, reflecting strong lending management, and tight control of costs."

Miles Hampton
Chairman

MyState Limited's financial performance for the 2014 financial year was solid, but it was also a little disappointing. Economic conditions in our principal markets were challenging, with Tasmania slowly recovering from recession, and Central Queensland experiencing mixed conditions as the receding resources boom led to lower business confidence and investment.

We took appropriate action to address declining top line growth, albeit with the benefit of hindsight we should have responded earlier.

On a positive note we ended the year with a very sound balance sheet, reflecting strong lending management, and tight control of costs.

The Group's net profit after tax was $29.6 million, a 3.9% increase over $28.5 million in FY2013.

The banking business was constrained by reduced volumes and fierce competition from the major banks which benefit from greater scale and geographic diversity.

While MyState Limited's overall loan portfolio rose 0.4% during the year, it was a tale of two halves. The portfolio declined in the first half, but recovered in the second half with loan originations increasing strongly.

We benefited from cheaper funding provided by new residential mortgage backed securities issued under the ConQuest securitisation program, which contributed to a small increase in margins.

MyState Limited maintained a high capital adequacy ratio of 13.8%, with Tier 1 capital at 13.5%, comfortably above regulatory requirements.

The wealth management business produced a strong result with a modest increase in funds under management.

Pleasingly the group cost-to-income ratio fell to 64.5% in FY2014 from 65.7% in the previous year.

The board was pleased to announce an increased final dividend of 14.5 cents per share compared with 14.0 cents for FY2013, bringing dividends for the year to 28.5 cents fully franked.

Strengthening the business

We have taken action to increase our efforts in the mortgage broker channel. Across Australia, nearly 50% of loan origination is now conducted through mortgage brokers, and we have strengthened our product and service proposition to brokers and aggregators.

At the same, time we acknowledge that in our traditional retail banking business we have lost some market share and focus. We plan initiatives to recapture lost market share and reaffirm the customer focused DNA that is part of our mutual heritage.

We also recognise that our technology offering to customers must be contemporary in a fast moving world where most transactions are initiated away from banking chambers. We have plans to significantly improve our technology offering to customers.

Positioning for growth

We are about to take the important step of being recognised as a bank.

As a bank, we will provide a clearer proposition to our customers but with that will come a requirement that we match the service provided by the major banks. This will be challenging as a small player but we are confident that we can meet this challenge.

Transitioning from an approved deposit taking institution to a bank will open up new opportunities, particularly in funding where the market remains conservative in the wake of the global financial crisis.

We will also seek to expand the company by taking advantage of opportunities with complementary or aligned financial services businesses, and partnerships with organisations that can provide value to MyState Limited and our customers.

New leadership taking MyState forward

I would like to pay tribute to my predecessor as Chairman, Dr Mike Vertigan AC, for his outstanding contribution to MyState Limited's board and also to Tasmanian Perpetual Trustees' board. Appointed Chairman of Tasmanian Perpetual Trustees in 2004, Dr Vertigan was the inaugural Chairman of MyState Limited following the merger of Tasmanian Perpetual Trustees and MyState Financial.

He provided outstanding leadership during a period of considerable change.

I would also like to thank John Gilbert for his role as the inaugural Managing Director of MyState Limited. Under his leadership we saw significant growth in the profitability and value of the business, and he left the company in a strong financial position.

Recently we appointed Melos Sulicich as Managing Director and Chief Executive Officer. Melos impressed us not only with his substantial banking, wealth management, mortgage broking and franchising experience, but also his broad knowledge of other industries, which is highly relevant in the context of a financial services industry undergoing tremendous change.

We have given Melos a strong mandate to recapture lost market share and presence, and to pursue growth.

We are confident that he will pursue all opportunities to enhance the performance of our business.

The Tasmanian economy is improving and Queensland's housing market is recovering after a period when growth was constrained. There are early signs that the resurgence in loan origination achieved in the second half of FY2014 will continue.

We have a strong foundation and are well positioned to capitalise on the changing dynamics of the financial services industry.

Your board is optimistic and excited about the future and fully expect that we will recapture lost momentum and that we will pursue all sensible opportunities for growth.

Banking business

Activities

- Provides financial services to approximately 120,000 customers through 10 branches in Tasmania and approximately 40,000 customers through seven branches and 15 mini branches in Central Queensland
- Consumer home and personal loans, general insurance, life insurance, credit and debit cards, transaction, savings and investment products, multi-currency services
- Business lending and overdrafts, transaction, savings and investment products, and merchant services
- Agribusiness lending and overdrafts, transaction, savings and investment products
- MyState Financial Community Foundation provides annual grants to youth focused charities

FY2014 commentary

- Tasmanian economic environment weak, particularly in the first half
- Queensland economic environment mixed as business investment slowed with the decline of the resources boom
- First half growth impacted by significant reduction in broker channel business
- Loan portfolio increased 0.4% to $3.05 billion, with broker channel growth in the second half recovering portfolio loss in the first half
- Business development managers deployed to support mortgage broker channels in Sydney and Melbourne
- Fierce competition for new loans placing pressure on margins
- Net interest margin improved slightly to 2.43%, supported by improvement in funding costs for The Rock from RMBS issue
- Arrears maintained at very low levels, well below peers
- Bad debts expense reduced to $0.9 million, reflecting sound credit quality
- Core banking system upgrade completed successfully for Tasmanian banking brand MyState Financial
- Verification and credit assessment processes centralised to improve loan processing
- Customer Care team established to improve services to brokers and home loan customers
- Residential Mortgage Backed Securities issue completed successfully

Wealth management

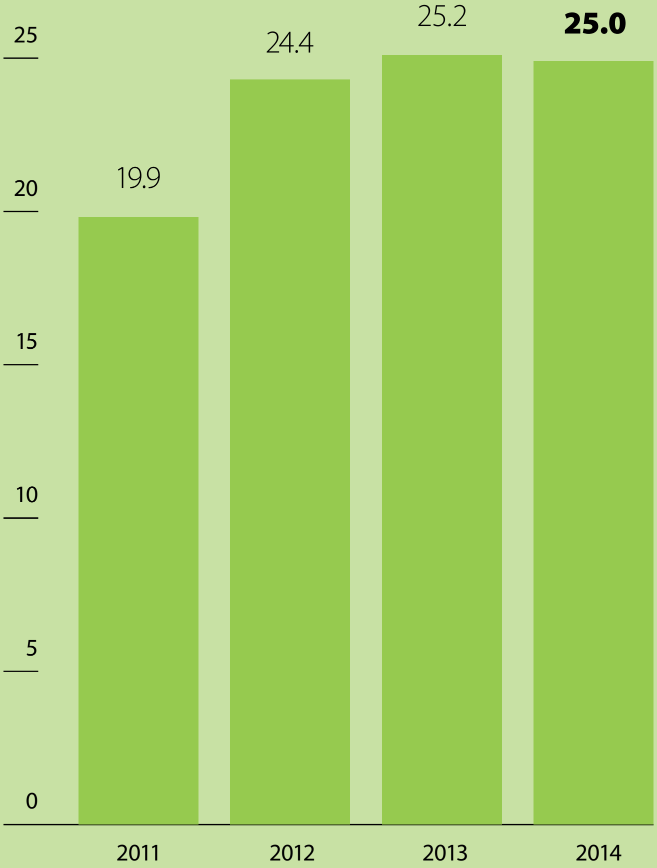
Activities

- Financial planning advice, wealth management services, personal and risk insurance
- Provides investment, estate and trustee services to 80,000 customers in Tasmania
- Managed investments including cash and income funds and investment growth funds
- Wills and estate planning, estate management and trust administration, administration under guardianship and private client services
- Rural and commercial lending

FY2014 commentary

- Funds under management increased by 5.8% to $1.007 billion
- Revenue flat for the year; increased management fees from funds under management were offset by a decline in estate planning revenues
- Sound 4.4% growth in funds under advice to $0.766 billion
- Select Team Fund closed and Cash Management Fund merged into the At Call Fund to simplify the product set

NPAT ($ millions)

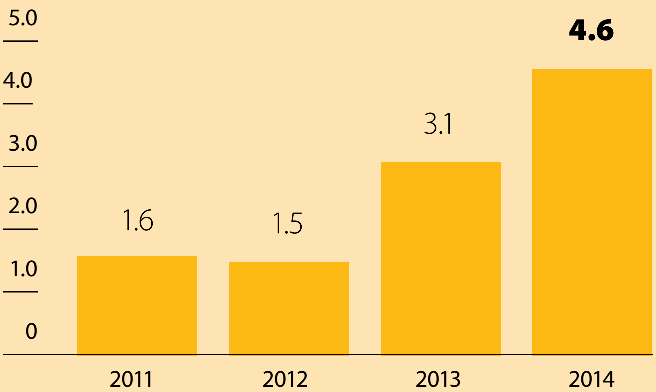


FY2015 strategy

- New loan origination platform planned to provide faster response and higher levels of service
- MyState Financial expected to obtain banking licence
- Future cost-to-income ratio improvement to come from revenue growth
- Further improvement in sales management
- Staff training to improve customer service
- Improvement in technology services for customers planned
- Potential to grow through partnerships and acquisitions
- Continued focus on cost control

Tasmanian Perpetual Trustees

NPAT ($ millions)



FY2015 strategy

- Opportunity to strengthen products to increase cross selling to existing customers
- Wealth management product enhancement and simplification under way
- Maintain prudent cost control
- Potential to grow through partnerships and acquisitions

On our way to Number One

I am delighted to be writing my first report to shareholders as Managing Director and Chief Executive Officer of MyState Limited.

MyState Limited has strong businesses and a clear vision to become Australia's number one regional bank, and I am delighted to join an organisation with bold aspirations and exciting opportunities.

However, FY2014 was a difficult year for the regional markets we serve. The weak economic environment and soft demand for credit, particularly in the first half of the year, contributed to a sound but subdued result for the company.

Overall, our performance was a tale of two halves. The first half saw a decline in the group's loan portfolio resulting from soft economic conditions in our traditional markets and lower loan originations. We increased our efforts to reposition the business and in particular, address the issue of declining home loan originations from the broker channel. This resulted in a second half resurgence in loan originations and consequent growth in the balance sheet.

We maintained our focus on cost control while implementing a number of initiatives that position the company for future growth. We have made considerable progress, with significant opportunities for growth ahead of us.

"MyState Limited has strong businesses and a clear vision to become Australia's number one regional bank, and I am delighted to join an organisation with bold aspirations and exciting opportunities."

Melos Sulicich
Managing Director and Chief Executive Officer

Financial overview

Despite difficult economic conditions, the MyState Limited group maintained a high quality loan book. The percentage of loans in arrears of 30 days or more was just 0.75%, well below industry peers and reflecting rigorous credit risk and arrears management.

Group revenue declined 2.5% to $119.3 million from $122.3 million in the previous year. This was due partly to the slow and patchy economic recovery in Australia and strong competition on loan pricing, as the Reserve Bank of Australia's cash rate remained at a record low of 2.5% since August 2013. Total loans increased 0.4% to $3.05 billion.

The group reported an improvement in net interest margin to 2.43%, up from 2.40% in the prior year. This largely reflected the benefits of access to cheaper funding from the ConQuest securitisation program and favourable repricing of term deposits.

Funds under management improved to $1.0 billion, up 5.8% for the year. While interest rates remained at historical lows, the performance and attractiveness of our funds increased.

The group maintained a sound capital base with a capital adequacy ratio of 13.8%.

Return on average equity increased to 10.5%, reflecting increased profitability as tight cost management reduced the group's overall operating costs by 4.3%.

Earnings per share rose to 33.91 cents, up 4% from 32.68 cents.

The group continued to extract synergies from the merger with The Rock, and we centralised core support activities including credit assessment, loan verification, customer support and finance functions during the year.

We are well placed to meet incoming capital and liquidity requirements under the Basel III accords. Already, our internal capital adequacy assessment process (ICAAP) is aligned to new prudential standards and includes regular stress testing and capital forecasting. The group's recently implemented internal liquidity adequacy assessment process (ILAAP) incorporates routine stress testing and enhances the understanding of liquidity risk management.

The ILAAP also includes the calculation and monitoring of additional liquidity measures required under Basel III for scenario based liquidity entities well ahead of prudential implementation dates.

Banking operations

MyState Limited's banking brands, MyState Financial and The Rock, reported net profit of $25.0 million, slightly below the $25.2 million in the previous year. Margins improved slightly despite the competitive environment and subdued demand for credit.

In the first half of the year, disappointing levels of direct and mortgage broker originations led to a 1.3% contraction in the loan portfolio, which is the driving force behind our banking business' profitability. Recognising the changing market dynamics, we increased our emphasis on the mortgage broker channel in the second half.

A review of our mortgage broker strategy led to product, pricing and policy enhancements; and business structures and processes were revised to support this key channel. Verification and assessment processes were centralised and streamlined, enabling both MyState Financial and The Rock to reduce the time taken for decisions and document turnaround. We also created a

"We're helping many people make the most important purchase of their lives and it's our role to make the experience seamless so they can enjoy the experience."

Danielle Phillips
Manager, Customer Care
MyState Financial and The Rock

new customer care team to improve communications, streamline processes and ensure a superior experience for our brokers and all home loan customers to the banking business.

Whilst there is still much to do, these initiatives contributed to a 67% improvement in broker generated loans in the fourth quarter, recovering lost ground and the home loan portfolio grew 1.6% for the year. As the average loan portfolio was lower across the year, net interest income fell by 1.3% from FY2013. Growth in direct loan originations was modest, with settlements improving 5.7% for the year.

The loan portfolio's overall product mix continued to change. While the proportion of housing loans grew, personal lending declined as customers continued to pay down debt.

Arrears increased from historic lows, with the number of loans with arrears in excess of 90 days increasing slightly in the second half of the year. This remains a very small percentage of the portfolio, well below our banking industry peers. Provisioning increased to 0.03% of the portfolio from a historic low in December 2013. Bad debts expense reduced to 0.9 million, or 0.03% of the portfolio, reflecting the high credit quality of our loan portfolio.

We strengthened our focus on active customer management to maintain the strong relationships that we have developed. This enabled us to improve customer retention in a market characterised by aggressive marketing and repricing of home loans.

We took steps to continue the alignment of our banking brands' product suites to drive efficiency in the business. Through our partnership with CGU Insurance, both MyState Financial and The Rock launched new insurance products including total and permanent disability, funeral and life insurance.

With the Tasmanian and Central Queensland economies under pressure, tight cost control remained a priority. Cost reductions were achieved in a number of areas, most notably through technology efficiencies, lower personnel costs and reduced marketing expenditure.

Technology changes

We continue to invest in technology to improve the flexibility, speed and quality of our services for customers. This helps make our brands more competitive and paves the way for future growth. A highlight of the year was the successful implementation of

MyState Financial's new core banking system in November 2013. This $7.3 million project was the first stage of a technology renewal strategy which will establish an integrated, scalable banking platform across our banking businesses.

The system's implementation has reduced expenditure on technology support and maintenance and provides a platform from which we can launch new products and services for customers.

In conjunction with the new core banking system, we deployed a new contact management system for MyState Financial that enabled us to automate communications, freeing branch and service centre staff to focus on providing a superior experience for our customers.

Wholesale funding

While our banking business continues to benefit from a strong retail funding base, particularly in Tasmania, we continued to diversify our sources of funding through launching a new residential mortgage backed securities issue. We were pleased with the demand for our securities, supported by ratings issued by Standard and Poor's and Fitch Ratings. Reduced funding costs contributed to improved margins.

Wealth management

MyState's wealth management business contributed net profit of $4.6 million, up 46.4% from the prior year. This was a sound result attributable to lower costs and increased efficiency as back office support functions and processes were streamlined.

Revenue, however, was flat as increased management fees from fund growth were offset by lower income from estate planning and capital commission fees.

Tasmanian Perpetual Trustees' cash and income funds continued to outperform target benchmarks, and funds under management increased by $55 million, the highest annual growth since 2004.

In its second full year of operation the MyState Wealth Management super, pension and investment platform increased funds under management by 29% to $108 million. While fund inflows continued, referrals to wealth and estate planning services were lower than the prior year, and estate planning revenues declined with fewer wills and will revisions written.

The wealth management business provided an increased contribution through disciplined cost management and integration of back office business functions

Strong balance sheet, sound capital base, and positioned to grow

Risk management

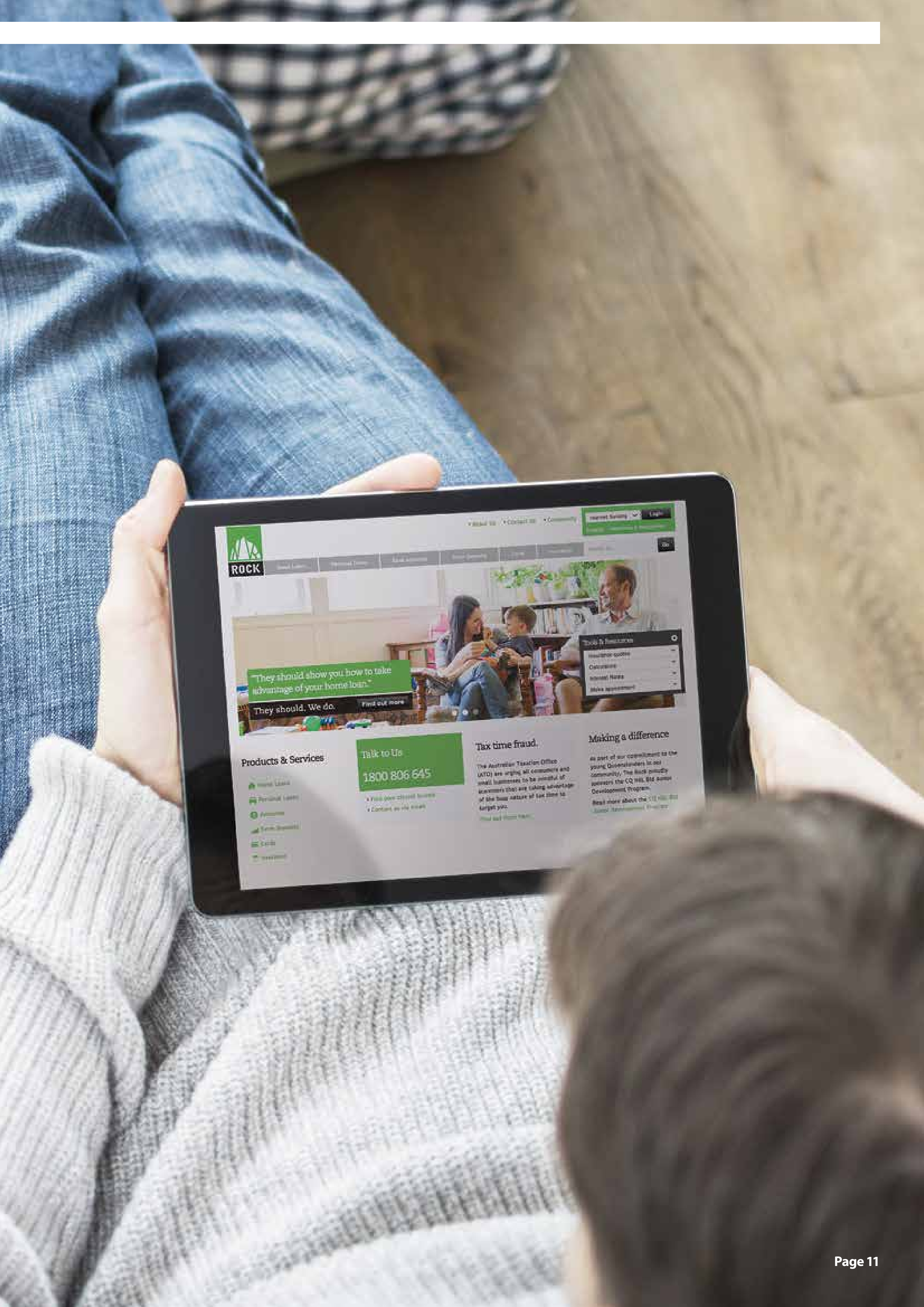
MyState Limited has a strong enterprise risk management framework in place to safeguard the interests of our stakeholders. This allows our group to operate within our intended risk appetite and aligns risk with our corporate values, strategic plan and business objectives.

We place great emphasis on our strong risk and compliance culture. During the year we continued to invest in risk resources to support our employees and management, including a new enterprise risk management system which is being integrated throughout our business to ensure we manage risk holistically. Risk management processes are incorporated into all core business activities, contributing amongst other things, to our very strong credit risk management. Our risk focus is exemplified by the compulsory acknowledgement of common objectives in respect to risk management, policy and procedure, and compliance training which form part of every staff member's annual performance appraisal.

Risk principles

Our overall approach to risk management is based on the three lines of defence model, where:

- Business unit and branch management identify, evaluate and manage risks aligned with their business, and designated business unit risk specialists ensure risks are actively identified and managed across the group;
- Risk management and compliance personnel provide independent monitoring and oversight; and


ROCK
"They should show you how to take advantage of your home loan."
They should. We do.
Find out more
Products & Services
Talk to Us
1800 806 645
Tax time fraud.
Making a difference

Our commitment to improve services for The Rock's customers continues with branch refurbishments of Emerald and Gladstone branches in Central Queensland.

- The board, with the assistance of independent internal and external audit, reviews and tests business unit compliance.

As part of the risk management framework, specific responsibilities include:

- Employees being expected to accept and be accountable for risk management activities relevant to their business unit and role;
- The board, through the group risk committee, being responsible for ensuring that risks to MyState Limited's strategic objectives are properly identified and managed; and
- The Chief Risk Officer reporting to the Managing Director and Chief Executive Officer, who oversees risk at an executive level. The Chief Risk Officer also has direct access to the chairperson of the Group Risk Committee and the external auditor.

Community

As a community-focused organisation, we have an important part to play to help create vibrant, thriving and sustainable communities.

Through our company wide volunteering program, Hands On, MyState Limited employees receive one fully-paid day each year to participate in community programs which support and build the communities we serve.

In Tasmania, the MyState Financial Community Foundation awarded $116,000 in charitable grants to youth orientated organisations, and we continued to run the MyState Student Film Festival in its 12th year of helping to build young people's film making skills. Tasmanian Perpetual Trustees continued its grass roots support of Cape Hope, helping to raise funds for The City Mission, The Menzies Centre for Medical Research (Motor Neuron Project) and the Northern Cancer Support charities.

In Queensland, The Rock continued to support a range of annual festivals, educational scholarships, and sporting programs. These included the Golden Mount Festival held on the outskirts of Rockhampton, the John Maxwell scholarship for a first year university accounting student and the Central Queensland NRL Bid Junior Development Program.

The MyState Financial Community Foundation awarded $116,000 to 15 youth focused organisations in Tasmania in 2014

Staff

Having recently joined the group I have seen for myself the skills, dedication and hard work of our staff, which are evident from their achievements during the year.

It is our people who make us strong and competitive. We are committed to a strong set of cultural values which underpin our organisation:

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

During the year, we negotiated a new employee agreement which resulted in parity across our organisation, helping to harmonise and strengthen our culture.

The future

The Tasmanian economy is improving from a low base, and we expect both opportunities and challenges in Central Queensland. The market for new business remains highly competitive, and this may result in further pressure on margins as we strive for growth.

We anticipate that in FY2015, MyState Financial will obtain a licence to market services as a bank and that benefits will arise from greater customer understanding of our organisation and some benefits to funding costs.

We will continue to focus on our customers – they are the core of our business. Sales management, customer service and process simplification will be key priorities as we seek to increase market penetration and win new business across all of our products and channels.

Another important focus is improving technology. A key priority will be the deployment of improved mortgage origination systems to simplify and improve our offering to brokers and the customers they introduce. Improved loan origination systems will help us drive sales and take advantage of Australia's growing housing markets. There are early signs that our positive momentum in the second half of FY2014 will continue, contributing to portfolio growth.

The strong capital position of the group provides scope for organic growth as well as partnerships and acquisitions, and we may also seek to participate in opportunities for industry rationalisation should they arise.

We have an exciting opportunity to continue the positive momentum of the second half and I look forward to working with our team as we build our business and move towards our vision of becoming Australia's number one regional bank.

We are committed to developing thriving, sustainable communities

It is vital that we contribute to the quality of life of the communities around us and that our actions as a company, and as individuals, demonstrate care for the community we live in.

Staff Hands-On Program

We aim to enable a vibrant, creative and aspirational community where people encourage and bring out the best in each other. It is important that we not only support these events financially, but contribute to the events and activities to drive their success and build upon their foundations.

In line with this commitment, we encourage all staff to take one paid day annually to volunteer for a not-for-profit charitable organisation of their choice. Through our Hands-On volunteer program staff have collaborated with organisations including the RSPCA, St Vincent de Paul Society and Foodbank.

MyState Financial Community Foundation → 1

Through the Foundation, MyState invests in young Tasmanians because we consider them the future custodians of the state. The Foundation believes that investing in the capability of youth enriches the local community and in July 2014 awarded $116,000 to 15 youth focused organisations in Tasmania. Since its inception in 2001, the Foundation has awarded more than $1 million to over 80 organisations.

The Foundation also supports the springboard to higher education program, in partnership with the University of Tasmania, providing financial support to help disadvantaged youth further their education.

MyState Student Film Festival → 5, 6

This is Tasmania's premier youth artistic event which helps young people develop key life skills such as creative thinking, planning, teamwork, problem solving and management through the art of film.

Over the past 12 years more than 750 films have been created by students in over 250 Tasmanian schools. The festival showcases young Tasmanian talent to Australia and the world and has provided a valuable launch pad with some participants progressing to successful film industry careers.

Agfest → 3, 4

Through a larger community presence at Agfest in 2014, MyState and Tasmanian Perpetual Trustees partnered to showcase the very best in local Tasmanian produce through our 'love local' promotion. Agfest was attended by over 65,000 people over the three day event; many patrons experienced our free fresh local produce, such as apples from Lees Orchards or Bills Beetroot Marmalade from Tasmanian Gourmet Kitchens.

Central Queensland NRL Bid Junior Development Program → 7

The Rock is a proud sponsor of the CQ NRL Bid Junior Development Program, which fosters rugby league skills for local talent. In only its third year, the program gathered the best junior players from across the region for a holistic development camp. In addition to financial support, The Rock works with young players on how to manage their money to help them develop more complete life skills and prepare for challenges ahead.

John Maxwell scholarship

Named in memory of a former chairman of The Rock, the scholarship is awarded to a first year accounting student at Central Queensland University. The scholarship provides financial support to enable the student to further their education.

Golden Mount Festival

The Golden Mount Festival is an annual event held on the outskirts of Rockhampton which in 2014 attracted thousands of locals. Offering a great fun filled family day out, the event brings people together to celebrate their shared mining heritage.

The Hardie Fellowship

Tasmanian Perpetual Trustees is a proud supporter of The Hardie Fellowship. The Fellowship is one of the most substantial and prestigious opportunities in Australian education; it provides Tasmanian teachers the opportunity and financial support to achieve excellence in their profession through study and research at universities in the United States. Fellowship recipients then enrich the local community by passing on their learnings to others in Tasmania.

Cape Hope

Tasmanian Perpetual Trustees is proud to support fundraising organisation Cape Hope. This year, Tasmanian Perpetual Trustees helped Cape Hope raise funds for The City Mission, The Menzies Centre for Medical Research (Motor Neuron Project) and the Northern Cancer Support charities.

MyState Wooden Boat Festival → 2

The bi-annual MyState Wooden Boat Festival is recognised as one of the best maritime events in the world, and MyState will continue to sponsor the program in 2015. More than 200,000 people attended the 2013 festival which celebrated Tasmania's $70 million wooden boat building industry. The Festival is estimated to have contributed $80 million to the Tasmanian economy.

1

Nate Austen from the Westbury Community Health Centre – a MyState Community Foundation grant recipient. The centre empowers disadvantaged youth through the craft of woodwork.

3

2

4

5

6

7

Board of Directors

Miles L Hampton
BEc (Hons), FCIS, FCPA, FAICD

Chairman

Appointed 30 October 2013

Mr Hampton was appointed a Director of MyState Limited on 12 February 2009 and became Chairman on 29 October 2013. He has been a Director of Tasmanian Perpetual Trustees Limited since July 2006. He was appointed a Director of MyState Financial and subsidiary companies in September 2009 and was appointed a Director of The Rock Building Society Limited in December 2011.

Mr Hampton is a member of the MyState Limited Board's Group Audit Committee, Group Remuneration Committee and Chair of the Group Nominations and Corporate Governance Committee.

Mr Hampton was Managing Director of ASX listed agribusiness and real estate public company, Roberts Limited from 1987 until 2006.

He is currently Deputy Chairman of The Van Diemen's Land Company and Chairman of TasWater and the Mather Foundation.

Mr Hampton has previously been a Director of public companies Ruralco Holdings Ltd, Australian Pharmaceutical Industries, Wentworth Holdings Ltd, HMA Ltd and Gibsons Ltd and was a Director of Impact Fertilisers Pty Ltd, Chairman of Forestry Tasmania and Hobart Water.

Melos Sulicich
BBus, FAIM, GAICD

Managing Director and Chief Executive Officer

Appointed 1 July 2014

Mr Sulicich was appointed as Managing Director and Chief Executive Officer of MyState Limited on 1 July 2014.

Mr Sulicich has extensive experience in a diverse range of businesses and industry sectors covering financial services, petrol retailing, industrial services, healthcare, transport and logistics.

From 2008 to 2013, he held the position of Chief Executive Officer of RAMS Financial Group, a subsidiary of Westpac. Prior to this, he spent eight years in general management positions for companies including Mayne Group, Adstream Marine and the Spotless Group.

From 1995 to 2000, Mr Sulicich worked in various General Management positions for Colonial Group Limited, including General Manager Marketing, Director Sales and Marketing for Colonial UK Limited and General Manager, Network Financial Services.

Mr Sulicich is a currently a non-Executive Director of social enterprise WorkVentures Ltd. He is also a Director of the MyState Financial Community Foundation.

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

Independent Non executive Director

Appointed 12 February 2009

Mr Armstrong is Chairman of the MyState Limited Board's Group Remuneration Committee. He is a Director of MyState Financial, Tasmanian Perpetual Trustees Limited and the Rock Building Society Limited.

Mr Armstrong is a former Chairman of connectfinancial and Teachers, Police and Nurses Credit Union. He is a career educator at senior secondary and tertiary levels.

Mr Armstrong is also a Director of Tennis Australia and is a member of its Audit and Risk Committee and the Governance and Nominations Committee.

He is a Fellow of both the Australian Institute of Company Directors and the Australian Mutuals Institute.

Robert L Gordon
BSc, MIFA, MAICD, FAIM

Independent Non executive Director

Appointed 12 February 2009

Mr Gordon was formerly the Managing Director of Forestry Tasmania. He has been a company director for sixteen years including six years as Chairman of connectfinancial. Mr Gordon has been a director of companies in the Tourism industry, Research & Development, Construction and infrastructure.

Mr Gordon was appointed as a Director of MyState Financial on 1 July 1998. He is Chairman of MyState Financial Community Foundation Limited and was appointed a Director of Tasmanian Perpetual Trustees Limited on 22 September 2009 and The Rock Building Society Limited on 12 December 2011.

He is a member of the MyState Limited Board's Group Nomination & Corporate Governance Committee and the Group Risk Committee.

Colin M Hollingsworth

CPA, MAICD

Independent Non executive Director

Appointed 12 February 2009

Mr Hollingsworth the former General Manager, Corporate Services, TAFE Tasmania 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 and subsidiary companies on 1 July 2007 and Tasmanian Perpetual Trustees Limited on 22 September 2009.

Mr Hollingsworth is Chairman of MyState Limited Board's Group Audit Committee. He was appointed a Director of The Rock Building Society Limited in December 2011.

Stephen Lonie

B Com, MBA, FCA, FFin, FAICD, FIMCA

Independent Non executive Director

Appointed 12 December 2011

Mr Lonie was a former partner of the international accounting and consulting firm KPMG and now practices as an independent management consultant.

Currently, he is non executive Chairman of Central Queensland mining group, Jellinbah Resources Pty Ltd and is a non executive Director of Corporate Travel Management Ltd, Retail Food Group Ltd and Dart Energy Ltd.

Mr Lonie was formally Chairman of The Rock Building Society Ltd and continued as a non executive Director of the Company following the acquisition by MyState Limited.

Mr Lonie is a member of MyState Limited Board's Group Audit Committee and Group Remuneration Committee.

Mr Lonie was formerly a non-Executive Director of CMI Limited (December 2012 – February 2013) and Oaks Hotels & Resorts Limited (February 2012 to May 2012).

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 Corporation. 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. 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 is the Chair of MyState Limited Board's Group Risk Committee. Mrs Merridew was appointed a Director of The Rock Building Society Limited in December 2011.

Ian G Mansbridge

CPA, FCIS, FCIM, FGIA

Independent Non executive Director

Appointed 12 February 2009

Mr Mansbridge's career has included positions as Managing Director of Sandhurst Trustees Ltd, Managing Director of National Mortgage Market Corporation, Managing Director of Elders Rural Bank (Rural Bank) and 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 a member of MyState Limited Board's Group Risk and the Group Nomination & Corporate Governance Committees. Mr Mansbridge was appointed a Director of The Rock Building Society Limited in December 2011.

Executive Team

From left: Stephen Pender; Natasha Whish-Wilson; Tom Taylor; Melos Sulicich; Scott Lukianenko; Huw Bough; Tim Rutherford; Aaron Pidgeon

Stephen Pender

General Manager, Marketing, Communications and Products

Mr Pender was appointed General Manager, Marketing, Communications and Products in 2014, having been responsible for the group's marketing, communications and product strategies since 2012. He joined MyState Limited in 2007 as Group Manager, Marketing. Beginning his career in marketing with Westpac Financial Services in New Zealand, Mr Pender has more than 20 years' marketing experience in both client and agency capacities. Previously a director of his own marketing communications agency, Mr Pender has held senior roles within advertising firms in Australia working across a broad range of industries.

Natasha Whish-Wilson AdvDipBusMgt, MAICD, CSA (Cert)

Chief Risk Officer

Mrs Whish-Wilson is currently responsible for Enterprise Risk Management throughout the MyState Group and directly oversees the management and operations of the Legal and Compliance, Enterprise Risk Management, Fraud Risk and Credit teams, which includes oversight of Credit Risk. She joined MyState Limited in 1999. Prior to appointment as Chief Risk Officer she held a variety of roles in operational and back office environments. Previously she was employed as a Police Officer at Tasmania Police from 1988 to 1998 and has extensive experience in the Forensic and Criminal Investigation fields.

Tom Taylor BBus, CPA, ACIS, MAICD

Chief Financial Officer

Mr Taylor is responsible for controlling the financial management activities within the group through leadership of the Finance, Treasury and Investment Management teams and interaction with the Executive and Board of Directors. Mr Taylor joined MyState Limited in April 2013. Prior to joining MyState, Mr Taylor held a number of consulting roles to financial services organisations in banking and superannuation and held several non-executive roles. Formerly he was the Chief Financial Officer of Cuscal from 2001 to 2009 and prior to that was the Chief Financial Officer for AMP Bank from 1995 to 2000 where he was responsible for the setting up the regulatory, financial and treasury operations in Australia, New Zealand and the UK.

Melos Sulicich BBus, FAIM, GAICD

Managing Director and Chief Executive Officer

Biography on page 16.

Scott Lukianenko GIA (Cert), Grad Cert BA, AdvDipBusMgt

Company Secretary

Mr Lukianenko has more than 20 years experience in banking and financial services including 10 years as Company Secretary. He was appointed Company Secretary of the MyState Limited Group in November 2013 and was previously the Company Secretary and General Manager Risk for the MyState Financial Group.

Huw Bough DipFS (FP) DipF&MB

General Manager, Sales and Distribution

Mr Bough is responsible for the leadership, operation, customer service and sales performance of MyState Limited group's sales divisions. He joined the company in August 2014. Previously, he held national and executive distribution roles in banking and financial services organisations including nine years at Westpac, where he was General Manager franchise for RAMS Financial Group from October 2011 to July 2014 and General Manager Mortgage Distribution from November 2008 to October 2011. Before that, he was head of RAMS Home Loans' broker sales from April 2005 to November 2008.

Tim Rutherford BA (Hons), MA, MBA, GAICD

Chief Operating Officer

Mr Rutherford is responsible for the strategic direction and delivery of MyState Limited's back office processing and technology. Prior to joining MyState Limited Mr Rutherford gained extensive management experience working with PwCC, IBM, NAB and Rio Tinto in Australia and internationally on large organisational transformation projects covering operational strategy development, large scale systems implementations, organisational restructuring and performance optimisation.

Aaron Pigeon DipBusMan, MAICD

General Manager HR,Property and Projects

Mr Pidgeon is responsible for the strategic direction and delivery of MyState Limited's Human Resource and Property Management as well as group oversight of Project Management governance. Mr Pidgeon has worked in various leadership positions within MyState Limited, including the MyState retail network. Prior, Mr Pidgeon worked with the Commonwealth Bank of Australia in leadership positions within the areas of Training and Development.

Corporate Governance Statement

MyState Limited fully complies with the ASX Corporate Governance Principles and Recommendations

MyState Limited's Corporate Governance policies are available on the Company's website at mystatelimited.com.au and may be accessed via the 'Corporate Governance' section.

This Corporate Governance Statement details the practices that were in operation throughout the financial year ending 30 June 2014 demonstrating full compliance with 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 the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Board of Directors

Role of the Board

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

The Board is responsible for:

- setting the Company's goals and strategic direction, including identification and analysis of merger, acquisition and investment opportunities for the Group in accordance with the Strategic Plan;
- determining corporate policy;
- assessing and monitoring performance against budgets and strategic plans; and
- monitoring the management of the business.

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

The Board is responsible for the appointment of the Managing Director and Chief Executive Officer, setting his/her remuneration and assessing his/her performance annually. The Managing Director and Chief Executive Officer is responsible to the Board for the day-to-day operation of the Company, with all powers, discretions and delegations authorised, from time to time, by the Board.

The Board also reviews and approves the Executive structure of the Company, appointment, succession plan considerations, remuneration and annual performance assessment with recommendations brought forward by the Managing Director and Chief Executive Officer.

Formal performance evaluations have been undertaken for the Managing Director and Chief Executive Officer and Executives during the current financial year in accordance with the process detailed in the Remuneration Report commencing on page 32 of this Annual Report.

Corporate Governance Statement

Board Structure

The Board currently comprises seven Non Executive Directors, including the Chairman, together with the Managing Director and Chief Executive Officer.

The profile of each Director including name, term of office, skills, experience and expertise are set out on pages 16 to 17 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.

Director Independence

A Board 'Independent Director Standards' policy has been developed and it mirrors the ASX Corporate Governance Principles and Recommendations.

The Independent Director Standards are available in the Corporate Governance section of the Company's website, mystatelimited.com.au.

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.

The Board has reviewed the position and associations of each of the seven current Non Executive Directors and considers that all are independent.

Board Skills, Knowledge and Experience

Each year the Board, through the Group Nominations and Corporate Governance Committee, reviews the key competencies required for the optimal composition of the Board. The Board has assessed its collective skills and experience as being appropriate for effective oversight and guidance of the Group.

The Australian Prudential Regulation Authority's (APRA) Prudential Standard CPS 520 '*Fit and Proper*' also requires Directors, Executives, 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.

MyState Limited has an effective and robust framework in place to ensure that relevant individuals have the appropriate fitness and propriety to discharge their prudential duties on appointment and during the course of their appointment in accordance with CPS 520.

The Board approved Fit and Proper policy is located in the Corporate Governance section of the Company's website, mystatelimited.com.au.

All 'responsible persons', as defined by CPS 520, have been assessed as meeting the criteria to ensure they are 'fit and proper'.

Board, Committee and Director Performance Evaluation

MyState Limited has adopted the following Board evaluation processes:

- An independent external review by appropriately skilled specialists is conducted at least every three years, which was most recently undertaken in 2013;
- In the intervening years Directors completed an annual questionnaire developed by the Group Nominations and Corporate Governance Committee. The results are collated and discussed by the Board;
- The Chairman holds one-on-one discussions with each Director and reports to the Board on the outcomes from this process; and
- The Board, its respective committees and the individual Directors have completed performance reviews during the reporting period.

Board Renewal and Succession Planning

Board renewal and succession planning is a fundamental part of the Group's corporate governance processes and is governed by the Board Renewal and Evaluation Policy.

The Group Nominations and Corporate Governance Committee reviews the composition of the Board in consideration of many factors including but not limited to:

- the retirement by rotation of Directors in accordance with the Constitution;
- the collective skills and experience around the Board table; and
- strategic initiatives.

The Board Renewal and Evaluation Policy contains further detail regarding this process and is available on the Company's website, mystatelimited.com.au in the Corporate Governance section.

Meetings of Directors

The Board currently meets formally at least 11 times a year and on other occasions as required. Management are invited to attend and make presentations at Board meetings as appropriate and respond to questions from Directors.

The Board also conducts separate Non Executive Director discussions prior to each meeting without Management present.

Strategic planning sessions are held annually with Management to review and re-assess the Company's strategic plan, which focusses on 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 2014 is set out in the Directors' Report on page 30 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 Executives to enable it to carry out its duties.

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

Board Committees

The Board MyState Limited has four Committees to assist the Board in the oversight and control of the Company. These committees are the Group Audit Committee, Group Risk Committee, Group Remuneration Committee and Group Nominations and Corporate Governance committee.

Each Committee operates under a formal Charter approved by the Board which set out matters relevant to the composition, responsibilities and administration of those Committees. The Charters are reviewed at least annually and are available on the Company's website mystatelimited.com.au in the Corporate Governance section.

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 member, including the Chair of the Committee, is appointed by the Board of Directors, following consideration of recommendations from the Group Nominations and Corporate Governance 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 'Program 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 and have unrestricted access to the papers for each Committee meeting.

Details of each Committee member's respective skills and qualifications are set out on pages 16 to 17 of this Annual Report. The number of Committee meetings that were held over the reporting period and the attendance of Committee members, both current and those retiring during the course of the reporting period, at these meetings, is set out on page 30 of this Annual Report.

Group Audit Committee

The Group Audit Committee is comprised of at least three Non Executive Directors with at least one member having professional accounting, or professional financial management expertise. The Chair 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 Group Audit Committee is comprised of Mr C Hollingsworth (Chair), Mr M Hampton and Mr S Lonie.

The Committee meets at least four times per annum and otherwise as required.

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

Group Risk Committee

The Group Risk Committee is comprised of at least three Non Executive Directors. The Chairman of the Committee must be an independent Non Executive Director.

The Group Risk Committee is comprised of Mrs S Merridew (Chair), Mr B Gordon and Mr I Mansbridge.

The Committee meets at least four times per annum and otherwise as required.

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

Group Remuneration Committee

The Group Remuneration Committee is comprised of at least three non executive Directors. The Chairman of the Committee must be an independent Non Executive Director.

The Group Remuneration Committee is comprised of Mr P Armstrong (Chair), Mr M Hampton and Mr S Lonie.

The Committee meets at least four times per annum and otherwise as required.

The Managing Director and Chief Executive Officer, Chief Financial Officer, General Manager HR, Property and Projects and the Company Secretary are invited to attend meetings on a regular basis as required.

Group Nomination and Corporate Governance Committee

The Group Nomination & Corporate Governance Committee is comprised of at least three Non Executive Directors. The Chairman of the Board is the Chairman of the Committee and must be an independent Non Executive Director.

The Group Nomination & Corporate Governance Committee is comprised of Mr M Hampton (Chairman), Mr R Gordon and Mr I Mansbridge.

The Managing Director and Chief Executive Officer and Company Secretary are invited to attend meetings on a regular basis as required.

The Committee meets at least four times per annum and otherwise as required.

Diversity

MyState Limited considers Workplace Diversity to be a considerable asset that will enhance Company performance. The Company recognises that a healthy workforce should be reflective of our customer base and the greater community if we are to best meet the needs of existing and prospective customers. Continuing to build diversity in the workforce will also drive employee engagement through fair and transparent work practices.

The Diversity Policy applies to all companies within the Group and is available on the Company's website mystatelimited.com.au under the Corporate Governance section.

Gender Diversity:

At 30 June 2014, women account for 69% of the Group's workforce. 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 % (as at 30 June 2014)
Directors	12.5%
Executives	16.0%
Senior Managers	8.3%
Managers	62.0%
Specialist Roles	63.0%
Generalist Roles	93.0%

Diversity Objectives and Strategies:

The Diversity Policy provides that the Board will establish measurable objectives with a view towards progressing to a healthy and diverse workforce that is reflective of our customer base and the broader community.

The Board's measurable objectives for the reporting period to 30 June 2014 are detailed in the following table:

	Measurable Diversity Objectives – Achievement Goal
Objective 1:	Flexible work practices to be approved by the Group Nominations and Corporate Governance Committee. **Update:** MyState Limited provides for flexible working arrangements, and company policy also supports this practice.
Objective 2:	Establish partnership/sponsorship/membership with an external body promoting a women's leadership initiative. **Update:** Experience with external partnership and attendance of conferences has proven ineffective to date with poor feedback received from female attendees. The focus in recent times has remained on internal mentorship with Executive leadership, regardless of gender.

	Measurable Diversity Objectives – Achievement Goal
Objective 3:	The Group is to expand the scope of the Company's Succession Planning program to identify high potential female 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 HR, Property and Projects is to report annually to the Group Remuneration Committee on the success of this initiative. **Update:** The focus has remained on nominating female successors for roles where possible, though noting that ultimately the Company Recruitment and Selection Policy will guide appointments. Internal successor readiness for female candidates continues to improve, though minimal turnover in key management positions throughout the period has not provided opportunity for appointment to senior management roles.
Objective 4:	The Company is to implement an internal mentoring program which aims to increase opportunities for female 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. **Update:** Leadership development resources have been, and will continue to be, dedicated to development of individuals nominated within the Company succession plan. Within this, appropriate development has been and will continue to be provided to identified individuals, some of which is mentoring, some of which is not. Development will continue to be focused accordingly based on the need of the individual.
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. **Update:** As stated previously, successor readiness continues to improve, and there are dedicated plans to increase the number of females being shortlisted for key management positions. Turnover or the creation of additional roles however is required to allow for the appointment of females to these positions, and this has been minimal to non existent throughout the financial year.
Objective 6:	Gender diversity target – the Board to develop a succession plan with an aim of increasing the representation of women on the Board. **Update:** There has been no increase in female representation at Board level, though an increased percentage is evident due to a reduction to Board numbers.

The Board has reviewed the objectives that have been in place for the past few reporting periods and considers that they are too singularly gender focused, and are no longer best placed to serve the needs of the Company, or the achievement of genuine workplace diversity, moving forward. The Board has adopted a new Diversity Policy and established of a new set of objectives which are not only achievable, but will add value to the business and deliver diversity to the business in a holistic sense.

The updated measurable objectives are as follows:

MyState Limited Diversity Objectives FY15 to FY17

MyState Limited has a number of objectives in relation to Workplace Diversity which are detailed below. Whilst setting objectives to ensure that appropriate action occurs to support Workplace Diversity, it is important to note that other factors will impact the achievement of these goals. These include the requirement to satisfy other organisational policy and procedures, including but not limited to the recruitment and selection procedure.

Board Succession Planning

The MyState Limited Board will undertake regular succession planning with a view to ensure a diverse mix of Directors, with a specific focus on gender and skills/experience, through appropriate development and recruitment strategies.

- MYS Board to include two female Directors by the AGM following the conclusion of FY17.

Targeted Recruitment Strategy

The recruitment team will work with Management throughout the Company to identify imbalances and structure specific recruitment programs to address identified imbalances. These will be reflected in the agreed measures for any given period.

- MyState and Rock Branches to have a 25% total representation of employees aged 35 years or older by the conclusion of FY16. This figure is to increase to 40% by the conclusion of FY17.
- All vacant Management or Specialist positions throughout the Group for the periods of FY15 and FY16 to have a representation of 50% of female candidates on the final interviewed shortlist – subject to satisfaction of conditions within the Recruitment and Selection procedure.

Company Succession Planning

Underpinning Recruitment Strategy, internal Succession Planning will be conducted for Management and Specialist positions, ensuring dedicated development planning for identified employees – with an equally appropriate focus on addressing diversity imbalances where evident.

- MYS Group Succession Plan to have 50% of identified roles allocated a nominated female Successor by the conclusion of FY15.

Return to Work Program

The Company will partner with a return to work provider to provide both work experience and full time work opportunities where appropriate to disabled individuals looking to enter/re-renter the workforce.

- The Company to have an established partnership in place with identified return to work providers in both Tasmania and Central Queensland by the conclusion of FY15.
- The Company to have provided a minimum of two work experience placements to disabled individuals identified through return to work providers, in each of Tasmania and Central Queensland, in both FY16 and FY17.
- The Company to have appointed two disabled individuals identified through return to work providers, to permanent positions within the Group by the conclusion of FY17.

Flexible Workforce

Emphasis will be placed on a strong representation of part time employees in customer facing positions, to ensure that the Company can best serve its customers at peak periods of the day, and employ more people on the whole, without increasing the FTE.

- MyState and Rock Branches to have a 20% to 30% total representation of part time employees by the conclusion of FY16. This figure is to increase to between 40% and 50% by the conclusion of FY17. This is to be achieved through an increase in employees, without a resulting increase to FTE.

Education Program

A dedicated training program will be embedded in both employee induction and ongoing education programs, to ensure that the Company continues to promote a culture of acceptance and inclusion, through employees understanding the value of a diverse workforce.

- A dedicated Workplace Diversity education program to be implemented in FY15, inclusive of a component of induction as well as a standalone program for employee attendance run monthly.
- By FY16, Workplace Diversity program attendance to be included in scheduled Compliance training with employees required to attend once every two years at a minimum.

Conduct and Ethics

The Board expects that Directors will at all times conduct themselves in a manner appropriate to their roles as Directors and maintain the highest of ethical standards. A similar requirement is placed on Management and staff, as is respect for the privacy of customers and observance of the law.

A Code of Conduct is in place for the MyState Limited Group and clarifies the standard of behaviour that is expected of anyone who is employed by or works within the Group, including Directors and employees (both permanent and temporary), contractors and consultants, customers, Shareholders, investors, suppliers and the community.

The Code of Conduct is consistent with ASX Principles and the Code is available on the Corporate Governance section of the Company's website mystatelimited.com.au under the Corporate Governance section.

Financial Reporting

Consistent with ASX Principles, the Company's financial report preparation and approval process for the financial year ended 30 June 2014, involved both the Managing Director and Chief Executive Officer and Chief Financial Officer providing a written statement to the Board, that to the best of their knowledge and belief:

- the financial records of the Company and its controlled entities for the financial year ended 30 June 2014 (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 Chief Executive Officer and the Chief Financial Officer provide a written statement to the Board, 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 of the Company's remuneration policies and practices are set out in the Remuneration Report which forms part of the Directors' Report located at page 32 of this Annual Report. A copy of the Company's Remuneration Policy is available on the Company's website mystatelimited.com.au under the Corporate Governance section.

The Remuneration Report includes details of the remuneration of Directors and other Key Management Personnel of the Company and details of the Company's Executive Short Term and Long Term Incentive Plans.

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

In accordance with the ASX Corporate Governance Principles and Recommendations the remuneration of Non Executive Directors is structured separately from that of Executive Directors and Senior Executives.

Unless approved by Shareholders Non Executive Directors cannot receive any shares, options or other securities in addition to or as part of 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).

Risk Management

Consistent with ASX Corporate Governance Principles and Recommendations, MyState Limited is committed to the identification, monitoring and appropriate management of risks associated with its business activities.

MyState Limited operates within a Board approved Risk Management Policy that is linked to an Enterprise Risk Management Framework. Both documents are available on the Company's website mystatelimited.com.au under the Corporate Governance section.

A risk management and internal control system to manage the material business risks is in place, and Management reported to the Board during the year as to the effectiveness of the management of MyState's material business risks.

In addition, the Board received assurance from the Managing Director and Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the *Corporations Act* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

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 auditor for the financial year was Wise Lord and Ferguson. The effectiveness, performance and independence of the external auditor is reviewed annually by the Group Audit Committee. If it becomes necessary to replace the external auditor for performance, independence or rotation reasons, the Group Audit Committee will then formalise a procedure 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, confirming that the auditors have maintained their independence in accordance with the *Corporations Act 2001* and the rules of the professional accounting bodies. Wise Lord and 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 2014. The independence declaration forms part of the Directors' Report and is set out on page 31 of this Annual Report.

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 and regular reviews occur of the independence safeguards put in place by 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 and 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 6 of the financial statements.

Attendance of external auditor at Annual General Meeting

Consistent with ASX Principles, Wise Lord and Ferguson attends and is available to answer Shareholder questions at the Company's Annual General Meeting on;

- the conduct of the audit;
- the preparation and content of the Auditor's Report;
- the accounting policies adopted by MyState Limited in relation to the preparation of the Financial Report; and
- the independence of the auditor in relation to the conduct of the audit.

Share Trading

The Board encourages Directors, Senior Executives and employees to own MyState Limited 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 30 of this Annual Report.

The MyState Limited Share Trading Policy governs share dealings by Directors and employees in accordance with the requirements of the *Corporations Act* and:

- 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, 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 the Company's results; and
- explains the type of conduct that is prohibited under the *Corporations Act*.

In addition the Share Trading Policy clearly prohibits the hedging of any economic exposure to MyState Limited shares whether that relates to unvested entitlements under the Executive Long Term Incentive Plan or to shares owned outright.

A copy of the Share Trading Policy is available on the Company's website mystatelimited.com.au under the Corporate Governance section.

Continuous Disclosure

MyState Limited understands that timely disclosure of price sensitive information is central to the efficient operation of the ASX's securities market and has a Market Disclosure and Communications policy covering all announcements to the ASX.

The Company has an obligation and is committed to ensuring that the Company fully complies with its continuous disclosure obligations under ASX Listing Rules and the *Corporations Act* that seek to ensure 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 ASX Corporate Governance Principles and Recommendations and sets out the measures adopted by the Company to ensure its continuous disclosure obligations are met.

The Policy attributes accountability at Executive level for that compliance and 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 mystatelimited.com.au under the Corporate Governance section.

The Company's website also contains a direct link via 'Shareholder Information', to the ASX Company Announcements Platform, which provides access to 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 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.

Communications with Shareholders

MyState Limited understands and is committed to ensuring the provision of relevant information to Shareholders in a timely manner.

The Board is committed to monitoring on going 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, mystatelimited.com.au has been designed to enable information to be readily accessible and 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 recognises the importance of its relationship with investors and analysts and from time to time conducts analyst and investor briefings. In these cases the following protocols 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 this kind 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; and
- the Company will ensure a copy of the presentation material is available on the Company's website.

Where requested to do so, the Company may review analysts' research reports but will confine comments to factual matters and material previously disclosed. The Company may comment on analysts' earnings estimate to the extent of:

- acknowledging the current range of estimates;
- questioning an analyst's assumptions or sensitivities if the analyst's estimate is significantly at variance from current market range estimates; and
- advising factual errors where data is already in the public domain.

Forecast information will not be provided by the Company unless it has already been disclosed to the market.

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.

The 2014 Notice of Annual General Meeting will be provided to all Shareholders, posted to the ASX Company Announcements Platform 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 already discussed above, the Company has also implemented a wide range of policies encompassing such areas as safety, health, environment, security, employment and fair trading. These policies form part of the Company's broader governance documentation suite. Where appropriate, these policies are supplemented by supporting Company procedures for compliance and monitoring effectiveness. Copies of key policies are available on the Company's website mystatelimited.com.au in the Corporate Governance section.

Directors' Report

Your Directors present their report on MyState Limited (the Company) for the financial year ended 30 June 2014.

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:

- **Miles L Hampton** BEc(Hons), FCIS, FCPA, FAICD
  Chairman and independent non executive Director (appointed as Chairman 30 October 2013)
- **Michael J Vertigan** AC, BEc(Hons), PhD, Hon LLD, FAICD
  Chairman and independent non executive Director (Resigned as Director and Chairman 30 October 2013)
- **Melos A Sulicich** BBus, FAIM, GAICD
  Managing Director – Executive Director (Appointed 1 July 2014)
- **G John Gilbert** BCom, FAICD, FAMI
  Managing Director – Executive Director (Resigned as Director 31 March 2014)
- **Peter D Armstrong** BEc(Hons), DipED, Dip FP, CPA, FAICD, FAMI
  Independent non executive Director
- **Robert L Gordon** BSc, MIFA, MAICD, FAMI
  Independent non executive Director
- **Colin M Hollingsworth** CPA, MAICD, FAMI
  Independent non executive Director
- **Stephen Lonie** BCom, MBA, FCA, Senior FFin, FAICD, FIMCA
  Independent non executive Director
- **Ian G Mansbridge** CPA, FCIS, FCIM
  Independent non executive Director
- **Sarah Merridew** BEc, FCA, FAICD
  Independent non executive Director
- **Scott A Lukianenko** AdvDipBusMgt, Grad Cert BA, GIA (Cert)
  Company Secretary (Appointed 1 November 2013)
- **Lindsay T Scott** B Bus, MBA, FCPA, FCSA, FCIS, MAICD
  Company Secretary (Resigned 29 November 2013)

Principal Activities

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
• Agribusiness		• Private client services
• Personal and business lending		

MyState Limited, the listed diversified financial services group based in Tasmania, provides a range of financial products and services to existing and new customers through its wholly-owned subsidiaries MyState Financial Limited and The Rock Building Society Limited, both authorised deposit taking institutions, and Tasmanian Perpetual Trustees Limited a trustee and wealth management company.

There have been no significant changes in the nature of the principal activities of the Group during the financial year.

In the opinion of 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 events that are likely to significantly affect the operations of the consolidated entity.

Operating and Financial Review

The Group's net profit after income tax for the year ending 30 June 2014 was $29.571 million (2013: $28.457 million).

Dividends

The Directors have declared a fully franked (at 30%) final dividend of 14.5 cents per share. The dividend will be payable on 3 October 2014 to shareholders on the register at 5pm EST on 12 September 2014.

Dividends paid in the year ended 30 June 2014 were as follows:

- In respect of the year to 30 June 2013, a fully franked dividend of 14 cents per share amounting to $12.205 million was paid on 4 October 2013.

- In respect of the year to 30 June 2014, a fully franked dividend of 14 cents per share amounting to $12.212 million was paid on 6 March 2014.

Total dividends paid from the 2014 results amount to 28.5 cents per share and the payout ratio of 84% remains in the Board's policy range of 70% to 90%.

Review and Results of Operations

Profit after income tax for the year ended 30 June 2014 increased by 3.9% to $29.571 million, during a period of challenging top line revenue growth.

Credit growth was particularly soft during the first half, which combined with challenges in the distribution network, resulted in the portfolio declining 1.3% by the end of the first half. However the second half was more encouraging, with positive momentum returning, and the loan book recovering to finish with annual growth of 0.4% by year end.

Improved net interest margin was achieved through disciplined liability management, increasing the net interest margin from 2.40% to 2.43% in 2014. However net interest income fell as the improved funding costs were insufficient to offset the decline in the loan book during the first half of the year.

Softness in lending activity, and a greater share of originations sourced through the broker channel, impacted cross selling opportunities in 2014. Combined with a further deterioration in consumer transaction fee income, non-interest revenues declined $2.1m / 5.8% for the year.

Prudent cost management during 2014 saw the cost-to-income ratio fall from 65.6% to 64.5%.

MyState's banking business delivered a flat performance for the 12 month period, with Net Profit After Tax declining $0.2m / 0.9% against the prior year.

MyState Financial's portfolio increased by 3.1%, to $2.2 billion and The Rock's portfolio contracted by 5.7% to $0.9 billion. Overall the banking business portfolio improved a modest 0.4%, aided by improved level of originations sourced through the broker channel.

The Group's wealth management business, delivered an increased contribution in 2014, with Net Profit After Tax improving $1.5m / 46.4% on the prior year.

Funds under management (FUM) grew 5.8% to $1.007b in 2014, generating additional revenues from management fees.

Looking forward, MyState is seeking to drive profit improvement through revenue growth.

Focus in the banking business will continue on leveraging increased sales momentum through broker distribution networks, in conjunction with improved sales management in the direct channel.

In the wealth management arm, the emphasis will remain on product development and rationalisation activities, as well as improving product penetration across the Group's customer base.

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 the review and results of operation 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.

Likely Developments and Expected Results

Directors do not foresee any material changes in the likely developments 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 consolidated entity is not subject to significant environmental regulation.

Directors' Report

Directors' Meetings

The number of meetings of Directors (including meetings of the 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 2013/2014

	Board Meetings		Group Audit Committee Meetings		Group Risk Committee Meetings		Group Corporate Governance & Remuneration Committee Meetings		Group Remuneration Committee Meetings		Group Nomination Committee Meetings		Group Nominations & Corporate Governance Committee Meetings	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
M J Vertigan	4	4	–	–	–	–	–	–	–	–	2	2	–	–
M L Hampton	12	13	7	7	–	–	–	–	2	2	–	–	4	4
P D Armstrong	13	13	3	3	–	–	2	3	2	2	–	–	–	–
R L Gordon	13	13	–	–	4	4	3	3	–	–	2	2	4	4
C M Hollingsworth	13	13	7	7	–	–	3	3	–	–	–	–	–	–
S E Lonie	13	13	7	7	–	–	3	3	2	2	–	–	3	3
I G Mansbridge	13	13	–	–	4	5	–	–	–	–	2	2	4	4
S Merridew	11	13	–	–	4	5	3	3	–	–	–	–	–	–
G J Gilbert	8	8	–	–	–	–	–	–	–	–	–	–	–	–

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
P D Armstrong	387	774	–	–
R L Gordon	387	–	–	–
M L Hampton	–	600,000	–	–
C M Hollingsworth	3,000	7,274	–	–
S E Lonie	–	50,000	–	–
I G Mansbridge	–	170,000	–	–
S Merridew	4,000	20,000	–	–
M A Sulicich	–	–	–	–

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 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 6 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:

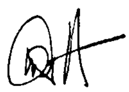
- All non audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Group Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and,
- The non audit services provided do not undermine the general principles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

Auditor's Independence Declaration to the Directors

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

In relation to our audit of the financial report for the consolidated group for the financial year ended 30 June 2014, 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
Hobart

Dated 21 August 2014

Remuneration Report

MyState Limited Remuneration Report

This Remuneration Report forms part of the Directors' Report and outlines the Director and Executive remuneration arrangements of MyState Limited (the Company or MYS) for the year ended 30 June 2014 in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

For the purposes of this report, Key Management Personnel (KMP) are 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.

Contents

1. Group Remuneration Committee

The Board has established a Group Remuneration Committee (GRC) that assists the Directors in discharging the Board's responsibilities in relation to remuneration and human resource responsibilities by reviewing and making recommendations to the Board on:

- Remuneration Policy and arrangements for Directors, the Managing Director and Chief Executive Officer and other Executives;
- 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's Prudential Standards;
- applicable Human Resource (HR) Policies and practices and ratification of Industrial instruments to ensure compliance with all legal and regulatory requirements;
- matters such as the Company's Employee Share Scheme or other incentive schemes for Executives and staff; and
- succession planning to ensure the Company has sufficiently skilled staff to competently perform their roles, as well as review and recommendation to the Board in respect of broader organisational health.

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 Executive is directly involved in deciding their own remuneration.

2. Remuneration Philosophy

The fundamental objective of the Company's Remuneration Policy is to 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:

- appropriately balanced measures of performance;
- variable performance based pay for Executives involving short and long term incentive plans;
- 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 being 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.

The Company links the nature and amount of the remuneration of the Executive Management Team (EMT), comprising the Managing Director and Chief Executive Officer and Executives directly reporting to the Managing Director and Chief Executive Officer, to its financial and operational performance. The remuneration of the EMT is based on a package which from time to time may comprise one or more of the following:

- fixed annual reward (inclusive of superannuation and fringe benefits) (FAR);
- cash based short term incentives (STI);
- equity based long term incentives.

3. Consequences of performance on Shareholder wealth

In considering the Company's performance and benefits for Shareholder wealth, the GRC has regard to the following indices:

Indicator	2010 $'000	Change	2011 $'000	Change	2012 $'000	Change	2013 $'000	Change	2014 $'000
Profit after income tax	17,341	27.0%	22,020	6.2%	23,384	21.7%	28,457	3.9%	29,571
Earnings per share (cents)	27.46	18.9%	32.65	8.4%	29.91	9.3%	32.68	3.8%	33.91
Dividends paid	13,482	22.6%	16,523	18.4%	19,564	24.6%	24,378	0.2%	24,417
Share price (dollars)	3.12	12.5%	3.51	(13.1)%	3.05	39.0%	4.24	9.4%	4.64
Return of capital	Nil		Nil		Nil		Nil		Nil

The Company 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 (STI) and Executive Long Term Incentive Plan (ELTIP) 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. STI performance measures include financial measures such as net profit after tax. ELTIP performance measures are for the "2010" offer weighted equally between earnings per share and total shareholder return (TSR) measures and for the "2011", "2012", and "2013" offers based solely on TSR. TSR is a measure which incorporates both dividends paid and movements in share prices.

4. Key Management Personnel

The Key Management Personnel (KMP) of the Company in office during the year and up to the date of this report were as follows:

Name	Position	Change from FY13
Non Executive Directors		
Miles Hampton	Non Executive Chairman	Appointed Chairman 30 October 2013
Michael Vertigan	Non Executive Chairman	Retired as Chairman and Director 30 October 2013
Peter Armstrong	Non Executive Director	
Robert Gordon	Non Executive Director	
Colin Hollingsworth	Non Executive Director	
Stephen Lonie	Non Executive Director	
Ian Mansbridge	Non Executive Director	
Sarah Merridew	Non Executive Director	

Name	Position	Change from FY13
Executive Directors		
Melos Sulicich	Managing Director and Chief Executive Officer	Appointed 1 July 2014
John Gilbert	Managing Director and Chief Executive Officer	Retired 31 March 2014
Executives		
David Mills	Head of Technology	
Andrew Paynter	Chief Executive Officer – The Rock	
Stephen Pender	Head of Marketing, Communications and Products	
Aaron Pidgeon	Head of People and Property	
Tim Rutherford	Chief Operating Officer (COO) Acting Chief Executive Officer	Appointed as Acting CEO 31 March 2014 Resumed as COO 1 July 2014
Tom Taylor	Chief Financial Officer	Contracted to role in fixed term capacity, September 2014
Natasha Whish-Wilson	Chief Risk Officer	

5. Non Executive Director Remuneration

The Company's Non Executive Directors (NEDs) receive only fees (including statutory superannuation) for their services and the reimbursement of reasonable expenses. These fees may be taken as shares subject to prior shareholder approval. They do not receive any retirement benefits (other than compulsory superannuation). The fees paid to the Company's NEDs reflect the demands on and responsibilities of those Directors.

The Board reviews its fees to ensure the Company's NEDs 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 NEDs.

The advice of independent remuneration consultants is taken to ensure that the Directors' fees are in line with market standards.

The aggregate remuneration paid to all the NEDs (inclusive of statutory superannuation) may not exceed the $950,000 amount fixed by Shareholders at the October 2012 Annual General Meeting of Shareholders. This "fee pool" is only available to NEDs, as Board membership is taken into account in determining the remuneration paid to Executive Directors as part of their normal employment conditions.

Each NED currently receives $85,000 each per annum inclusive of statutory superannuation.

The Chairman is paid an additional amount of $85,000 per annum inclusive of statutory superannuation.

Board Committee Chairmen are paid an additional amount of: Group Audit, $15,000; Group Risk, $12,500; and Group Remuneration, $12,500, per annum inclusive of statutory superannuation. Additionally, Members of Board Committees are paid $5,000 per annum per committee inclusive of statutory superannuation.

6. Managing Director and Chief Executive Officer and Executive Remuneration

6.1 Fixed Annual Remuneration (FAR)

The FAR is paid by way of cash salary, superannuation and salary sacrificed fringe benefits and is reviewed annually by the GRC. In addition, external consultants provide analysis and advice to the Committee to ensure that Executives' remuneration is competitive in the marketplace. It reflects the complexity of the role, individual responsibilities, individual performance, experience and skills. The total employment cost of the remuneration package, including fringe benefits tax, is taken into account in determining an employee's FAR.

6.2 Short Term Incentive (STI)

The STI is an annual "at risk" incentive payment. It rewards EMT members for their annual contribution towards the achievement of the Company's strategic goals. The maximum potential payment is calculated as a percentage of the FAR of each EMT member and is payable annually as cash and/or superannuation contributions.

Payment is conditional upon the achievement, during the financial year under review, of financial and non-financial performance objectives. The measures are chosen and weighted to best align the individual's reward to the Key Performance Indicators (KPI's) of the Company and its overall performance. In most cases there is no fixed minimum payment amount, and there may not be any payment made where appropriate. The KPIs are measures relating to Company and personal performance accountabilities and include financial, strategic, operational, cultural, compliance and risk management requirements and customer/stakeholder measures. The measures are chosen and weighted to best align the individual's reward to the KPIs of the Company and its overall long term performance. KPIs are weighted towards the achievement of profit growth targets.

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

At the end of the financial year, the GRC assesses the performance of the Managing Director and Chief Executive Officer against the KPIs set at the beginning of the financial year. At the end of the financial year the Managing Director and Chief Executive Officer assesses the performance of the Executives against their KPIs set at the beginning of the financial year. Based upon that assessment, a recommendation for each Executive is made to the GRC as to the STI payment.

The GRC recommends the STI payments to be made to the Managing Director and Chief Executive Officer and Executives for approval by the Board. Approval and payment of a STI to the Managing Director and Chief Executive Officer or Executives is at the complete discretion of the Board. 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.

Current STI Offers

Details of STI bonuses that affect the calculation of KMP remuneration for the 2013/14 financial year are set out in the following tables. During the financial year KMP were paid their STI entitlement, as assessed, in respect of the 2012/13 financial year. Assessment of STI bonuses in respect of the 2013/14 financial year has, in most cases, been completed by the Group Risk Committee and Board during August 2014.

Details of the amounts paid and forfeited are set-out in the accompanying table.

2012/2013 STI Bonus						
EXECUTIVE	**Max. % (of FAR)**	**Max Payable**	**% Awarded**	**% Forfeited**	**Amount Paid**	**% Which is not yet assessed for payment**
John Gilbert	50%	$327,600	80%	20%	$262,080	-%
David Mills	15%	$25,800	85%	15%	$21,930	-%
Andrew Paynter	20%	$44,731	85%	15%	$38,021	-%
Stephen Pender	15%	$26,359	85%	15%	$22,405	-%
Aaron Pidgeon	15%	$37,056	85%	15%	$31,498	-%
Tim Rutherford	30%	$115,366	80%	20%	$92,292	-%
Tom Taylor[1]	58.3%	$196,218	85.71%	14.29%	$168,180	-%
Natasha Whish-Wilson	30%	$96,314	80%	20%	$77,052	-%

2013/2014 STI Bonus						
EXECUTIVE	**Max. % (of FAR)**	**Max Payable**	**% Awarded**	**% Forfeited**	**Amount Paid**	**% Which is not yet assessed for payment**
John Gilbert	50%	$327,600	31%	69%	$100,000	-%
David Mills	15%	$30,000	43%	57%	$12,750	-%
Andrew Paynter	15%	$37,015	-%	-%	–	100%
Stephen Pender	15%	$30,000	30%	70%	$9,000	-%
Aaron Pidgeon	15%	$41,625	43%	57%	$17,700	-%
Tim Rutherford	30%	$120,263	33%	67%	$39,100	-%
Tom Taylor(1)	58.3%	$112,088	-%	-%	–	100%
Natasha Whish-Wilson	30%	$99,806	33%	67%	$32,500	-%

(1) Since his engagement as Chief Financial Officer, Mr Taylor has been continuously employed under several fixed term contracts. Due to the nature of this engagement, which does not coincide with the annual performance period applying to other members of the EMT, he has been offered STI bonuses in respect of each contract period. After the conclusion of each period Mr Taylor's entitlement to an STI payment has been assessed and paid. The maximum STI payment, as a percentage of FAR, applying to Mr Taylor's offers, takes account of the fact that he is not entitled to receive any reward under the ELTIP.

6.3 Executive Long Term Incentive Plan (ELTIP)

The ELTIP provides a long term "at risk" incentive, assessed over a three year performance period. It was established by the Board to reward the Executive Management Team (EMT), comprising the Managing Director and Chief Executive Officer and participating Executives to have a greater involvement in the achievement of the Company's objectives. To achieve this aim, the ELTIP provides for the issue to participating Executives 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 individual members of the EMT 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 EMT. As a general guide, noting that the Board has absolute discretion to vary, the maximum percentages used are 50% for the Managing Director and Chief Executive Officer and between 15% and 30% for participating Executives. The value of the offer is converted into fully paid ordinary shares based upon the weighted average price of the Company's shares over a twenty trading day period to be determined by the Board.

In order for the shares to vest in each eligible member of the EMT, 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 relative Total Shareholder Return (TSR) and absolute Return on Equity (ROE) as the performance criteria.

The ELTIP provides for an independent Trustee to acquire and hold shares shares on behalf of the participating Executives. 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.

Where shares have vested, the Trustee will allocate those shares to each eligible member of the EMT in accordance with their entitlement. The Trustee will hold the shares which have been allocated on behalf of the eligible EMT member. During the period that allocated shares are held by the Trustee, the eligible EMT 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.

The participating EMT 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;
- upon leaving the employment of the Company;
- upon the Board giving permission for a transfer or sale to occur; or
- upon a specified event occurring, such as a 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, ELTIP shares will be released only if the separation is due to a Qualifying Reason or is at the initiation of the Company without cause. Effective as of the 2014 ELTIP Offer – if this separation occurs within the three year performance period, shares will be allocated on a pro-rata basis, following the completion of each applicable performance period and applicable performance assessment.

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.

Vesting of shares to the Managing Director and Chief Executive Officer and eligible Executives is at the complete discretion of the Board. Any shares to be allocated to the Managing Director and Chief Executive Officer under this Plan require Shareholder prior approval in accordance with ASX Listing Rules.

On accepting an ELTIP offer made by the Company, participating Executives are required 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 may result in forfeiture of the offer and/or dismissal.

Current ELTIP Offers

Details of offers made under the ELTIP to KMP that affect the calculation of their remuneration in this financial year are set out in the following table.

Offer		**"2011"**	**"2012"**	**"2013"**
Performance Period		1 July 2011 to 30 June 2014	1 July 2012 to 30 June 2015	1 July 2013 to 30 June 2016
Performance Criteria	Measure	100% Total Shareholder Return	100% Total Shareholder Return	100% Total Shareholder Return
	The comparator group	Performance assessment will be measured against a selected group of "financial" companies. (Refer to the list following)		
	Calculation of the reward	Shares will vest in accordance with the following schedule		
EPS baseline for calculation of the offer		N/A	N/A	N/A
Share price baseline for TSR calculation		$3.55	$3.00	$4.30
Offer Date	Managing Director and Chief Executive Officer(1)	2 November 2011	14 November 2012	11 December 2013
	Other Eligible Executives	6 September 2011	9 October 2012	11 December 2013
Share Priced Used in Calculations	Managing Director and Chief Executive Officer(1)	$3.58	$3.63	$4.82
	Other Eligible Executives	$3.58	$3.37	$4.82
Value of Offer(2)	Managing Director and Chief Executive Officer(1)	$235,125	$325,000	$327,600
	Other Eligible Executives	$316,482	$163,500	$220,069

(1) These offers were made to the former Managing Director and Chief Executive Officer.

(2) The value of the offer is calculated as at the date of offer to the KMP at that time. As such, it may include the value of offers made to individuals who are no longer KMP of the Company.

The Comparator Group

ASX Ticker	Name
AMP	AMP Ltd
ANZ	Australia & New Zealand Banking Group Ltd
BEN	Bendigo and Adelaide Bank Ltd
BOQ	Bank of Queensland Ltd
CBA	Commonwealth Bank of Australia
CCP	Credit Corp Group Ltd
CCV	Cash Converters International
CGF	Challenger Ltd
FXL	Flexigroup Ltd
HGG	Henderson Group Plc
IAG	Insurance Australia Group Ltd
IFL	IOOF Holdings Ltd
MQG	Macquarie Group Ltd
NAB	National Australia Bank Ltd
PPT	Perpetual Ltd
QBE	QBE Insurance Group Ltd
SUN	Suncorp Group Ltd
WBC	Westpac Banking Corporation
WBB	Wide Bay Australia Ltd

Calculation of the Reward

The ELTIP reward for the performance period will be based upon the comparison of the Company's actual TSR performance compared to the comparator group and will be payable on the following basis:

- below the mid-point percentage – 0% reward;
- at the 50th percentile – 50% of the applicable reward;
- between the 50th percentile and the 75th percentile – 50% plus 2% for every 1 percentile above the 50th percentile;
- above the 75th percentile – 100% of the applicable reward;
- no reward will be payable if performance is negative irrespective of the benchmark group performance.

Actual and Potential ELTIP Share Allocations

The following table details, for current KMP, the status of offers made under the ELTIP. The table details the maximum number of shares granted, the number now forfeited, vested and the number for which the assessment for vesting remains outstanding. It also details the maximum amount which could be disclosed as KMP remuneration in subsequent financial years. During the financial year the assessment of the "2010" offer was completed and shares were issued accordingly. The "2011" offer performance period was completed on 30 June 2014 and the assessment of this offer was completed by the GRC and Board during August 2014. Following Mr Gilbert's retirement on 31 March 2014, an assessment was made of his entitlement under the "2011", "2012" and "2013" offers and shares were issued accordingly.

Name	Maximum Offer	Forfeited	Vested in the 2013/14 Financial Year	Not yet assessed for Vesting	Maximum possible amount to be recorded as remuneration in subsequent financial years
	Number	Number	Number	Number	$
"2010" Offer (TSR)					
John Gilbert	29,920	2,453	27,467	–	–
Tim Rutherford	10,281	842	9,439	–	–
"2010" Offer (EPS)					
John Gilbert	29,920	14,960	14,960	–	–
Tim Rutherford	10,280	5,140	5,140	–	–
"2011" Offer					
John Gilbert	65,677	65,677	–	–	–
Tim Rutherford	21,595	21,595	–	–	–
"2012" Offer					
John Gilbert	89,532	61,988	27,544	–	–
Tim Rutherford	26,261	–	–	26,261	16,008
Natasha Whish-Wilson	22,255	–	–	22,255	13,566
"2013" Offer					
John Gilbert	67,967	67,967	–	–	–
Tim Rutherford	24,951	–	–	24,951	51,406
Natasha Whish-Wilson	20,707	–	–	20,707	42,662

7. Remuneration of Key Management Personnel

		Salary and Fees $	Cash Bonus[(1) (2)] $	Non-Monetary Benefits $	Post Employment Super-annuation $	Termination Benefits $	Share Based Payment[(1) (3)] $	Total $
Non Executive Directors								
Miles Hampton	**2014**	**133,062**	**–**	**–**	**12,308**	**–**	**–**	**145,370**
	2013	84,554	–	–	7,610	–	–	92,164
Michael Vertigan	**2014**	**50,135**	**–**	**–**	**4,637**	**–**	**–**	**54,772**
	2013	153,312	–	–	13,798	–	–	167,110
Peter Armstrong	**2014**	**72,061**	**–**	**–**	**24,146**	**–**	**–**	**96,207**
	2013	73,398	–	–	18,160	–	–	91,558
Robert Gordon	**2014**	**79,777**	**–**	**–**	**10,859**	**–**	**–**	**90,636**
	2013	75,683	–	–	6,811	–	–	82,494
Colin Hollingsworth	**2014**	**63,831**	**–**	**–**	**35,074**	**–**	**–**	**98,905**
	2013	72,059	–	–	23,097	–	–	95,156
Stephen Lonie	**2014**	**82,962**	**–**	**–**	**7,674**	**–**	**–**	**90,636**
	2013	75,683	–	–	6,811	–	–	82,494
Ian Mansbridge	**2014**	**82,962**	**–**	**–**	**7,674**	**–**	**–**	**90,636**
	2013	75,683	–	–	6,811	–	–	82,494
Sarah Merrridew	**2014**	**74,305**	**–**	**–**	**17,798**	**–**	**–**	**92,103**
	2013	75,683	–	–	6,811	–	–	82,494
Sub Total	**2014**	**639,095**	**–**	**–**	**120,170**	**–**	**–**	**759,265**
	2013	**686,055**	**–**	**–**	**89,909**	**–**	**–**	**775,964**

		Salary and Fees $	Cash Bonus(1) (2) $	Non-Monetary Benefits $	Post Employment Super-annuation $	Termination Benefits $	Share Based Payment(1) (3) $	Total $
Managing Director								
Melos Sulicich(4)	**2014**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2013	–	–	–	–	–	–	–
John Gilbert(5)	**2014**	**475,806**	**69,580**	**–**	**(16,787)**	**656,931**	**76,643**	**1,262,173**
	2013	690,432	195,000	7,011	33,750	–	148,976	1,075,169
Senior Executives								
David Mills(6)	**2014**	**180,095**	**10,710**	**–**	**19,660**	**–**	**1,000**	**211,465**
	2013	121,452	23,220	–	21,125	–	–	165,797
Andrew Paynter(7)	**2014**	**203,718**	**1,161**	**–**	**19,043**	**–**	**1,000**	**224,922**
	2013	220,661	40,258	–	27,582	–	1,000	289,501
Stephen Pender(6)	**2014**	**181,357**	**7,682**	**–**	**19,377**	**–**	**–**	**208,416**
	2013	130,215	23,723	–	15,453	–	–	169,391
Aaron Pidgeon(6)	**2014**	**227,130**	**12,287**	**360**	**23,070**	**–**	**–**	**262,847**
	2013	179,240	33,350	7,570	25,753	–	–	238,913
Tim Rutherford	**2014**	**375,993**	**5,768**	**–**	**24,137**	**–**	**34,018**	**439,916**
	2013	333,474	81,704	3,559	38,983	–	43,574	501,294
Tom Taylor(8)	**2014**	**360,950**	**206,172**	**–**	**32,774**	**–**	**–**	**599,896**
	2013	84,935	–	–	3,801	–	–	88,736
Natasha Whish–Wilson	**2014**	**293,866**	**14,448**	**–**	**18,297**	**–**	**25,297**	**351,908**
	2013	315,719	105,433	1,872	39,066	–	9,811	471,901
Sub Total (9)	**2014**	**2,298,915**	**327,808**	**360**	**139,571**	**656,931**	**137,958**	**3,561,543**
	2013	**2,368,276**	**456,563**	**20,963**	**249,194**	**954,658**	**250,320**	**4,299,974**
Total (9)	**2014**	**2,938,010**	**327,808**	**360**	**259,741**	**656,931**	**137,958**	**4,320,808**
	2013	**3,054,331**	**456,563**	**20,963**	**339,103**	**954,658**	**250,320**	**5,075,938**

(1) The amounts disclosed for the remuneration of KMP are the cost to the Company for these components, as recorded by it in the financial year. These amounts have been calculated in accordance with relevant accounting policies and Accounting Standards. As these figures are based on accrual accounting and not a reflection of actual cash paid or shares vested, negative figures can result in the event of accrual reversals being recorded.

(2) Approximately 25% of the maximum amount, in respect of the 2013/14 financial year STI offers, has been accrued on the basis that it is probable that the KMP will partially meet this proportion of their respective KPI's for the period. Any adjustments between the actual amounts to be paid, as determined by the GRC and Board, and the amounts accrued will be adjusted and disclosed in the Company's Remuneration Report and financial statements for the 2015 financial year. In addition, the disclosed amounts include satisfaction of prior year STI obligations.

(3) Share based payment amounts have been calculated in accordance with the relevant accounting policy and Accounting Standard. The fair value of the share grant is calculated at the date of grant and is allocated to each reporting period evenly over the period from grant date to vesting date. This fair value will generally be different to the value of shares at the time they vest. The value disclosed is the portion of the fair value of the share grant allocated to this reporting period. These amounts represent share grants which will only vest to the KMP when certain performance and service criteria are met. In some circumstances all, or a portion, of the shares may never vest to the KMP.

(4) Mr Sulicich became Managing Director and Chief Executive Officer on 1 July 2014. He did not receive any compensation from the Company prior to this date.

(5) Mr Gilbert retired as Managing Director and Chief Executive Officer on 31 March 2014. The termination payment of $656,931 included the pay out of accrued leave entitlements of $56,331.

(6) Mr Pidgeon, Mr Mills and Mr Pender's roles were added as KMP on 10 September 2012, and remuneration details are reflective of amounts paid from that date.

(7) Mr Paynter's role was added as KMP on 6 July 2012, and remuneration details are reflective of amounts paid from that date.

(8) Mr Taylor was appointed to the role on contract 11 April 2013.

(9) Totals in respect of the year ended 30 June 2013 do not necessarily equal the sum of amounts disclosed for 2013 for individuals specified in this report, as different individuals were specified in the 2013 Remuneration Report.

8. Shareholdings of Key Management Personnel

Details regarding the holdings by KMP and their related parties of ordinary shares in the Company are set out in the following table. Related parties include close members of the family of the KMP. It also includes entities under joint or several control or significant influence of the KMP and their close family members. No equity transactions with KMP, other than those arising as payment for compensation, have been entered into with the Company.

	Balance at commencement of financial year	Granted as compensation(1)	Net change other	Balance at end of financial year	Balance at end of financial year held by ELTIP trustee
Non Executive Directors					
Miles Hampton	600,000	–	–	600,000	–
Michael Vertigan AC(2)	25,000	–	–	25,000	–
Peter Armstrong	1,161	–	–	1,161	–
Robert Gordon	387	–	–	387	–
Colin Hollingsworth	10,274	*	–	10,274	–
Stephen Lonie	50,000	–	–	50,000	–
Ian Mansbridge	170,000	–	–	170,000	–
Sarah Merridew	24,000	–	–	24,000	–
Managing Director and Chief Executive Officer					
Melos Sulicich	–	–	–	–	–
John Gilbert(3)	58,226	69,971	–	128,197	128,197
Executives					
David Mills	1,630	215	–	1,845	–
Andrew Paynter	1,294	215	–	1,509	–
Stephen Pender	774	–	–	774	–
Aaron Pidgeon	–	–	–	–	–
Tim Rutherford	7,404	14,579	–	21,983	21,983
Tom Taylor	10,000	–	–	10,000	–
Natasha Whish-Wilson	1,770	–	–	1,770	–
Total	**961,920**	**84,980**	**–**	**1,046,900**	**150,180**

(1) The shares granted as compensation to G J Gilbert and T Rutherford were pursuant to the ELTIP. The shares granted as compensation to Mr Paynter and Mr Mills were pursuant to the general employee share plan.

(2) Dr Vertigan AC retired as Chairman and Director on 30 October 2013. The amount disclosed for the balance at the end of the year is as at 30 October 2013.

(3) Mr Gilbert retired as Managing Director on 31 March 2014. The amount disclosed for the balance at the end of the year is as at 31 March 2014.

9. Loans to Key Management Personnel

Details regarding the aggregate of loans made, guaranteed or secured by the Company to KMP and their related parties are set out in the following table. Details regarding loans outstanding with individual KMP and their related parties are also disclosed where the individual's aggregate loan balance exceeded $100,000 at any time in the period. Terms and conditions of the loans are either on normal commercial terms, applicable to other staff and customers, or at the fringe benefits tax rate designated by the Australian Tax Office annually and are in accordance with approved Board policy.

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 include close members of the family of the KMP. It also includes entities under joint or several control or significant influence of the KMP and their close family members.

Key Personnel	Balance at commencement of financial year $	Interest charged $	Interest not charged $	Write off $	Balance at end of financial year $	Highest balance in period $
A R Paynter	273,213	15,049	–	–	266,433	274,201
Total for key management personnel	273,213	15,049	–	–	266,433	
Number of KMP included in the total					1	

10. Contract terms and conditions

The Managing Director and Chief Executive Officer and Executives are employed under individual employment agreements.

Incumbent	Commenced in role	Contract term	Fixed Annual Remuneration (FAR) (per year and subject to market based review mechanisms)	Short Term Incentive (maximum)	ELTIP (maximum)	Termination Provisions (subject to shareholder approval in the event that they exceed the equivalent of 1 year FAR in total)
Melos Sulicich	1 July 2014	4 Year term from 1 July 2014	$550,000	50% of FAR	50% of FAR	The contract may be terminated by the Company with 26 weeks notice or payment in lieu of notice. The contract may be terminated by Mr Sulicich with 10 weeks notice. Pro-rata STI payment applied, at the full discretion of the Board, as at the date of termination. Pro-rata ELTIP allocation, made following the completion of the applicable performance periods.
	Share Ownership Required to purchase and maintain shares to the value of 50% of FAR by 30 June 2018.					

Incumbent	Commenced in role	Contract term	Fixed Annual Remuneration (FAR) (per year and subject to market based review mechanisms)	Short Term Incentive (maximum)	ELTIP (maximum)	Termination Provisions (subject to shareholder approval in the event that they exceed the equivalent of 1 year FAR in total)
John Gilbert	14 December 2009	3 Year term from 14 December 2009 plus a further 2 year term which was accepted	$650,000	50% of FAR	50% of FAR	Mr Gilbert retired as Managing Director on 31 March 2014. He received his entitlement under his contract at that time. These were: • Payment in lieu of notice of 60 days FAR; • A termination payment of 9 months FAR; • A pro-rata STI payment: • Accrued leave entitlements; • The number of shares under current ELTIP offers, in accordance with the rules of that scheme. There are no further payments to be made to Mr Gilbert.
David Mills	10 September 2012	Ongoing	$200,000	Between 15% and 30% of FAR	Between 15% and 30% of FAR upon invitation to participate	The contract can be terminated by the Company upon provision of 1 month notice. Payment of the equivalent of 9 months FAR. Pro-rata STI payment applied as at the date of termination.
Andrew Paynter	5 December 2011	5 December 2011 to 31 October 2014	$246,765	No entitlement	No entitlement	The contract can be terminated by the company upon provision of 4 weeks notice. Payment of up to 52 weeks dependent on years of service.
Stephen Pender	10 September 2012	Ongoing	$200,000	Between 15% and 30% of FAR	Between 15% and 30% of FAR upon invitation to participate	The contract can be terminated by the Company upon provision of 1 month notice. Payment of the equivalent of 9 months FAR. Pro-rata STI payment applied as at the date of termination.

Incumbent	Commenced in role	Contract term	Fixed Annual Remuneration (FAR) (per year and subject to market based review mechanisms)	Short Term Incentive (maximum)	ELTIP (maximum)	Termination Provisions (subject to shareholder approval in the event that they exceed the equivalent of 1 year FAR in total)
Aaron Pidgeon	10 September 2012	Ongoing	$277,500	Between 15% and 30% of FAR	Between 15% and 30% of FAR upon invitation to participate	The contract can be terminated by the Company upon provision of 1 month notice. Payment of the equivalent of 9 months FAR. Pro-rata STI payment applied as at the date of termination.
Tim Rutherford	11 January 2010	Ongoing	$400,875	Between 15% and 30% of FAR	Between 15% and 30% of FAR upon invitation to participate	The contract can be terminated by the Company upon provision of 1 month notice. Payment of the equivalent of 9 months FAR. Pro-rata STI payment applied as at the date of termination. Pro-rata ELTIP allocation, made following the completion of the applicable performance periods.
Tom Taylor	11 April 2013	The contract has been progressively renewed and now expires on 30 September 2014	$384,520 FAR will be applied pro rata for the contract period	Due to the shorter term nature of Mr Taylor's contract, no entitlement to the ELTIP is provided. However, an enhanced STI entitlement, of 58.3 % of FAR for the contract period is provided.		The contract can be terminated by the Company upon provision of 1 month notice. Payment of the equivalent to the balance of the FAR. Pro-rata STI payment applied as at the date of termination.
Natasha Whish-Wilson	27 October 2011	Ongoing	$332,687	Between 15% and 30% of FAR	Between 15% and 30% of FAR upon invitation to participate	The contract can be terminated by the Company upon provision of 1 month notice. Payment of the equivalent of 9 months FAR. Pro-rata STI payment applied as at the date of termination. Pro-rata ELTIP allocation, made following the completion of the applicable performance periods.

Signed in accordance with a resolution of the Directors.

M L Hampton
Chairman

M A Sulicich
Managing Director and
Chief Executive Officer

Hobart
Dated this 21 August 2014

Income Statement

for the financial year ended 30 June 2014

	Notes	Consolidated		Company	
		30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
Interest income	3	**177,719**	204,458	**220**	27
Interest expense	3	**(93,330)**	(118,977)	**–**	–
Net interest margin		**84,389**	85,481	**220**	27
Other income	4	**34,867**	36,865	**31,591**	31,761
Other expenses	5	**(76,883)**	(80,375)	**(7,392)**	(7,415)
Profit before bad and doubtful debts and income tax		**42,373**	41,971	**24,419**	24,373
Less bad and doubtful debts net of recoveries	15 (b)	**(852)**	(1,628)	**–**	–
Profit before income tax expense	6	**41,521**	40,343	**24,419**	24,373
Income tax expense/(benefit)	7	**11,950**	11,886	**4**	(2)
Net profit after income tax		**29,571**	28,457	**24,415**	24,375
Basic earnings per share (cents per share)	10	**33.91**	32.68		
Diluted earnings per share (cents per share)	10	**33.91**	32.68		

The accompanying notes form part of these financial statements.

Statement of Comprehensive Income

for the financial year ended 30 June 2014

	Consolidated		Company	
	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
Net profit after income tax	**29,571**	28,457	**24,415**	24,375
Other comprehensive income/(expense):				
Items that may be reclassified subsequently to profit or loss				
Cashflow hedge movements	**1,280**	1,583	**–**	–
Net fair value (losses)/gains on available for sale financial assets	**(593)**	306	**–**	–
Income tax effect	**(206)**	(567)	**–**	–
Total other comprehensive income for the period	**481**	1,322	**–**	–
Total comprehensive income for the period	**30,052**	29,779	**24,415**	24,375
Total comprehensive income for the period is attributable to:				
Ordinary equity holders of MyState Limited	**30,052**	29,779	**24,415**	24,375
Total comprehensive income for the period	**30,052**	29,779	**24,415**	24,375

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 30 June 2014

		Consolidated		Company	
	Notes	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
ASSETS					
Cash and cash equivalents	12	**57,958**	66,835	**2,807**	1,605
Available for sale financial assets	13	**321,616**	395,844	**–**	–
Receivables	14	**22,583**	25,538	**4,288**	1,592
Loans at amortised cost	15	**3,050,873**	3,037,785	**–**	–
Other investments	16	**5,020**	5,020	**237,511**	237,511
Assets classified as held for sale	17	**2,125**	–	–	–
Property, plant and equipment	18	**13,496**	17,818	**–**	–
Tax assets	8	**4,034**	6,216	**780**	876
Intangible assets and goodwill	19	**78,117**	74,685	**–**	–
TOTAL ASSETS		**3,555,822**	3,629,741	**245,386**	241,584
LIABILITIES					
Deposits	20	**2,225,690**	2,310,298	**–**	–
Interest bearing loans and borrowings	21	**988,942**	980,805	**–**	–
Payables and other liabilities	22	**43,764**	47,373	**1,236**	1,691
Derivatives	23	**–**	2,988	**–**	–
Tax liabilities	9	**6,183**	2,957	**4,635**	679
Provisions	24	**5,594**	5,611	**225**	227
TOTAL LIABILITIES		**3,270,173**	3,350,032	**6,096**	2,597
NET ASSETS		**285,649**	279,709	**239,290**	238,987
EQUITY					
Share capital	25	**132,566**	132,241	**238,495**	238,170
Retained earnings	28	**150,327**	145,173	**315**	317
Asset revaluation reserve	28	**2,340**	2,340	**–**	–
Employee equity benefits reserve	28	**481**	501	**480**	500
Hedging reserve	28	**–**	(896)	**–**	–
Net unrealised gains reserve	28	**(65)**	350	**–**	–
TOTAL EQUITY		**285,649**	279,709	**239,290**	238,987

The accompanying notes form part of these financial statements.

Statement of Cash Flows

for the financial year ended 30 June 2014

	Notes	Consolidated 30 June 2014 $'000	Consolidated 30 June 2013 $'000	Company 30 June 2014 $'000	Company 30 June 2013 $'000
Cash flows from operating activities					
Interest received		**178,815**	206,137	**361**	27
Interest paid		**(96,848)**	(128,996)	**–**	–
Fees and commissions received		**33,688**	37,424	**–**	808
Other non-interest income received		**2,528**	1,429	**3,008**	–
Payments to suppliers and employees		**(72,990)**	(79,650)	**(7,437)**	(2,040)
Dividends received		**614**	594	**–**	–
Income tax paid		**(6,747)**	(10,638)	**(3,293)**	(10,517)
Net income tax contributions received from subsidiaries		**–**	–	**7,340**	8,690
Net cash flows from/(used in) operating activities	29 (c)	**39,060**	26,300	**(21)**	(3,032)
Cash flows from investing activities					
Net (decrease)/increase in loans to customers		**(12,627)**	17,930	**–**	–
Net movement in amounts due from other financial institutions		**71,926**	(28,025)	**–**	–
Dividend received		**–**	–	**24,419**	24,373
Purchase of intangible assets		**(5,325)**	(4,628)	**–**	–
Disposal of property, plant and equipment		**370**	3,463	**–**	–
Purchase of property, plant and equipment		**(1,550)**	(4,605)	**–**	–
Net cash flows from/(used in) investing activities		**52,794**	(15,865)	**24,419**	24,373
Cash flows from financing activities					
Net (decrease)/increase in deposits		**(84,608)**	86,298	**–**	–
Net decrease in loans to related entities		**–**	–	**916**	3,132
Net increase/(decrease) in amounts due to other financial institutions		**7,989**	(111,108)	**–**	–
Employee share issue		**305**	118	**305**	118
Dividends paid	26	**(24,417)**	(24,378)	**(24,417)**	(24,378)
Net cash flows used in financing activities		**(100,731)**	(49,070)	**(23,196)**	(21,128)
Net (decrease)/increase in cash held		**(8,877)**	(38,635)	**1,202**	213
Cash at beginning of financial year		**66,835**	105,470	**1,605**	1,392
Closing cash carried forward	29 (a)	**57,958**	66,835	**2,807**	1,605

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

for the financial year ended 30 June 2014

	Attributable to equity holders of the company						
Consolidated	**Share Capital $'000**	**Retained Earnings $'000**	**Asset Revaluation Reserve $'000**	**Employee Equity Benefit Reserve $'000**	**Hedging Reserve $'000**	**Net Unrealised Gains Reserve $'000**	**Total $'000**
At 1 July 2012	131,786	141,094	2,340	526	(2,004)	135	273,877
Net profit after income tax	–	28,457	–	–	–	–	28,457
Other comprehensive income net of tax	–	–	–	–	1,108	215	1,323
Total comprehensive income for the period	–	28,457	–	–	1,108	215	29,780
Equity issued under employee share scheme	117	–	–	–	–	–	117
Share based payment expense recognised	–	–	–	313	–	–	313
Equity issued under Executive long term incentive plan	338	–	–	(338)	–	–	–
Dividends paid	–	(24,378)	–	–	–	–	(24,378)
At 30 June 2013	**132,241**	**145,173**	**2,340**	**501**	**(896)**	**350**	**279,709**
At 1 July 2013	132,241	145,173	2,340	501	(896)	350	279,709
Net profit after income tax	–	29,571	–	–	–	–	29,571
Other comprehensive income/(expense) (net of tax)	–	–	–	–	896	(415)	481
Total comprehensive income for the period	–	29,571	–	–	896	(415)	30,052
Equity issued under employee share scheme	–	–	–	–	–		–
Share based payment expense recognised	114	–	–	305	–		419
Equity issued under Executive long term incentive plan	211	–	–	(325)	–		(114)
Dividends paid	–	(24,417)	–	–	–		(24,417)
At 30 June 2014	**132,566**	**150,327**	**2,340**	**481**	**–**	**(65)**	**285,649**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity (continued)

for the financial year ended 30 June 2014

		Attributable to equity holders of the company					
Company	**Share Capital $'000**	**Retained Earnings $'000**	**Asset Revaluation Reserve $'000**	**Employee Equity Benefit Reserve $'000**	**Hedging Reserve $'000**	**Net Unrealised Gains Reserve $'000**	**Total $'000**
At 1 July 2012	237,715	320	–	525	–	–	238,560
Net profit after income tax	–	24,375	–	–	–	–	24,375
Total comprehensive income for the period	–	24,375	–	–	–	–	24,375
Equity issued under employee share scheme	117	–	–	–	–	–	117
Share based payment expense recognised	–	–	–	313	–	–	313
Equity issued under Executive long term incentive plan	338	–	–	(338)	–	–	–
Dividends paid	–	(24,378)	–	–	–	–	(24,378)
At 30 June 2013	**238,170**	**317**	**–**	**500**	**–**	**–**	**238,987**
At 1 July 2013	238,170	317	–	500	–	–	238,987
Net profit after income tax	–	24,415	–	–	–	–	24,415
Total comprehensive income for the period	–	24,415	–	–	–	–	24,415
Equity issued under employee share scheme	–	–	–	–	–	–	–
Share based payment expense recognised	114	–	–	305	–	–	419
Equity issued under Executive long term incentive plan	211	–	–	(325)	–	–	(114)
Dividends paid	–	(24,417)	–	–	–	–	(24,417)
At 30 June 2014	**238,495**	**315**	**–**	**480**	**–**	**–**	**239,290**

The accompanying notes form part of these financial statements.

Notes to the financial statements

for the financial year ended 30 June 2014

1 Summary of significant accounting policies

(a) Basis of accounting

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

This financial report is for MyState Limited and the entities it controlled at the end of, or during the year ended 30 June 2014. The comparative information disclosed in the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position and the Statement of Cash Flows is for the corresponding year to 30 June 2013.

The consolidated entity is a kind referred to in ASIC Class order 98/100 and in accordance with this Class Order, amounts presented in the financial report are rounded off to the nearest thousand unless otherwise indicated.

Throughout these notes to the financial statements, the following terms are used with the corresponding meaning:

the "Company"	MyState Limited
the "consolidated entity"	MyState Limited and the entities it controlled at the end of, or during the period
"MSF Group"	MyState Financial Limited and the entities it controlled at the end of, or during the period
"MSF"	MyState Financial Limited
"TPT"	Tasmanian Perpetual Trustees Limited
"ROK Group"	The Rock Building Society Limited and the entities it controlled at the end of, or during the period
"ROK"	The Rock Building Society Limited
the "period"	the year ended 30 June 2014
the "comparative period"	the year ended 30 June 2013
"APRA"	Australian Prudential Regulation Authority
"ADI"	Authorised deposit-taking institution
"ASIC"	Australian Securities and Investments Commission
"AFSL"	Australian financial services licence

For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity.

(b) Historical cost convention

The financial report has been prepared on a historical cost basis, with the exception of certain 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 and revised accounting standards, amendments and interpretations

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application for reporting periods beginning on or after 1 July 2013. The adoption of these accounting standards have not resulted in any significant changes to the financial statements:

AASB 10 *Consolidated Financial Statements (and AASB 127 (2011) Separate Financial Statements)*.

AASB 11 *Joint Arrangements*.

AASB 128 (2011) *Investments in Associates and Joint Ventures*.

AASB 12 *Disclosure of Interests in Other Entities*.

AASB 13 *Fair Value Measurements*.

AASB 119 (2011) *Employee Benefits*.

AASB 2013-2 A*mendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*.

AASB 2013-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*.

AASB 2013-6 A*mendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures*.

AASB 2013-9 *Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039*.

AASB 2013-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments (AASB 10, AASB 128)*.

AASB 1048 (2013) *Interpretation of Standards*.

AASB CF 2013-1 *Amendments to the Australian Conceptual Framework*.

1 Summary of significant accounting policies (continued)

AASB 2013-9 (part A) *Amendments to Australian Accounting Standards – Conceptual Framework*.

The following standard, amendments to standard and interpretation has been identified as an accounting standard which may impact the entity in the period of initial application. It is available for early adoption at 30 June 2014, but has not been applied in preparing this financial report. The consolidated entity will adopt this standard on its effective date. It is not expected that adoption of this standard will have a significant impact on the presentation of the Group's financial statements:

AASB 9 *Financial Instruments – Classification & Measurement*.

The principle accounting policies adopted in the preparation of the financial report are set out in the following sections.

(e) Principles of consolidation

Basis of consolidation

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

Impairment of subsidiaries

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

Securitisations

Securitised positions are held through a number of Special Purpose Entities (SPEs). These entities are joint operations as the parties to them have rights to the assets and obligations for the liabilities arising from the arrangement in proportion to the value of their contribution. The special purpose vehicles are accounted for by proportional consolidation.

(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)); and
- Impairment losses on goodwill (see notes 1(m) and 19).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. Management considers that the estimates used in preparing the financial report are reasonable. Actual results in the future may differ from those reported.

(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, 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.

1 Summary of significant accounting policies (continued)

(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 33.

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. Interest income from available-for-sale investments is recognised in profit or loss using the effective interest method.

Held to maturity investments

Held to maturity investments are non derivative assets with fixed or determinable payments and fixed maturity that the consolidated entity has a positive intent and ability to hold to maturity, and which are not designated as available for sale. These investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the consolidated entity from classifying investment securities as held-to-maturity for the current and the following two financial years.

(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 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

Land and building

Land and buildings are measured at fair value less accumulated depreciation.

Property

Freehold land and buildings are measured at their fair value, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arms length transaction, less accumulated depreciation.

Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

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.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount, being their 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 arms 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.

1 Summary of significant accounting policies (continued)

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

The consolidated entity adopts the straight line method of depreciating property, plant and equipment, and intangible assets, to depreciate these assets over their estimated useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired expected term of the lease or the estimated useful life of the improvements. Estimated useful lives are:

	2014	2013
Buildings	2.5%	2.5%
Office furniture and fittings	15% – 20%	15% – 20%
Building fit-outs	6.67% – 25%	6.67% – 25%
Office equipment	25%	25%
Computer hardware	33.33%	33.33%

(l) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement, 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 19.

(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. Certain costs directly incurred in acquiring and developing software are capitalised and amortised over the estimated useful life. Other intangible assets created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

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.

Software licences

Items of computer software which are not integral to the computer hardware are classified as intangible assets. Computer software is amortised on a straight line basis over the expected useful life of the software.

(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. The consolidated entity classifies financial instruments as financial liabilities or equity instruments, in accordance with the substance of the contractual terms of the instrument.

(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.

1 Summary of significant accounting policies (continued)

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.

Contributions are made by the consolidated entity to employee superannuation funds and are charged as expenses when incurred.

(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 on borrowings 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.

If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability most closely matching the expected future payments.

(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 borrower'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 as follows:

- 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

Loan interest income is recognised as interest accrues, using the effective interest rate method. The effective interest rate method uses the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts over the expected life of the loan to the net carrying amount of the loan.

When a loan is classified as impaired, the consolidated entity ceases to recognise interest and other income earned but not yet received. Loan interest income is not charged when the consolidated entity is informed that a borrower has deceased or, generally, if a loan has been transferred to a debt collection agency or a judgement has been obtained. No interest is charged on loans where repayments are in arrears and the prospects of a contribution from the borrower are minimal. However, accrued interest may be recovered as part of the recovery of the debt.

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 investment funds

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

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.

Tax consolidation

The consolidated entity's tax liabilities are determined according to tax consolidation legislation. The Company and its wholly owned subsidiaries, TPT, MSF, Connect Asset Management Proprietary Limited and ROK form a tax consolidated group. 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 among 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.

The Company 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 7.

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.

1 Summary of significant accounting policies (continued)

(v) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset, or as part of the expense.

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

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

The consolidated entity documents the relationship between the hedging instruments and hedged items at inception of the transaction, as well as the risk management objective and strategy for undertaking various hedge transactions. The consolidated entity also documents the 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.

Accounting for hedges

Cash flow hedges

When a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction that could affect the Income Statement, the effective portion of the change in the fair value of the derivative is recognised in other comprehensive income. The amount recognised in other comprehensive income is reclassified to the Income Statement as a reclassification adjustment in the same period as the hedged cash flows affect the Income Statement, and, in the same line item in the Statement of Comprehensive Income, as the hedged item. Any ineffective portion of the change in the fair value of a derivative is recognised immediately in the Income Statement.

Derivatives that do not qualify for hedge accounting

If a derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued and the amount recognised in other comprehensive income remains in other comprehensive income until the forecast transaction affects the Income Statement. If the forecast transaction is no longer expected to occur, it is reclassified to the Income Statement as a reclassification adjustment.

When a derivative is not held for trading, and is not designated in a qualifying relationship, all changes in its fair value are recognised immediately in the Income Statement as a component of net income from other financial instruments carried at fair value.

At the inception of a hedging transaction, the relationship between the hedging instruments and the hedged items, as well as the risk management objective and strategy for undertaking the transaction, are documented. Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in the cash flows of hedged items are also documented.

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

1 Summary of significant accounting policies (continued)

(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').

2 Change in Accounting Policies

There have been no changes in accounting policies which have been applied in this period.

3 Interest income and interest expense

	Consolidated		Company	
	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
Interest income				
Interest on loans, other than commercial	**160,120**	182,373	**–**	–
Interest on deposits with other financial institutions	**13,839**	18,122	**220**	27
Interest on commercial loans	**3,760**	3,963	**–**	–
Total interest income	**177,719**	204,458	**220**	27
Interest expense				
Interest on deposits	**63,806**	80,224	**–**	–
Interest due to other financial institutions	**29,524**	38,753	**–**	–
Total interest expense	**93,330**	118,977	**–**	–

4 Other income

	Consolidated		Company	
	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
Income from operating activities				
Banking operating income				
Loan fee income	**3,325**	2,986	**–**	–
Transaction fees	**8,122**	9,074	**–**	–
Commissions	**4,695**	5,592	**–**	–
Dividends from other corporations	**614**	594	**–**	–
Other income	**771**	1,479	**–**	–
Total banking operating income	**17,527**	19,725	**–**	–
Wealth Management operating income				
Funds management income	**9,188**	8,950	**–**	–
Fees and commissions	**8,150**	8,455	**–**	–
Total Wealth Management operating income	**17,338**	17,405	**–**	–
Other operating income				
Dividends received from subsidiaries	**–**	–	**24,419**	24,373
Intercompany management fees	**–**	–	**7,172**	7,233
Profit/(loss) on sale of assets	**2**	(265)	**–**	–
Other income	**–**	–	**–**	154
Total other operating income	**2**	(265)	**31,591**	31,760
Income from other operating activities				
Total other income	**34,867**	36,865	**31,591**	31,760

5 Expenses

	Consolidated		Company	
	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
Personnel costs	**35,659**	38,489	**3,607**	4,007
Marketing costs	**3,171**	3,467	**57**	29
Governance costs	**2,807**	2,875	**2,093**	2,130
Technology costs	**8,196**	9,726	**75**	44
Occupancy costs	**7,619**	7,291	**102**	90
Administration costs	**19,431**	18,527	**1,458**	1,114
Total expenses	**76,883**	80,375	**7,392**	7,414

6 Profit before income tax expense

	Consolidated		Company	
	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
Profit before income tax expense includes the following specific expenses:				
(a) Expenses				
Termination payments	**370**	2,214	**12**	712
Operating lease payments	**3,507**	2,609	**3**	–
Supervision levy	**168**	164	**–**	–
Amounts received or due and receivable by the auditors Wise, Lord & Ferguson for:				
– Audit of the financial statements of the consolidated entities	**394**	416	**155**	167
– Other non external audit services				
Tax compliance services	**–**	8	**–**	–
Assurance related services	**–**	81	**–**	–
Audit of loans sold into the securitisation program	**99**	124	**–**	–
Other services	**3**	3	**–**	3
Total Other non external audit services	**102**	216	**–**	3

7 Income tax

	Consolidated		Company	
	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
Income tax expense (benefit)				
The major components of income tax expense/(benefit) are:				
Current tax expense	**11,592**	9,281	**(6)**	(592)
Deferred tax expense				
– movement in deferred tax assets before losses	**979**	2,230	**21**	607
– movement in deferred tax liabilities	**(319)**	472	**(11)**	(3)
Adjustments for current tax of prior years	**(868)**	(183)	**–**	(5)
Adjustments for deferred tax of prior years	**566**	86	**–**	(9)
	11,950	11,886	**4**	(2)
Reconciliation of income tax expense to prima facie tax payable				
Accounting profit before tax	**41,521**	40,343	**24,419**	24,373
Prima facie tax at statutory income tax rate of 30% (2013: 30%)	**12,456**	12,103	**7,326**	7,312
Tax effect of amounts which are non assessable/ (non deductible) in calculating taxable income:				
– Adjustments for current tax of prior years	**(302)**	(183)	**–**	–
– Non taxable dividends received	**(184)**	(196)	**(7,326)**	(7,312)
– Other adjustments	**(20)**	76	**4**	12
– Adjustments for deferred tax of prior years	**–**	86	**–**	(14)
Income tax expense/(benefit)	**11,950**	11,886	**4**	(2)
Weighted average effective tax rates	**29%**	29%	**0%**	0%

	Company	
	30 June 2014 $'000	30 June 2013 $'000
Tax consolidation contributions		
MyState Limited has recognised the following amounts as tax consolidation contribution adjustments:		
Total increase to tax payable of the Company	**11,598**	9,868
Total increase to intercompany assets of the Company	**11,598**	9,868

8 Deferred tax assets

	Consolidated		Company	
	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
The balance comprises temporary differences attributable to:				
Amounts recognised in the Income Statement				
Other	**572**	566	**257**	302
Provision for doubtful debts	**248**	168	**–**	–
Depreciation of property, plant and equipment	**–**	2,003	**–**	–
Employee provisions	**1,678**	1,686	**68**	68
Creditors and accruals	**893**	650	**285**	199
Carried forward losses	**243**	243	**243**	243
Other costs to be amortised for tax purposes	**342**	1,312	**(131)**	–
Total amounts recognised in the Income Statement	**3,976**	6,628	**722**	812
Amounts recognised directly in Equity				
Hedging liability	**–**	(476)	**–**	–
Other	**58**	64	**58**	64
Total deferred tax asset	**4,034**	6,216	**780**	876
Movements				
Opening balance	**6,216**	8,744	**876**	1,410
Reclassification deferred tax	**(694)**	201	**–**	–
Charged to Income Statement	**(979)**	(2,230)	**(154)**	(607)
Credited/(charged) to Equity	**58**	(413)	**58**	64
Adjustments for deferred tax of prior years	**(567)**	(86)	**–**	9
Closing balance	**4,034**	6,216	**780**	876

9 Tax liabilities

	Consolidated		Company	
	30 June 2014 $'000	**30 June 2013 $'000**	**30 June 2014 $'000**	**30 June 2013 $'000**
The deferred tax balance comprises temporary differences attributable to:				
Amounts recognised in the Income Statement				
Other	**273**	909	**–**	–
Prepaid expenses	**3**	32	**–**	11
Intangible assets	**235**	34	**–**	–
Depreciation of property, plant and equipment	**843**	1,485	**–**	–
Total amounts recognised in the Income Statement	**1,354**	2,460	**–**	11
Amounts recognised directly in Equity				
Land and buildings	**–**	–	**–**	–
Other	**194**	(92)	**–**	–
Total deferred tax liability	**1,548**	2,368	**–**	11
Movements				
Opening balance	**2,368**	1,603	**11**	14
Reclassification deferred tax asset	**(694)**	201	**–**	–
Charged/(credited) to Income Statement	**(319)**	472	**(11)**	(3)
Credited/(charged) to equity	**194**	92	**–**	–
Adjustments for deferred tax of prior years	**(1)**	–	**–**	–
Deferred tax closing balance	**1,548**	2,368	**–**	11
Current tax liabilities				
Current tax payable	**4,635**	589	**4,635**	668
Total tax liabilities	**6,183**	2,957	**4,635**	679

10 Earnings per share

	Consolidated	
	30 June 2014 cents	30 June 2013 cents
Basic earnings per share	**33.91**	32.68
Diluted earnings per share	**33.91**	32.68

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

	30 June 2014 $'000	30 June 2013 $'000
Net Profit	**29,571**	28,457
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share:	**87,199,366**	87,074,890

11 Segment financial information

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

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

The wealth management division is a provider of funds management, financial planning and trustee services. It operates predominantly within Tasmania. It holds over $1 billion in funds under management on behalf of personal, business and wholesale investors as the responsible entity for 10 managed investment schemes. The wealth management division is conducted by TPT. TPT is a trustee company licensed within the meaning of Chapter 5D of the Corporations Act 2001 and is the only private trustee company with significant operations in Tasmania. TPT holds an AFSL issued by ASIC.

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

11 Segment financial information (continued)

	Banking Group $'000	Wealth Management Group $'000	Corporate and consolidated adjustment $'000	Consolidated Total $'000
Year ended 30 June 2014				
Interest income	177,105	394	220	177,719
Interest expense	93,330	–	–	93,330
Other Income				
Loan fee income	3,325	–	–	3,325
Management fees	–	9,188	–	9,188
Estate administration	–	2,414	–	2,414
Other fees	8,122	1,283	–	9,405
Commissions	4,695	4,177	–	8,872
Dividends and distributions	614	–	–	614
Other revenue	1,335	287	(573)	1,049
Total other income	**18,091**	**17,349**	**(573)**	**34,867**
Material expenditures				
Termination payments	331	27	12	370
Loss on sale of equipment	1	1	–	2
Contractually committed lease payments	3,139	749	(381)	3,507
Bad and doubtful debts net of recoveries	852	–	–	852
Depreciation and amortisation	4,477	319	–	4,796
Income tax expense	9,952	1,994	4	11,950
Segment net profit after income tax	**25,044**	**4,590**	**(63)**	**29,571**
Segment assets	**3,477,036**	**29,661**	**49,125**	**3,555,822**
Intangibles – finite life	12,073	66	–	12,139
Intangibles – indefinite life	2,091	16,219	47,668	65,978
Capital expenditure – Property, plant and equipment	1,545	5	–	1,550
Capital expenditure – Intangible assets and goodwill	5,325	–	–	5,325
Segment liabilities	**3,267,211**	**3,280**	**(318)**	**3,270,173**

11 Segment financial information (continued)

	Banking Group $'000	Wealth Management Group $'000	Corporate and consolidated adjustment $'000	Consolidated Total $'000
Year ended 30 June 2013				
Interest income	203,967	310	181	204,458
Interest expense	118,977	–	–	118,977
Other income				
Loan fee income	2,986	–	–	2,986
Management fees	–	8,950	–	8,950
Estate administration	–	2,799	–	2,799
Other fees	9,074	856	–	9,930
Commissions	5,592	4,502	–	10,094
Dividends and distributions	594	–	–	594
Other revenue	1,794	324	(606)	1,512
Total other income	**20,040**	**17,431**	**(606)**	**36,865**
Material expenditures				
Termination payments	1,291	208	715	2,214
Contractually committed lease payments	2,273	717	(381)	2,609
Bad and doubtful debts net of recoveries	1,628	–	–	1,628
Depreciation and amortisation	4,302	328	–	4,630
Income tax expense	10,599	1,349	(62)	11,886
Segment net profit after income tax	**25,260**	**3,135**	**62**	**28,457**
Segment assets	**3,551,973**	**30,041**	**47,727**	**3,629,741**
Intangibles – finite life	8,567	140	–	8,707
Intangibles – indefinite life	2,091	16,219	47,668	65,978
Capital expenditure – Property, plant and equipment	3,484	1,121	–	4,605
Capital expenditure – Intangible assets and goodwill	4,503	125	–	4,628
Segment liabilities	**3,348,275**	**3,228**	**(1,471)**	**3,350,032**

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

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

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

12 Cash and cash equivalents

	Consolidated		Company	
	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
Cash on hand	**57,958**	66,835	**2,807**	1,605
Total cash and cash equivalents	**57,958**	66,835	**2,807**	1,605

13 Available for sale financial assets

	Consolidated		Company	
	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
Due from banks	**210,179**	280,042	**–**	–
Due from other non bank financial institutions	**111,437**	115,802	**–**	–
Total due from other financial institutions	**321,616**	395,844	**–**	–

14 Receivables

	Consolidated		Company	
	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
Interest receivable	**1,445**	1,999	**–**	–
Related party receivables				
– Controlled entities within the wholly owned consolidated entity	**–**	–	**4,280**	1,469
Other receivables	**21,138**	23,539	**8**	124
Total receivables	**22,583**	25,538	**4,288**	1,593

15 Loans held at amortised cost

	Consolidated		Company	
	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
(a) Classification				
Residential home loans	**2,833,096**	2,789,768	**–**	–
Personal loans	**168,050**	191,355	**–**	–
Commercial and industrial loans	**50,553**	57,312	**–**	–
Total loans	**3,051,699**	3,038,435	**–**	–
Provision for doubtful debts	**(826)**	(650)	**–**	–
Total net loans	**3,050,873**	3,037,785	**–**	–
(b) Provision for doubtful debts				
Collective provision				
Opening balance	**650**	1,564	**–**	–
Charge/(credit) against profit	**200**	(914)	**–**	–
Write-off of previously provisioned facilities	**(79)**	–	**–**	–
Closing balance	**771**	650	**–**	–

15 Loans held at amortised cost (continued)

	Consolidated		Company	
	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
Individually assessed provisions				
Opening balance	**–**	–	**–**	–
Charge/(credit) against profit	**55**	–	**–**	–
Closing balance	**55**	–	**–**	–
(c) Charge to profit for bad and doubtful debts comprises:				
– Bad debts recovered	**(1,609)**	(1,537)	**–**	–
– Bad debts written off directly	**2,206**	4,079	**–**	–
– Increase/(decrease) in collective provisions	**200**	(914)	**–**	–
– Increase in specific provisions	**55**	–	**–**	–
Total charge for bad and doubtful debts	**852**	1,628	**–**	–

There are no loans that individually represent 10% or more of shareholder equity. The Banking Group has a diversification of the geographical location of customers, with the primary customer bases being in Tasmania and Queensland and the majority of the remaining customers being in Victoria and New South Wales.

16 Other investments

	Consolidated		Company	
	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
Shares in Cuscal Limited	**3,347**	3,347	**–**	–
Shares in subsidiaries	**–**	–	**237,511**	237,511
Other investments	**1,673**	1,673	**–**	–
Total other investments	**5,020**	5,020	**237,511**	237,511

17 Assets classified as held for sale

	Consolidated		Company	
	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
Land and buildings	**2,125**	–	**–**	–

Assets classified as held for sale includes one freehold property, located in Hobart.

18 Property, plant and equipment

	Consolidated				
	Furniture, fittings and equipment at cost $'000	Building fit outs $'000	Land & Buildings at cost $'000	Land & buildings at independent valuation $	Total $
Year ended 30 June 2014					
At 1 July 2013, net of accumulated depreciation	2,795	6,480	3,438	5,105	17,818
Assets classified as held for sale	–	–	(2,125)	–	(2,125)
Reclassification	142	659	(1,253)	468	16
Additions	188	1,362	–	–	1,550
Disposals	(16)	–	–	(368)	(384)
Impairment	–	–	–	(476)	(476)
Depreciation charge for the year	(1,085)	(1,662)	–	(156)	(2,903)
At 30 June 2014, net of accumulated depreciation	**2,024**	**6,839**	**60**	**4,573**	**13,496**
At 30 June 2014					
Cost or fair value	7,540	11,617	60	4,657	23,874
Accumulated depreciation	(5,516)	(4,778)	–	(84)	(10,378)
Net carrying amount	**2,024**	**6,839**	**60**	**4,573**	**13,496**

	Consolidated				
	Furniture, fittings and equipment at cost $'000	Building fit outs $'000	Land & buildings at cost $'000	Land & buildings at independent valuation $	Total $
Year ended 30 June 2013					
At 1 July 2012, net of accumulated depreciation	4,343	5,984	3,546	2,816	16,689
Reclassification	(793)	(164)	164	793	–
Additions	851	2,009	47	1,698	4,605
Disposals	(386)	(128)	(226)	–	(740)
Depreciation charge for the year	(1,220)	(1,221)	(93)	(202)	(2,736)
At 30 June 2013, net of accumulated depreciation	**2,795**	**6,480**	**3,438**	**5,105**	**17,818**
At 30 June 2013					
Cost or fair value	7,272	9,607	3,650	5,344	25,873
Accumulated depreciation	(4,477)	(3,127)	(212)	(239)	(8,055)
Net carrying amount	**2,795**	**6,480**	**3,438**	**5,105**	**17,818**

(1) Freehold land and buildings are carried at fair value. Had these land and buildings been recognised under the cost model, the carrying amount would have been: $1,789,230 (2013: $7,363,506).

19 Intangible assets and goodwill

	Consolidated			
	Goodwill $'000	Software $'000	Other $'000	Total $'000
Year ended 30 June 2014				
At 1 July 2013, net of accumulated amortisation	65,978	8,594	113	74,685
Additions	–	4,354	971	5,325
Disposals	–	–	–	–
Amortisation	–	(1,723)	(170)	(1,893)
At 30 June 2014, net of accumulated amortisation	**65,978**	**11,225**	**914**	**78,117**
At 30 June 2014				
Cost (gross carrying amount)	65,978	18,651	8,573	93,202
Accumulated amortisation	–	(7,426)	(7,659)	(15,085)
Net carrying amount	**65,978**	**11,225**	**914**	**78,117**

	Consolidated			
	Goodwill $'000	Software $'000	Other $'000	Total $'000
Year ended 30 June 2013				
At 1 July 2012, net of accumulated amortisation	65,978	5,570	414	71,962
Additions	–	4,628	–	4,628
Disposals	–	(11)	–	(11)
Amortisation	–	(1,593)	(301)	(1,894)
At 30 June 2013, net of accumulated amortisation	**65,978**	**8,594**	**113**	**74,685**
At 30 June 2013				
Cost (gross carrying amount)	65,978	14,274	7,516	87,768
Accumulated amortisation	–	(5,680)	(7,403)	(13,083)
Net carrying amount	**65,978**	**8,594**	**113**	**74,685**

For the purpose of impairment testing, goodwill recognised in a business acquisition is allocated to the consolidated entity's cash-generating units (CGUs) identified according to business segments, which represent the lowest level within the consolidated entity at which the goodwill is monitored for internal management purposes. The consolidated entity has identified two CGUs, the first being Banking, made up of the ADI operations of the consolidated entity, the second being Wealth Management (WM).

The aggregate carrying amounts of goodwill recorded within, and allocated for the purpose of impairment testing to each CGU are as follows:

	Consolidated	
	30 June 2014 $'000	30 June 2013 $'000
Cash Generating Units (CGU)		
Banking	**40,189**	40,189
Wealth Management	**25,789**	25,789
	65,978	65,978

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 Board and Management. The Company's assessment of goodwill value-in-use exceeds the carrying value allocated to the CGUs and is included in the accounts. The manner in which MyState Limited conducts each impairment assessment for each CGU is discussed in the following paragraphs.

19 Intangible assets and goodwill (continued)

Each CGU's value-in-use was determined using cash flow projections from financial budgets for the year ending 30 June 2015 approved by the Board. Various growth rates have been applied from year two through to year twenty. Cash flows are projected by undertaking detailed calculations for each income and expense category over the twenty year period. Certain income categories are modelled by projecting growth in relevant portfolio balances and the resulting income derived there from. Other non portfolio related income streams and expense categories are modelled by projecting real rates of growth (above inflation) for each category. Terminal value is determined at year twenty using the assumption that the CGU achieves no real growth above inflation into perpetuity. The growth rates applied do not exceed the long term average growth rate for the business which the CGU operates. The discount rate used (10.0%) reflects the consolidated entity's post-tax nominal weighted average cost of capital, which has been calculated by externally engaged advisers and approved by the Board. Average inflation is projected to be 2.5% The method for determining value-in-use is consistent with that adopted in the comparative period.

The key assumptions adopted in assessing Banking's value-in-use are the rate of growth in the balance of the housing loan portfolio and the outlook for net interest margin (NIM). Taking into account Management's past experiences and external evidence, the assumptions that have been adopted for both of these assumptions are considered to be conservative. NIM is projected to be consistent with the budget outlook, which reflects the current low interest rate environment, which depresses this figure. Management expects that, over time, these assumptions will be positively exceeded. Management's assessment of Banking's value-in-use significantly exceeds its carrying value by 35%. Any reasonably possible change to assumptions used in Management's assessment will not result in impairment.

The key assumption adopted in assessing WM's value-in-use is the rate of growth in income derived from Management Fee (MF) income. MF income is derived from its activities as the responsible entity for various Managed Investment Schemes (MIS). MF income derived is directly related to the portfolio balances of the MIS. Taking into account Management's past experiences and external evidence, the assumption adopted is considered reasonable and conservative. Management's assessment of WM's value-in-use significantly exceeds its carrying value by over 80%. Any reasonably possible change to assumptions used in Management's assessment will not result in impairment.

20 Deposits

	Consolidated		Company	
	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
Deposits	**2,225,690**	2,310,298	**–**	–
Total deposits	**2,225,690**	2,310,298	**–**	–

Concentration of liabilities

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

21 Interest bearing loans and borrowings

	Consolidated		Company	
	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
Due to other financial institutions	**988,942**	980,805	**–**	–
Total Interest bearing loans and borrowings	**988,942**	980,805	**–**	–

22 Payables and other liabilities

	Consolidated		Company	
	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
Accounts payable and other creditors	**28,624**	28,713	**950**	1,138
Related party payables	**–**	–	**286**	553
Accrued interest payable	**15,140**	18,660	**–**	–
Total payables and other liabilities	**43,764**	47,373	**1,236**	1,691

23 Derivatives

	Consolidated		Company	
	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
Interest rate swap contracts – cash flow hedges	**–**	2,988	**–**	–
Total derivatives	**–**	2,988	**–**	–

24 Provisions

	Consolidated		Company	
	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
Provision for annual leave	**2,022**	2,190	**84**	151
Provision for long service leave	**3,572**	3,421	**141**	76
Total provisions	**5,594**	5,611	**225**	227
Due to be settled within 12 months	**4,874**	4,320	**212**	197
Due to be settled in more than 12 months	**720**	1,291	**13**	30
Total provisions	**5,594**	5,611	**225**	227
Opening balance	**5,611**	6103	**227**	561
Settled in the financial year	**(1,954)**	(1,749)	**(136)**	(109)
Increases/(decrease) to the provision	**1,937**	1,257	**134**	(225)
Closing balance	**5,594**	5,611	**225**	227

25 Share Capital

	Consolidated		Company	
	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
Issued and paid up capital				
Ordinary shares fully paid	**132,566**	132,241	**238,495**	238,170

Movements in share capital	Consolidated			
	30 June 2014		30 June 2013	
	Number of shares	Amount $'000	Number of shares	Amount $'000
Ordinary Shares				
Opening balance	87,153,047	132,241	86,977,573	131,786
Shares issued pursuant to the Employee share scheme of the consolidated entity	24,398	114	35,090	117
Shares issued under the Executive long term incentive plan	84,550	211	140,384	338
Closing balance	**87,261,995**	**132,566**	**87,153,047**	**132,241**

25 Share Capital (continued)

Movements in share capital

	Company			
	30 June 2014		30 June 2013	
	Number of shares	Amount $'000	Number of shares	Amount $'000
Opening balance	87,153,047	238,170	86,977,573	237,715
Shares issued pursuant to the Employee share scheme of the consolidated entity	24,398	114	35,090	117
Shares issued under the Executive long term incentive plan	84,550	211	140,384	338
Closing balance	**87,261,995**	**238,495**	**87,153,047**	**238,170**

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.

26 Dividends

		Consolidated		Company	
	Date of payment	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
a) Dividends paid					
2012 Final dividend paid – 14 cents per share	4/10/2012	**–**	12,182	**–**	12,182
2013 Interim dividend paid – 14 cents per share	5/04/2013	**–**	12,196	**–**	12,196
2013 Final dividend paid – 14 cents per share	4/10/2013	**12,205**	–	**12,205**	–
2014 Interim dividend paid – 14 cents per share	6/03/2014	**12,212**	–	**12,212**	–
Total dividends paid		**24,417**	24,378	**24,417**	24,378

The dividends paid during the year were fully franked at the 30% corporate tax rate.

b) Dividends not recognised at the end of the financial year

At a Board meeting held on 21 August 2014, Directors resolved to pay a final dividend for the 2014 financial year of 14.5 cents per share or $12,653,000 total to be paid on 3 October 2014, fully franked at the 30% corporate tax rate. This dividend has not been brought to account as the amount had not been determined at the reporting date. This dividend will reduce the balance of the franking account by $5,423,000.

27 Franking credit balance

	Consolidated		Company	
	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
The amount of franking credits available for the subsequent financial year are:				
Franking account balance as at the end of the period at 30% (2013: 30%)	**52,881**	56,153	**52,881**	56,153
Franking credits that will arise from the payment of income tax payable at the end of the period	**4,635**	589	**4,635**	589

28 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 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.

29 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 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
Cash on hand	**57,958**	66,835	**2,807**	1,605
Total cash and cash equivalents	**57,958**	66,835	**2,807**	1,605
(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; and				
(vi) Customer loans.				
(c) Reconciliation from net profit to net cash flows provided by operating activities:				
Net profit after tax	**29,571**	28,457	**24,415**	24,375
Adjustments for				
Depreciation of non current assets	**2,903**	2,736	**–**	–
Amortisation of non current assets	**1,893**	1,894	**–**	–
Impairment of non current assets	**476**	–	**–**	–
Net gain on sale of non current assets	**(2)**	(199)	**–**	–
Cash flow hedges	**–**	(2,770)	**–**	–
Dividends received	**–**	–	**(24,417)**	(24,378)
Bad and doubtful debts expense net of recoveries	**852**	1,628	**–**	–
Changes in assets and liabilities				
Decrease/(increase) in accrued interest	**554**	849	**–**	–
Decrease/(increase) in receivables	**2,402**	(2,238)	**(4,166)**	(70)
Decrease/(increase) in other assets	**(1,314)**	–		–
Decrease/(increase) in deferred tax assets	**2,182**	2,528	**95**	535
Increase/(decrease) in interest payable	**(3,371)**	(2,602)	**–**	–
Increase/(decrease) in other payables	**(89)**	311	**98**	(1,051)
Increase/(decrease) in derivatives	**–**	(4,355)	**–**	–
Increase/(decrease) in provision for employee benefits	**(17)**	(492)	**(2)**	(334)
Increase/(decrease) in provision for income tax liabilities	**3,226**	(777)	**3,956**	(2,422)
Increase/(decrease) in reserves	**(206)**	1,330	**–**	313
Net cash flows used in operating activities	**39,060**	26,300	**(21)**	(3,032)

30 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, which are all monitored by way of a dedicated compliance system. Risk management plans exist for all documented risks within the consolidated entity and these plans 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 and management committees, with oversight of credit risk exposures by the consolidated entity's Risk Committee. The consolidated entity's Credit Committee monitor 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.

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

	Consolidated						
	Equivalent S&P rating		New facilities[1]		Existing facilities		
	A+ and above $'000	A– and below $'000	Closely monitored[2] $'000	No default[3] $'000	Closely monitored[2] $'000	No default[3] $'000	Total $'000
2014							
Cash and liquid assets	57,958	–	–	–	–	–	57,958
Due from other financial institutions	148,120	173,496	–	–	–	–	321,616
Financial assets other than loans and advances	**206,078**	**173,496**	**–**	**–**	**–**	**–**	**379,574**
Gross loans and advances at amortised cost	–	–	1,251	618,376	21,208	2,410,038	3,050,873
Total financial assets	**206,078**	**173,496**	**1,251**	**618,376**	**21,208**	**2,410,038**	**3,430,447**
2013							
Cash and liquid assets	66,835	–	–	–	–	–	66,835
Due from other financial institutions	248,630	147,214	–	–	–	–	395,844
Financial assets other than loans and advances	**315,465**	**147,214**	**–**	**–**	**–**	**–**	**462,679**
Gross loans and advances at amortised cost	–	–	843	540,317	20,248	2,476,377	3,037,785
Total financial assets	**315,465**	**147,214**	**843**	**540,317**	**20,248**	**2,476,377**	**3,500,464**

(1) New facilities are loans that have been funded within the financial year.

(2) Closely monitored facilities are those which have overdue loan repayments in excess of 30 days or overdue overdraft repayments in excess of 14 days.

(3) "No default" facilities are those facilities where there is no history of default, late payments, renegotiated terms or breach of credit terms.

30 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.

	Consolidated		Company	
	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
Non-accrual loans				
With provisions	**2,889**	2,211	**–**	–
Specific provision for impairment	**(826)**	(650)	**–**	–
Net non-accrual loans	**2,063**	1,561	**–**	–
As at 30 June 2014, the ageing of loans held at amortised cost was as follows:				
Past due but not impaired				
31 to 60 days	**16,004**	8,421	**–**	–
61 to 90 days	**6,830**	3,513	**–**	–
More than 90 days	**8,149**	5,578	**–**	–
Total past due but not impaired	**30,983**	17,512	**–**	–
Impaired	**2,889**	2,211	**–**	–
Total	**33,872**	19,723	**–**	–
Fair value of collateral held	**43,845**	43,313	**–**	–

The Banking Group hold 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 Group's ALCOs assist 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 the Banking Group's ALCO.
The Banking Group's funding and liquidity management is performed centrally by Treasury, with oversight from their ALCO. The Wealth Management's 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 the Group's 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. The maturity analysis in this note highlights miss 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 forseeable conditions. These liquid assets are held to cover both known and contingent funding outflows. The assets are predominantly held in the most liquid asset classes such as short dated inter-bank deposits.

The Banking Group's Treasury and the Wealth Management Groups' Investment Services Divisions undertake regular reviews of the liquidity characteristics of the consolidated entity's Statement of Financial Position, which 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.

30 Financial Risk Management (continued)

Liquidity facilities

The consolidated entity has an approved overdraft of $13.5 million with Cuscal Limited. Cuscal Limited holds an equitable charge over all the assets of MSF as security for facilities provided. In addition, there is a MSF uncommitted $20 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, and an asset purchase/lease facility of $200,000.

At 30 June 2014, the ConQuest Securities securitisation program had a number of support facilities available provided by the Westpac Banking Corporation, including a $5 million cash advance facility specifically available to meet cash shortfalls as a result of the timing of the receipt of payments on loans and a $200 million liquidity facility available for the repayment of maturing ConQuest notes in the event that the notes could not be reissued within the market place at the time of maturity. As at 30 June 2014, this facility had not been used since the inception of the program.

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

A liquidity facility of $3.6 million is available to the ConQuest 2013-1 Trust by the Westpac Banking Corporation for the express purpose of meeting any payment shortfalls as defined in the ConQuest 2013-1 Series Notice. At reporting date, this facility has not been used.

ConQuest 2010-1R Trust has collateral liquidity of $1 million held in a separate account with Bankwest to provide liquidity support. As at 30 June 2014, this facility has not been used. The ConQuest 2010-2 Trust has collateral liquidity of $2.1 million held in a separate account with Bankwest to provide liquidity support which can be used. MSF provides a redraw facility to the ConQuest 2010-2 Trust of $500,000 to meet redraw commitments if there are cash shortfalls. MSF provides a redraw facility to the ConQuest 2013-1 Trust of $454,000 to meet redraw commitments if there are cash shortfalls. As at 30 June 2014, all facilities had not been used.

A number of facilities are provided to entities controlled by the ROK. The RBS Trust 2007-1 has collateral liquidity of $1.4 million held in a separate account with Westpac Banking Corporation to provide liquidity support. This facility was wound up after the call of this transaction in July 2013, and this facility had not been used up to this time.

The following tables summarise the maturity profile of financial assets and liabilities as at 30 June 2014 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 $'000	3 months or less $'000	Between 3 months and 1 year $'000	Between 1 and 5 years $'000	More than 5 years $'000	Total $'000
2014						
Assets						
Available for sale assets	4,060	241,576	49,725	25,013	1,242	321,616
Receivables	–	22,583	–	–	–	22,583
Loans	95,780	61,760	184,295	876,686	1,832,352	3,050,873
Other investments	4,020	1,000	–	–	–	5,020
Total	**103,860**	**326,919**	**234,020**	**901,699**	**1,833,594**	**3,400,092**
Liabilities						
Due to Banks and other financial institutions	–	477,014	107,512	11,000	393,416	988,942
Deposits	1,053,934	570,750	567,869	33,137	–	2,225,690
Payables	–	43,764	–	–	–	43,764
Total	**1,053,934**	**1,091,528**	**675,381**	**44,137**	**393,416**	**3,258,396**
Net mismatch	**(950,074)**	**(764,609)**	**(441,361)**	**857,562**	**1,440,178**	**141,696**

30 Financial Risk Management (continued)

	Consolidated					
	On demand $'000	3 months or less $'000	Between 3 months and 1 year $'000	Between 1 and 5 years $'000	More than 5 years $'000	Total $'000
2013						
Assets						
Available for sale assets	10,021	231,385	65,408	89,030	–	395,844
Receivables	–	25,538	–	–	–	25,538
Loans	117,841	68,571	185,971	899,136	1,766,266	3,037,785
Other investments	4,020	1,000	–	–	–	5,020
Total	**131,882**	**326,494**	**251,379**	**988,166**	**1,766,266**	**3,464,187**
Liabilities						
Due to Banks and other financial institutions	–	434,969	40,779	–	505,057	980,805
Deposits	968,372	698,106	606,689	36,964	167	2,310,298
Payables	–	47,373	–	–	–	47,373
Total	**968,372**	**1,180,448**	**647,468**	**36,964**	**505,224**	**3,338,476**
Net mismatch	**(836,490)**	**(853,954)**	**(396,089)**	**951,202**	**1,261,042**	**125,711**
Derivative financial liabilities	**(135,000)**	**10,000**	**125,000**			

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, with all other variables held constant.

Judgements of reasonably possible movements:	Net profit after tax higher/(lower)	
	2014 $'000	2013 $'000
+ 1.0% (100 basis points)	**5,785**	5,232
– 0.5% (50 basis points)	**(2,893)**	(2,616)

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.

At 30 June 2014, the fair value of outstanding derivatives held and designated as cash flow hedges was $Nil (2013: $2,988,040).

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.

30 Financial Risk Management (continued)

MSF provides a Basis Swap to the ConQuest 2010-2 RMBS Trust and Conquest 2013-1 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 consider the amounts to be material to require the derivative to be valued on the face of the Statement of Financial Position. ROK provides Interest Rate Swaps to the RBS Warehouse Trust No2 and the RBS Trust 2009R, to convert the loan interest of these trusts from fixed to floating, which is consistent with the character of the interest on the notes that have been issued by the trusts. As the Interest Rates Swaps are between entities within the consolidated group, their fair value is not shown 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% confidence level. The consolidated entity uses a historical simulation method for the calculation of VAR. VAR focuses on unexceptional prices moves and it does not account for losses that occur beyond the 99% 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 assumptions.

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

	Consolidated Entity		Company	
	2014 $M	2013 $M	2014 $M	2013 $M
Average	**3.138**	2.910	**–**	–
Maximum	**3.433**	3.758	**–**	–
Minimum	**2.654**	2.237	**–**	–

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 consolidated entity's 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 tables represents the consolidated entity's contractual interest rate risk sensitivity from repricing mismatches as at 30 June 2014 and the corresponding weighted average effective interest rates.

	Consolidated Asset and Liability Repricing						
	Floating interest rate $'000	1 year or less $'000	Between 1 and 5 years $'000	More than 5 years $'000	Non interest bearing $'000	Carrying amount in Statement of Financial Position $'000	Weighted average effective interest rate %
2014							
Assets							
Cash and liquid assets	44,455	–	–	–	13,503	57,958	3.08%
Available for sale assets	–	295,360	25,013	1,243	–	321,616	3.39%
Receivables	–	–	–	–	22,583	22,583	0.00%
Loans	2,487,888	28,558	110,359	424,068	–	3,050,873	5.67%
Other investments	–	1,000	–	–	4,020	5,020	0.85%
Total financial assets	**2,532,343**	**324,918**	**135,372**	**425,311**	**40,106**	**3,458,050**	
Liabilities							
Deposits	1,053,934	721,743	417,559	32,454	–	2,225,690	3.57%
Interest bearing liabilities and borrowings	–	405,929	11,000	572,013	–	988,942	3.19%
Payables and other liabilities	–	–	–	–	43,764	43,764	0.00%
Total financial liabilities	**1,053,934**	**1,127,672**	**428,559**	**604,467**	**43,764**	**3,258,396**	
Net mismatch	**1,478,409**	**(802,754)**	**(293,187)**	**(179,156)**	**(3,658)**	**199,654**	

30 Financial Risk Management (continued)

	Consolidated Asset and Liability Repricing						
	Floating interest rate $'000	1 year or less $'000	Between 1 and 5 years $'000	More than 5 years $'000	Non interest bearing $'000	Carrying amount in Statement of Financial Position $'000	Weighted average effective interest rate %
2013							
Assets							
Cash and liquid assets	52,993	–	–	–	13,842	66,835	2.39%
Available for sale assets	9,445	296,793	89,030	–	576	395,844	3.74%
Receivables	–	–	–	–	25,538	25,538	0.00%
Loans	2,468,459	270,944	297,841	541	–	3,037,785	6.29%
Other investments	–	1,000	–	–	4,020	5,020	0.85%
Total financial assets	**2,530,897**	**568,737**	**386,871**	**541**	**43,976**	**3,531,022**	
Liabilities							
Deposits	968,372	1,304,795	36,964	167	–	2,310,298	3.54%
Interest bearing liabilities and borrowings	–	781,026	–	199,779	–	980,805	4.28%
Payables and other liabilities	–	1,137	–	–	46,236	47,373	0.00%
Total financial liabilities	**968,372**	**2,086,958**	**36,964**	**199,946**	**46,236**	**3,338,476**	
Net mismatch	**1,562,525**	**(1,518,221)**	**349,907**	**(199,405)**	**(2,260)**	**192,546**	
Derivatives	(245,000)	110,000	135,000	–	–	–	

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.

- Continue to support MSF's and ROK'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, ROK and TPT.

The ICAAP aims to ensure that adequate planning takes 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 Australian Prudential Regulatory Authority (APRA), following the guidelines developed by the Basel Committee on Banking Supervision. MSF and ROK report to APRA as Authorised Deposit Taking Institutions (ADI). The Company reports to APRA as a non-operating holding company (NOHC). As at reporting date, MSF's Level 1 capital adequacy ratio was 13.31% (2013: 13.46%), ROK's Level 1 capital adequacy ratio was 13.54% (2013: 13.45%) and the consolidated entity's Level 2 ratio was 13.81% (2013: 14.04%).

30 Financial Risk Management (continued)

Regulatory capital requirements are measured for MSF, ROK (Level 1 reporting) and certain subsidiaries which meet the definition of extended licensed entities and for the Group (Level 2 reporting). Level 2 consists of MSF, ROK, their subsidiaries and immediate parent less certain subsidiaries of MSF and ROK which are deconsolidated for APRA reporting purposes. These entities conduct non-financial operations or are special purpose vehicles. APRA requires ADIs to have a minimum ratio of capital to risk weighted assets of 8% at both Level 1 and Level 2, with at least 4% 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 consolidated entity's capital management policy, set by the Board, requires capital floors above this regulatory required level.

MSF, ROK and certain subsidiaries utilise residential mortgage backed securities programs to manage liquidity and capital adequacy requirements, in accordance with the operational needs of the business.

MSF's and ROK 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 and ROK are required by APRA to deduct investments in subsidiaries that are special purpose securitisation vehicles from Tier 1 capital. The consolidated entity's Tier 2 capital includes the general reserve for credit losses as required by APRA.

MSF, ROK and the 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.

31 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.

	Consolidated 2014			Consolidated 2013		
	Average balance $'000	Interest $'000	Average rate %	Average balance $'000	Interest $'000	Average rate %
Average assets and interest income						
Interest earning assets						
Cash and liquid assets	62,397	1,126	1.81%	73,291	1,396	2.05%
Due from other financial institutions	363,750	12,713	3.50%	338,420	16,267	3.95%
Loans	3,044,329	163,880	5.38%	3,059,725	186,795	6.10%
Total average interest earning assets	**3,470,476**	**177,719**	**5.12%**	**3,471,436**	**204,458**	**5.89%**
Non interest earning assets						
Property, plant and equipment	93,120	–	0.00%	19,427	–	0.00%
Other assets	29,186	–	0.00%	102,587	–	0.00%
Total average non interest earning assets	**122,306**	**–**	**0.00%**	**122,014**	**–**	**0.00%**
Total average assets	**3,592,782**	**177,719**	**4.95%**	**3,593,450**	**204,458**	**5.69%**
Average liabilities and interest expense						
Interest bearing liabilities						
Deposits	1,956,656	63,806	3.26%	2,334,803	80,224	3.44%
Due to other financial institutions	311,338	7,739	2.49%	289,772	13,300	4.59%
ConQuest notes and bonds on issue	984,873	21,785	2.21%	715,357	25,453	3.56%
Total average interest bearing liabilities	**3,252,867**	**93,330**	**2.87%**	**3,339,932**	**118,977**	**3.56%**
Non interest bearing liabilities						
Other	55,741	–	0.00%	47,731	–	0.00%
Total average non interest bearing liabilities	**55,741**	**–**	**0.00%**	**47,731**	**–**	**0.00%**
Total average liabilities	**3,308,608**	**93,330**	**2.82%**	**3,387,663**	**118,977**	**3.51%**
Reserves	282,679	–	0.00%	274,131	–	0.00%
Total average liabilities and reserves	**3,591,287**	**93,330**	**2.60%**	**3,661,794**	**118,977**	**3.25%**

32 Maturity analysis of assets and liabilities

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

	Consolidated							
	At call $'000	**Overdraft $'000**	**Due within 3 months $'000**	**Due between 3 and 12 months $'000**	**Due between 1 year and 5 years $'000**	**Due in over 5 years $'000**	**No maturity specified $'000**	**Total $'000**
2014								
Assets								
Cash and liquid assets	57,958	–	–	–	–	–	–	57,958
Due from other financial institutions	4,060	–	241,575	49,725	25,013	1,243	–	321,616
Receivables	–	–	22,583	–	–	–	–	22,583
Loans	–	92,806	7,376	24,849	50,826	2,875,016	–	3,050,873
Other investments	4,020	–	1,000	–	–	–	–	5,020
Total financial assets	**66,038**	**92,806**	**272,534**	**74,574**	**75,839**	**2,876,259**	**–**	**3,458,050**
Liabilities								
Deposits	1,053,934	–	570,750	567,869	33,137	–	–	2,225,690
Due to other financial institutions	–	–	477,014	107,512	11,000	393,416	–	988,942
Accounts payable and other liabilities	–	–	43,764	–	–	–	–	43,764
Total financial liabilities	**1,053,934**	**–**	**1,091,528**	**675,381**	**44,137**	**393,416**	**–**	**3,258,396**

32 Maturity analysis of assets and liabilities (continued)

	Consolidated							
	At call $'000	Overdraft $'000	Due within 3 months $'000	Due between 3 and 12 months $'000	Due between 1 year and 5 years $'000	Due in over 5 years $'000	No maturity specified $'000	Total $'000
2013								
Assets								
Cash and liquid assets	66,835	–	–	–	–	–	–	66,835
Due from other financial institutions	10,021	–	231,385	65,408	89,030	–	–	395,844
Receivables	–	–	25,502	–	–	–	–	25,502
Loans	–	105,019	12,871	43,109	216,234	2,660,552	–	3,037,785
Other investments	–	–	1,000	–	–	–	4,020	5,020
Total financial assets	**76,856**	**105,019**	**270,758**	**108,517**	**305,264**	**2,660,552**	**4,020**	**3,530,986**
Liabilities								
Deposits	968,372	–	698,106	606,689	36,964	167	–	2,310,298
Due to other financial institutions	–	–	434,969	40,779	–	505,057	–	980,805
Accounts payable and other liabilities	–	–	47,373	–	–	–	–	47,373
Total financial liabilities	**968,372**	**–**	**1,180,448**	**647,468**	**36,964**	**505,224**	**–**	**3,338,476**

33 Net fair value

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

	Consolidated			
	2014		2013	
	Carrying value $'000	Net fair value $'000	Carrying value $'000	Net fair value $'000
Assets				
Cash and liquid assets	57,958	57,958	66,835	66,835
Due from other financial institutions	321,616	321,616	395,844	395,844
Receivables	25,502	25,502	25,502	25,502
Loans	3,050,873	3,144,546	3,037,785	3,043,938
Other investments	5,020	5,020	5,020	5,020
Land and buildings	4,633	4,633	8,543	8,543
Total financial assets	**3,465,602**	**3,559,275**	**3,539,529**	**3,545,682**
Liabilities				
Deposits	2,225,690	2,310,031	2,310,298	**2,310,462**
Due to other financial institutions	988,942	988,942	980,805	**980,805**
Accounts payable	43,764	43,764	47,373	**47,373**
Total financial liabilities	**3,258,396**	**3,342,737**	**3,338,476**	**3,338,640**

Fair values have been determined as follows:

- All assets and liabilities with a maturity of less than 12 months were determined based on the assumption that the carrying amounts in the Statement of Financial Position approximate fair value because of their short term to maturity.
- The fair value of available for sale financial assets with more than 12 months to maturity are $26.256 million.
- The fair value of loans at amortised cost includes loans with a floating interest rate of $2,468.459 million. Loans with a fixed interest rate and more than 12 months to maturity are $298.382 million.
- The net fair value of deposits with more than 12 months to maturity assumes the carrying amount is discounted by the market rate.
- The net fair value of fixed loans with more than 12 months to maturity assumes the carrying amount is discounted by the market rate.
- The fair value of land and buildings has been determined by an independent valuer using observable market data.

34 Contingent liabilities and expenditure commitments

	Consolidated		Company	
	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
(a) Lease expenditure commitments				
(i) Operating leases				
– not later than 1 year	**3,527**	4,252	**–**	–
– later than 1 and not later than 5 years	**10,139**	13,413	**–**	–
– later than 5 years	**14,158**	20,506	**–**	–
Total lease expenditure contracted for at balance date	**27,824**	38,171	**–**	–

The consolidated entity occupies a number of properties which house its branch network. The leases for these properties are on normal commercial terms and conditions. The usual initial term for these leases is five years.

In the 2012 period, MSF commenced leasing its Headquarters building located in Hobart. The term of the lease is fifteen years, with an option for a further ten year term. Rental increases over the term of the lease are determined by reference to movements in the consumer price index. The consolidated entity also entered into a lease of a property situated in Launceston, which is principally used to house elements of the TPT business. The term of the lease is five years with an option for two further five year terms. Rental increases over the term of the lease are determined by reference to movements in the consumer price index. If the options for further terms are exercised, the rental is to be determined by market appraisal at that time.

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	46,742	30,396	–	–
(c) Undrawn continuing lines of credit	81,611	88,102	–	–
(d) Performance guarantees	1,667	2,011	–	–

MSF has provided guarantees to third-parties in order to secure the obligations of customers. The range of situations in which guarantees are given include:

- Local Government Authorities, to secure the obligations of property and sub-divisional developers to complete infrastructure developments;
- Local Government Authorities, Schools and other building owners, to secure the obligations of building contractors to complete building works;
- Landlords, to secure the obligations of tenants to pay rent; and
- CUSCAL, to secure payroll and direct debit payments processed by CUSCAL on behalf of customers.

Guarantees are issued in accordance with approved Board policy. Those guarantees over $10,000 are required to be secured. In the event that a payment is made under a guarantee, the customer's obligation to MSF is crystallised in the form of an overdraft or loan.

(e) Bank Guarantee	1,000	1,000	–	–

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 $1,000,000 as collateral for the guarantee.

(f) Loan Guarantees	138	140	–	–

TPT 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 TPT is the Responsible Entity. The developers provide cash or real property as security for the consolidated entity providing the loan guarantee.

34 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.

35 Capital and other expenditure commitments

Other contracted commitments for expenditure on plant and equipment as at the reporting date are for only minimal amounts.

36 Employee benefits

		Consolidated		Company	
	Note	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
The aggregated employee benefit liability is comprised of the following:					
Bonus		**431**	1,286	**93**	571
Provisions	24	**5,594**	5,611	**225**	227
Total employee benefits		**6,025**	6,897	**318**	798

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 superannuation plans are accumulation schemes, the consolidated entity does not guarantee their performance.

37 Related parties

(i) Ultimate Parent Company

MyState Limited is the ultimate parent company.

(ii) Significant subsidiaries

		Ownership interest	
	Country of incorporation	30 June 2014 %	30 June 2013 %
MyState Financial Limited	Australia	**100**	100
Tasmanian Perpetual Trustees Limited	Australia	**100**	100
Connect Asset Management Proprietary Limited	Australia	**100**	100
The Rock Building Society Limited	Australia	**100**	100

(iii) Subsidiaries

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

37 Related parties (continued)

	Consolidated		Company	
	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
Management fees received	**–**	–	**7,172**	7,233
Dividends	**–**	–	**24,419**	24,373
The following balances with subsidiaries were outstanding as at financial year end				
Amounts receivable	**–**	–	**4,280**	(553)
Amounts payable	**–**	–	**286**	1,468

(iv) Managed Investment Schemes

Within the consolidated entity, 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 as follows:

	TPT	
	30 June 2014 $'000	30 June 2013 $'000
Management fees received	**9,188**	8,950
Balance of investment held at year end	**6,346**	5,299
Distributions received from managed funds	**350**	254

The Company has 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 as follows:

	Consolidated		Company	
	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
Management fees received	**9,188**	8,950	**–**	–
Balance of investment held at year end	**13,498**	9,317	**7,152**	4,018
Distributions received from managed funds	**502**	408	**152**	154

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 MSF, in the form of term deposits, totalling $10.1 million (2013: $18.1 million); and
- Loaned money to ConQuest 2010-2 Trust, in the form of Class B RMBS notes, totalling $8.7 million (2013: $10.3 million).

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

37 Related parties (continued)

(v) MyState Financial Limited

The Group has a securitisation program which is utilised to provide regulatory capital relief. Under this program, MSF and Rock sell loans to special purpose vehicles transferring the risks of these loans and the vehicles fund the purchases of these sales by issuing notes in the trust to wholesale investors. The assets and liabilities of the trusts are proportionally consolidated into the Group as the Group retains the rights to the variable returns of the loans that it has transferred in to the trusts.

The Group has established Connect Asset Management Proprietary Limited, ConQuest 2007-1 Trust, ConQuest 2010-1R Trust, ConQuest 2010-2 Trust through MSF. The Group has established the RBS2007-1 Trust, RBS 2009R Trust, and RBS Warehouse Trust #2 through the ROK. Both MyState Financial and the Rock Building Society have an interest in the ConQuest 2013-1 Trust and ConQuest Mortgage Trust.

The special purpose vehicles are charged a range of fees to the trusts for the management and operation of the loans transferred to them. These transactions are conducted on an arms length basis in the normal course of business, on commercial terms and conditions, and are eliminated on consolidation. Details of the transactions with these related parties are as follows:

Loan servicing fee

A loan servicing fee based on the outstanding monthly balance of the loans sold to the trust is charged to each Trust at an interest rate of 0.25% per annum to cover the servicing of the loan portfolio transferred. MSF charges Loan Servicing Fees to ConQuest 2010-1R Trust and Conquest 2010-2 Trust. The ROK charges Loan Servicing Fees to RBS 2007-1 Trust, RBS 2009R Trust and RBS Warehouse Trust #2. Conquest Mortgage Trust and the Conquest 2013-1 Trust has loans sold to it from both MSF and ROK, each company charges the trust a loan servicing fee based on the percentage of outstanding loans that it has sold to the trust.

Interest rate swaps

ROK and the RBS 2009R Trust have entered into an interest rate swap contract. Payments under this contract are determined on the outstanding monthly balance of the fixed rate loans sold into the RBS 2009R Trust at a rate calculated as the difference between the weighted average interest rate of the outstanding fixed rate loans and the one month BBSW rate plus the required swap margin.

ROK and the RBS Warehouse Trust #2 have entered into an interest rate swap contract. Payments under this contract are determined on the outstanding monthly balance of the fixed rate loans sold into the RBS Warehouse Trust #2 at a rate calculated as the difference between the weighted average interest rate of the outstanding fixed rate loans and the one month BBSW rate plus the required swap margin.

ROK and the ConQuest 2013-1 Trust have entered into an interest rate swap contract. Payments under this contract are determined on the outstanding monthly balance of the fixed rate loans sold into the ConQuest 2013-1 Trust at a rate calculated as the difference between the weighted average interest rate of the outstanding fixed rate loans and the one month BBSW rate plus the required swap margin.

Custodian and management fees

Connect Asset Management Proprietary Limited has operated as the manager for the ConQuest and RBS securitisation program since October 2012. The ROK operates in the role of custodian for assets originated via the Rock Building Society. Details of these transactions with these related parties follows:

37 Related parties (continued)

	Receivables/ (payable) at year end $'000	Swap interest income/ (expense) $'000	Service fees income/ (expense) $'000	Loans securitised at year end $'000
2014				
– MyState Financial Limited	872	–	3,513	(421,614)
– Connect Asset Management Proprietary Limited	527	–	5,173	–
– ConQuest Mortgage Trust	(311)	–	(6,106)	129,630
– ConQuest Securities	162	–	4,201	–
– ConQuest 2010-1R Trust	(238)	–	(5,711)	104,137
– ConQuest 2010-2 Trust	(233)	–	(1,353)	94,961
– ConQuest 2013-1 Trust	(686)	(1,283)	283	227,001
– ConQuest 2007-1 Trust	(93)	–	1,325	55,163
– The Rock Building Society Limited	9	1,832	(2)	(189,278)
– RBS 2007-1 Trust	–	–	74	–
– RBS 2009R Trust	(9)	(3)	(1,093)	–
– RBS Warehouse Trust #2	–	(546)	(304)	–
2013				
– MyState Financial Limited	(710)	–	2,194	(445,784)
– Connect Asset Management Proprietary Limited	388	–	(42)	–
– ConQuest Mortgage Trust	(224)	–	(183)	149,701
– ConQuest Securities	289	–	–	–
– ConQuest 2010-1R Trust	187	–	(265)	100,267
– ConQuest 2010-2 Trust	75	–	(1,491)	125,832
– ConQuest 2007-1 Trust	(5)	–	(212)	86,621
– The Rock Building Society Limited	27	2,429	3,640	(333,338)
– RBS 2005-1 Trust	–	–	(23)	–
– RBS 2007-1 Trust	–	–	(77)	25,795
– RBS 2009R Trust	(27)	(260)	(2,754)	37,094
– RBS Warehouse Trust #2	–	(2,169)	(786)	253,812

37 Related parties (continued)

(vi) Key Management Personnel

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 is comprised of the non Executive Directors, Managing Director and certain Executives.

b) Key management personnel compensation

The key management personnel compensation comprised:

	Consolidated		Company	
	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
Short-term employee benefits	**3,266**	3,532	**2,442**	2,759
Post employment benefits	**260**	339	**179**	249
Share-Based payment[(1)]	**138**	250	**136**	249
Termination benefits	**657**	955	**657**	955
	4,321	5,076	**3,414**	4,212

(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 38. 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.

38 Share Based Payment Arrangements

a) Executive Long Term Incentive Plan (ELTIP)

The Executive long term incentive plan (ELTIP) was established by the Board to encourage the Executive Management Team (EMT), currently comprising the Managing Director and invited Executives, to have a greater involvement in the achievement of the Company's long term objectives. To achieve this aim, the ELTIP provides for the issue to the EMT of fully paid ordinary shares in the Company if performance criteria specified by the Board are satisfied in a set performance period. 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.

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. The Board has determined that Total Shareholder Return (TSR) measured against the performance of a selected group of "financial" companies from within the S&P/ASX 300 Index (the benchmark group) would be the performance criteria.

The fair value of shares offered is calculated at the date of grant and is allocated to each reporting period over the period from grant date to vesting date. Fair value is determined utilising a "Monte Carlo" simulation, which seeks to predict the performance of the Company against the benchmark group and the proportion of shares offered which will actually vest. This predicted value is discounted back to its present value at grant date and excludes the value of dividends which are not received during the performance period.

38 Share Based Payment Arrangements (continued)

Details of offers made under the ELTIP are as follows:

		"2010" Offer		"2011" Offer	
		Managing Director	**Other Executives**	**Managing Director**	**Other Executives**
Date of offer ("Grant" date)		29 Mar 2011	29 Mar 2011	2 Nov 2011	6 Sep 2011
Performance period		1/7/2010 to 30/6/2013	1/7/2010 to 30/6/2013	1/7/2011 to 30/6/2014	11/1/2011 to 30/6/2014
Maximum number of shares that may vest under the offer		59,840	104,731	65,677	88,403
Value of the offer		$225,000	$393,789	$235,125	$316,482
Share price used in the calculation of the offer		$3.76	$3.76	$3.58	$3.58
EPS baseline used in the offer (cents per share)		27.46cps	27.46cps	n/a	n/a
MyState Limited share price baseline for TSR calculation		$3.12	$3.12	$3.55	$3.55
Fair value of shares at grant date:	EPS shares	$3.11	$3.11	n/a	n/a
	TSR shares	$2.43	$2.43	$2.14	$1.93
Number of shares that have vested		42,427	57,826	–	23,009
Number of shares that have been forfeited		17,413	46,905	65,677	43,799
Number of shares for which assessment against performance criteria has yet to be undertaken		–	–	–	21,595

		"2012" Offer		"2013" Offer	
		Managing Director	**Other Executives**	**Managing Director**	**Other Executives**
Date of offer ("Grant" date)		14 Nov 2012	9 Oct 2012	11 Dec 2013	11 Dec 2013
Performance period		1/7/2012 to 30/6/2015	1/7/2012 to 30/6/2015	1/7/2013 to 30/6/2016	11/1/2013 to 30/6/2016
Maximum number of shares that may vest under the offer		89,532	77,003	67,967	45,658
Value of the offer		$325,000	$259,500	$327,600	$220,069
Share price used in the calculation of the offer		$3.63	$3.37	$4.82	$4.82
MyState Limited share price baseline for TSR calculation		$3.00	$3.00	$4.30	$4.30
Fair value of shares at grant date:	TSR shares	$2.15	$1.66	$2.63	$2.63
Number of shares that have vested		27,544	–	–	–
Number of shares that have been forfeited		61,988	28,487	67,967	–
Number of shares for which assessment against performance criteria has yet to be undertaken		–	48,516	–	45,658

39 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.

Directors' Declaration

for the financial year ended 30 June 2014

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 46 to 94 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 2014 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 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 2014.

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 L Hampton
Chairman

C M Hollingsworth
Director

Hobart
Dated this 21 August 2014

Wise Lord & Ferguson
Chartered Accountants
advice to advantage

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 2014, the income statements and 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.

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

Partners: Harvey Gibson, Danny McCarthy, Douglas Thomson, Joanne Doyle, Stuart Clutterbuck, Ian Wheeler, Dean Johnson, Marg Marshall, Paul Lyons, Alicia Leis, Nick Carter
Managers: Melanie Richardson, Simon Jones, Trent Queen, Rachel Burns, Nathan Brereton, Melissa Johnson, Donna Powell, Chris Harper, Rebecca Meredith
Consultant: Peter Beven

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.

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 2014 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 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

D J McCARTHY
Partner
Wise Lord & Ferguson

Date: 21.8.2014

Information relating to Shareholders

As at 31 August 2014

Range of Units Snapshot

Range	Total holders	Units	% of Issued Capital
1 – 1,000	63,154	24,735,571	28.35
1,001 – 5,000	2,316	6,417,502	7.35
5,001 – 10,000	833	6,123,447	7.02
10,001 – 100,000	674	15,907,497	18.23
100,001 – 9,999,999,999	50	34,077,978	39.05
Rounding			**0.00**
Total	**67,027**	**87,261,995**	**100.00**

Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum $500.00 parcel at $4.92 per unit	102	216	8,143

Top Holders Snapshot – Ungrouped

Rank	Name	Address	Units	% of Units
1.	Mecu Limited	222 High Street, Kew VIC 3101	4,339,593	4.97
2.	National Nominees Limited	GPO Box 1406, Melbourne VIC 3001	3,632,924	4.16
3.	J P Morgan Nominees Australia Limited	Locked Bag 20049, Melbourne VIC 3001	3,238,325	3.71
4.	Australian United Investment Company Limited	Level 18, 8 Exhibition Street, Melbourne VIC 3000	2,600,000	2.98
5.	Diversified United Investment Limited	Level 18, 8 Exhibition Street, Melbourne VIC 3000	2,600,000	2.98
6.	Citicorp Nominees Pty Limited	GPO Box 764G, Melbourne VIC 3001	1,701,164	1.95
7.	The Ian Potter Foundation Ltd <No 1 A/C>	Level 3, 111 Collins Street, Melbourne VIC 3000	1,500,000	1.72
8.	HSBC Custody Nominees (Australia) Limited	GPO Box 5302, Sydney NSW 2001	1,396,399	1.60
9.	Select Managed Funds Ltd	GPO Box 529, Hobart TAS 7001	1,225,960	1.40
10.	BNP Paribas Noms Pty Ltd <DRP>	PO Box R209, Royal Exchange NSW 1225	1,069,376	1.23
11.	RBC Investor Services Australia Nominees Pty Limited <Bkcust A/C>	GPO Box 5430, Sydney NSW 2001	1,000,000	1.15
12.	Sandhurst Trustees Ltd <Harper Bernays Ltd A/C>	Level 5, 120 Harbour Esplanade, Docklands VIC 3008	948,780	1.09
13.	UBS Wealth Management Australia Nominees Pty Ltd	GPO Box 1257, Melbourne VIC 3001	806,514	0.92
14.	Mr Brian David Faulkner	PO Box 776, Launceston TAS 7250	750,000	0.86
15.	Milton Corporation Limited	PO Box R1836, Royal Exchange NSW 1225	444,992	0.51
16.	Mrs Wendy Jean Faulkner	PO Box 776, Launceston TAS 7250	405,000	0.46
17.	National Reliance Investment & Underwriting Company Pty Ltd <Edgecumbe Inv Group S/F A/C>	GPO Box 1216, Adelaide SA 5001	392,253	0.45
18.	Beechworth Holdings Pty Ltd <Beechworth Super Fund A/C>	14 Beechworth Road, Sandy Bay TAS 7005	350,000	0.40
19.	Prestige Furniture Pty Ltd	PO Box 1967, Launceston TAS 7250	336,000	0.39
20.	Mrs Joan E Evershed	2 Chapman Street, Bellerive TAS 7018	312,160	0.36
Totals: Top 20 holders of Ordinary Fully Paid Shares (Total)			**29,049,440**	**33.29**
Total Remaining Holders Balance			**58,212,555**	**66.71**

Corporate Directory

Registered Office: 137 Harrington Street, Hobart 7000
Email: info@MyStatelimited.com.au
mystatelimited.com.au

MyState Financial Limited

mystate.com.au
Phone: 138 001

Burnie

87 Wilson Street
Burnie TAS 7320

Devonport

53 Best Street
Devonport TAS 7310

Glenorchy

366 Main Road
Glenorchy TAS 7010

Hobart

144 Collins Street
Hobart TAS 7000

Kings Meadows

Shop 27, Centro Meadow Mews Shopping Centre
Kings Meadows TAS 7249

Kingston

Shop 1, Kingston Plaza
Kingston TAS 7050

Launceston

67 St John Street
Launceston TAS 7250

New Norfolk

45 High Street
New Norfolk TAS 7140

New Town

Shop 9, Centro New Town Shopping Centre
New Town TAS 7008

Rosny

11 Bayfield Street
Rosny TAS 7018

Tasmanian Perpetual Trustees Limited

tasmanianperpetual.com.au
Phone: 1300 138 044

Burnie

87 Wilson Street
Burnie TAS 7320

Devonport

53 Best Street
Devonport TAS 7310

Glenorchy

366 Main Road
Glenorchy TAS 7010

Hobart

137 Harrington Street
Hobart TAS 7000

Kings Meadows

Shop 27, Centro Meadow Mews Shopping Centre
Kings Meadows TAS 7249

Kingston

Shop 1, Kingston Plaza
Kingston TAS 7050

Launceston

113 Cimitiere Street
Launceston TAS 7250

Rosny

11 Bayfield Street
Rosny TAS 7018

The Rock Building Society

therock.com.au
Phone: 1800 806 645

Biloela

5 Kariboe Court
Biloela QLD 4715

Emerald

31 Clermont Court
Emerald QLD 4720

Gladstone

Shop 4, Gladstone Valley Shopping Centre
Gladstone QLD 4680

Gracemere

Gracemere Shoppingworld
Gracemere QLD 4702

Yeppoon

Keppel Bay Plaza
Yeppoon QLD 4703

Rockhampton

Cnr Archer & Bolsover Street
Rockhampton QLD 4700

Stockland

Stockland Rockhampton
North Rockhampton QLD 4701

The Rock also operates from a number of mini branches, their locations are listed at therock.com.au

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 three wholly-owned subsidiaries, MyState Financial and The Rock Building Society Limited authorised deposit-taking institution's, and Tasmanian Perpetual Trustees a trustee and wealth management company.

Designed and produced by FCR
fcr.com.au

MyState LIMITED


mystatelimited.com.au