

# Fremantle Community Financial Services Limited



## 2009 Annual Report

Fremantle  
Community Bank<sup>®</sup> Branch



**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

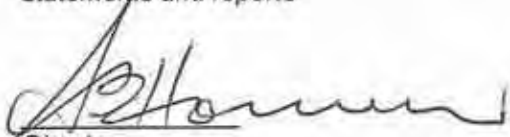
**ABN 41 114 925 174**

**Financial report for the year ended 30 June 2009**

**C O N T E N T S**

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*This is annexure A of 35 pages referred  
to in Form 388: Copy of financial  
statements and reports*

  
Director

Dated this

8<sup>th</sup> day of October 2009

# FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

ABN 41 114 925 174

Financial report for the year ended 30 June 2009

## DIRECTORS' REPORT

Your Directors present their report, together with the financial statements of the Company for the financial year ended 30 June 2009.

### Directors

The names of Directors in office at any time during or since the end of the year are:

#### *Arnold Bart Houwen*

Position:	Chairman
Occupation:	Business Development Consultant
Background Information:	<p>After a 25 year career in IT which included stints overseas, Bart now works from a home office and is active as a community representative in several local groups including the Cockburn Sound Management Council, Beeliar Regional Park Advisory Committee, Salvation Army Red Shield Appeal, Community Networking Inc., and others.</p> <p>Recreational pursuits include golf, bridge, watching Rugby Union and Australian Rules, and presenting on community radio. Active sports participation including Australian Rules, Cricket and Rugby Union as a player, coach and administrator.</p>
Directorships held in other entities:	Nil
Interest in shares and options:	500 Shares

#### *Michael Boyd Finn*

Position:	Non-Executive Director
Occupation:	Company Director / Retailer
Background Information:	<p>Michael is a graduate of Scotch College and Denmark Agricultural College, worked at Wesfarmers Midland/Katanning and has 20 years proprietor in retail. He is currently the director of family stores Kakulas Sister Fremantle (10 years) and Nollamara.</p>
Directorships held in other entities:	Nil
Interest in shares and options:	1 Share (direct) 20,000 Shares (indirect)

#### *Geoffrey Graeme Dunstan*

Position:	Non-Executive Director
Occupation:	Self employed
Background Information:	<p>Geoff owns and operates a small family business in Fremantle with his partner Andrea. He embraces the Fremantle spirit and believes a community bank will benefit the whole Fremantle community.</p>
Directorships held in other entities:	Nil
Interest in shares and options:	1 Share

## FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

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### Financial report for the year ended 30 June 2009

#### *Debra Anne Rule*

Position: Non-Executive Director

Occupation: Public Servant

Background Information: Debra grew up and lives in Fremantle, she has a background in education, taught at a local high school, established a family business and has worked on the board of two not for profit organisations involved in building community resilience through sustainability, employment and professional development programs for local and international participants. She also has extensive information management consulting experience gained in the public and private sectors across Australia.

Directorships held in other entities: Nil

Interest in shares and options: 500 Shares (direct)  
500 Shares (indirect)

#### *Susan Jones (appointed 3 April 2009)*

Position: Non-Executive Director

Occupation: Public Servant

Background Information: Sue has been Executive Officer, Corporate Services at WA Treasury and Finance since 2008. Prior to this she held senior executive positions in the Health Department, including A/Chief Executive Officer and Director Operations.

Sue only moved into the Fremantle community in 2008 but has a keen interest in building networks between welfare groups to better service the needs of the homeless and those in crisis. She has taken on the role of City Chair with the Salvation Army Red Shield Appeal.

Directorships held in other entities: Nil

Interest in shares and options: Nil

#### *Bruce James Moriarty (appointed 16 June 2009)*

Position: Non-Executive Director

Occupation: Property developer

Background Information: Bruce grew up in Halifax, Nova Scotia a small and well preserved historic city and Canada's major Atlantic port. He arrived in Western Australia in 1982 and after five years in the North West oil sector, entered the property industry in 1987. Bruce has been involved with a number of development projects including heritage buildings including the North Fremantle's Rose Hotel and Old School Mews. In 2006, he was appointed to the City of Fremantle's Urban Development Advisory Committee, as well as LandCorp's Leighton Beach Redevelopment Steering Committee. He also serves on the board of the Fremantle Chamber of Commerce and is one of the founders of Fremantle's Gimme Shelter homeless fundraiser.

Directorships held in other entities: Nil

Interest in shares and options: Nil

#### **Company Secretary**

*Debra Anne Rule*

# FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

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## Financial report for the year ended 30 June 2009

### Directors meetings attended

During the financial year, 12 meetings of directors (including committees of directors) were held. Attendances by each Director during the year were as follows:

Names of Directors	Directors' Meetings	
	Number eligible to attend	Number attended
Arnold Bart Houwen	12	12
Michael Boyd Finn	12	8
Geoffrey Graeme Dunstan	12	11
Debra Anne Rule	12	11
Susan Jones	3	3
Bruce James Moriarty	1	1

### Principal activity and review of operations

The principal activity and focus of the Company's operations during the year was the operation of a Branch of Bendigo and Adelaide Bank Ltd, pursuant to a franchise agreement.

### Operating results

The loss incurred by the Company amounted to \$109,887.

### Dividends paid or recommended

The Company did not pay a dividend during the year.

### Financial position

The net deficit of the Company has increased from \$154,784 as at 30 June 2008 to \$264,671 as at 30 June 2009.

The directors believe the Company is in a stable financial position.

### Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year under review, not otherwise disclosed in these financial statements.

### After balance date events

No matters or circumstances have arisen since the end of the financial year that significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

### Future developments

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

### Options

No options over issued shares or interests in the Company were granted to Directors or Executives during or since the end of the financial year and there were no options outstanding at the date of this report.

The Directors and Executive do not own any options over issued shares or interests in the Company at the date of this report.



## **FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

**ABN 41 114 925 174**

### **Financial report for the year ended 30 June 2009**

#### **Indemnifying officers or auditor**

Indemnities have been given, during and since the end of the financial year, for any persons who are or have been a Director or an officer, but not an auditor, of the Company. The insurance contract prohibits disclosure of any details of the cover.

#### **Environmental issues**

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth, State or Territory.

#### **Proceedings on behalf of Company**

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

#### **Corporate governance**

The Company has implemented various corporate governance practices, which include:

- a) Director approval of operating budgets and monitoring of progress against these budgets;
- b) Ongoing Director training; and
- c) Monthly Director meetings to discuss performance and strategic plans

The Company has not appointed a separate audit committee due to the size and nature of operations. The normal functions and responsibilities of an audit committee have been assumed by the Board.

#### **Non-audit services**

The Board is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2009:

Taxation services:	\$5,200
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## **FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

**ABN 41 114 925 174**

### **Financial report for the year ended 30 June 2009**

#### **REMUNERATION REPORT**

This report details the nature and amount of remuneration for each key management person of the Company, and for the Executives receiving the highest remuneration.

##### **Remuneration of Directors**

No income was paid or was payable or otherwise made available, to the Directors of the Company during the years ended 30 June 2009 and 30 June 2008.

##### **Remuneration policy**

The remuneration policy of the Company has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Company, as well as create goal congruence between Directors, Executives and shareholders.

The board's policy for determining the nature and amount of remuneration for key management personnel of the Company is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), and superannuation.
- The Board reviews key management personnel packages annually by reference to the Company's performance, Executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed annually with each Executive and is based predominantly on the forecast growth of the Company's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives and bonuses, which must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of Executives and reward them for performance that results in long-term growth in shareholder wealth.

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals may have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed.

##### **Performance-based remuneration**

As part of each key management personnel's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between key management personnel with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the areas each key management personnel is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for Company expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the Company and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Company's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, the Company bases the assessment on audited figures.

## **FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

**ABN 41 114 925 174**

### **Financial report for the year ended 30 June 2009**

#### **Company performance, shareholder wealth and executive remuneration**

The remuneration policy has been tailored to increase goal congruence between shareholders and Executives. The method applied in achieving this aim is a performance based bonus based on key performance indicators. The Company believes this policy to have been effective in increasing shareholder wealth over the past years.

#### **Key management personnel remuneration policy**

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

The employment conditions of the key management personnel are formalised in contracts of employment. All Executives are permanent employees of the Company.

The employment contracts stipulate a resignation periods. The Company may terminate an employment contract without cause by providing appropriate written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

#### **Performance income as a proportion of total remuneration**

Executives are paid performance based bonuses based on set monetary figures, rather than proportions of their salary. This has led to the proportions of remuneration related to performance varying between individuals. The Board has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the Company.

The Board will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as they see fit to ensure use of the most cost effective and efficient methods.



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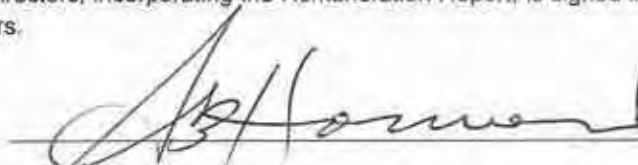
**Financial report for the year ended 30 June 2009**

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration is included within the financial statements.

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

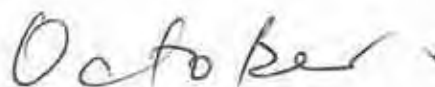
Director

A handwritten signature in dark ink, appearing to read 'A. Hammer', is written over a horizontal line.

Dated this

A handwritten number '8th' in dark ink, written below the signature line.

day of

A handwritten word 'October' in dark ink, written below the signature line.

2009

# RSM Bird Cameron Partners

Chartered Accountants

8 St Georges Terrace Perth WA 6000  
GPO Box R1253 Perth WA 6844  
T +61 8 9261 9100 F +61 8 9261 9111  
www.rsmi.com.au

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Fremantle Community Financial Services Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

*RSM Bird Cameron Partners*

RSM BIRD CAMERON PARTNERS  
Chartered Accountants

*DJ Wall*

D J WALL  
Partner

Perth, WA

Dated: 8 October, 2009

**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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**Financial report for the year ended 30 June 2009**

**INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2009**

		<b>2009</b>	<b>2008</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
Revenue	2	472,042	312,491
Employee benefits expense		(264,858)	(228,362)
Depreciation and amortisation expense		(60,682)	(63,947)
Finance costs		(37,058)	(13,586)
Other expenses	3	(219,331)	(202,412)
Profit before income tax		(109,887)	(195,816)
Income tax expense	4	-	-
Profit attributable to members		(109,887)	(195,816)
<b>Overall operations</b>			
Basic loss per share (cents per share)		(14.91)	(26.58)
Diluted loss per share (cents per share)		(14.91)	(26.58)

The accompanying notes form part of these financial statements

# FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

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## Financial report for the year ended 30 June 2009

### BALANCE SHEET AS AT 30 JUNE 2009

		2009	2008
	Note	\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	39	39
Trade and other receivables	7	56,975	34,010
Other current assets	8	7,815	5,278
<b>TOTAL CURRENT ASSETS</b>		<b>64,829</b>	<b>39,327</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	89,727	146,324
Intangible assets	10	2,896	4,896
Other Non-Current assets	8	896	2,896
<b>TOTAL NON-CURRENT ASSETS</b>		<b>93,519</b>	<b>154,116</b>
<b>TOTAL ASSETS</b>		<b>158,348</b>	<b>193,443</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	52,953	44,244
Financial liability	12	362,791	297,624
Short-term provisions	13	7,275	6,359
<b>TOTAL CURRENT LIABILITIES</b>		<b>423,019</b>	<b>348,227</b>
<b>TOTAL LIABILITIES</b>		<b>423,019</b>	<b>348,227</b>
<b>NET ASSETS</b>		<b>(264,671)</b>	<b>(154,784)</b>
<b>EQUITY</b>			
Issued capital	14	736,759	736,759
Retained earnings/(Accumulated losses)		(1,001,430)	(891,543)
<b>TOTAL EQUITY</b>		<b>(264,671)</b>	<b>(154,784)</b>

The accompanying notes form part of these financial statements



**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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**Financial report for the year ended 30 June 2009**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2009**

	Share Capital (Ordinary shares)	Retained earnings/ (Accumulated losses)	Total
	\$	\$	\$
Balance at 1 July 2007	736,759	(695,727)	41,032
Loss attributable to the members of the Company	-	(195,816)	(195,816)
<b>Balance at 30 June 2008</b>	<b>736,759</b>	<b>(891,543)</b>	<b>(154,784)</b>
Balance at 1 July 2008	736,759	(891,543)	(154,784)
Profit attributable to the members of the Company	-	(109,887)	(109,887)
<b>Balance at 30 June 2009</b>	<b>736,759</b>	<b>(1,001,430)</b>	<b>(264,671)</b>

The accompanying notes form part of these financial statements

**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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**Financial report for the year ended 30 June 2009**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2009**

	Note	2009 \$	2008 \$
Cash flows from operating activities			
Receipts from customers		449,077	302,354
Payments to suppliers and employees		(475,101)	(452,551)
Interest received		-	164
Borrowing costs paid		(37,058)	(13,586)
Net cash used in operating activities	15	<u>(63,082)</u>	<u>(163,619)</u>
Cash flows from investing activities			
Payments for plant and equipment		<u>(2,085)</u>	<u>-</u>
Net cash used in investing activities		<u>(2,085)</u>	<u>-</u>
Net decrease in cash held		(65,167)	(163,619)
Cash held at the beginning of the financial year		<u>(297,585)</u>	<u>(133,966)</u>
Cash held at the end of the financial year	6	<u>(362,752)</u>	<u>(297,585)</u>

The accompanying notes form part of these financial statements

# FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

ABN 41 114 925 174

## NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2009

### 1. Statement of significant accounting policies

The financial report has been prepared on a going concern basis after consideration by the Directors of the following matters

- (i) The Company is budgeting to return a profit within the next 2 to 5 years; and
- (ii) Bendigo and Adelaide Bank Ltd has confirmed that it will support the Company such that it will be in a position to meet its financial obligations for the next financial year. The provision of additional funding is dependent upon the Company fulfilling its ongoing responsibilities under the Franchise Agreement and continuing to work closely with Bendigo and Adelaide Bank Ltd management to further develop the business.

In consideration of the above matters, the Directors believe that it is appropriate to adopt the going concern basis of accounting in the preparation of this financial report.

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the Company as an individual entity. The Company is a public company, incorporated and domiciled in Australia.

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

The financial report has been prepared on an accruals basis and is based on historical costs modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### (a) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

# FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

### Financial report for the year ended 30 June 2009

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

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

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

##### Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

##### Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

##### Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

*Class of Fixed Asset*

*Depreciation Rate*



# FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

### Financial report for the year ended 30 June 2009

Plant and equipment 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

#### (c) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

#### (d) Financial Instruments

##### Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

##### Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

##### Classification and Subsequent Measurement

###### i. Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised

# FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

### Financial report for the year ended 30 June 2009

gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

*ii. Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

*iii. Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

*iv. Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

*v. Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

#### **Derivative instruments**

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

The Company does not hold any derivative instruments.

#### **Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all un securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

#### **Impairment**

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

#### **Financial Guarantees**

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the Company gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The Company has not issued any financial guarantees.

**(e) Impairment of assets**

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.



# FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

### Financial report for the year ended 30 June 2009

- Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs
- (f) **Intangibles**
- Franchise fee**
- The franchise fee paid by the Company pursuant to a Franchise Agreement with Bendigo and Adelaide Bank Ltd is being amortised over the initial five (5) years period of the agreement, being the period of expected economic benefits of the franchise fee.
- (g) **Employee benefits**
- Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.
- (h) **Provisions**
- Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.
- (i) **Cash and cash equivalents**
- Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.
- (j) **Revenue and other income**
- Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.
- Dividend revenue is recognised when the right to receive a dividend has been established.
- Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.
- All revenue is stated net of the amount of goods and services tax (GST).
- (k) **Borrowing costs**
- Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.
- All other borrowing costs are recognised in income in the period in which they are incurred.
- (l) **Goods and services tax (GST)**
- Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.
- Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.
- (m) **Comparative figures**
- When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

# FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

### Financial report for the year ended 30 June 2009

**(n) Critical accounting estimates and judgments**

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

**Key estimates — Impairment**

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of intangibles for the year ended 30 June 2009. Should the projected turnover figures be materially outside of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of intangibles at 30 June 2009 amounting to \$2,896.

**(o) New Accounting Standards for Application in Future Periods**

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Company follows:

- AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1,2,4,5,7,101,107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the Company will be unable to be determined. The following changes to accounting requirements are included:
  - acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;
  - contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
  - a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
  - there shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Company's policy);
  - dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
  - impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and
  - where there is, in substance, no change to Company interests, parent entities inserted above existing groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.



# FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

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### Financial report for the year ended 30 June 2009

The Company will need to determine whether to maintain its present accounting policy of calculating goodwill acquired based on the parent entity's share of net assets acquired or change its policy so goodwill recognised also reflects that of the non-controlling interest.

- AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Company's Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.
- AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Company. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.
- AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the Company as a policy of capitalising qualifying borrowing costs has been maintained by the Company.
- AASB 2008-1: Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.
- AASB 2008-2: Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation [AASB 7, AASB 101, AASB 132 & AASB 139 & Interpretation 2] (applicable for annual reporting periods commencing from 1 January 2009). These amendments introduce an exception to the definition of a financial liability to classify as equity instruments certain puttable financial instruments and certain other financial instruments that impose an obligation to deliver a pro-rata share of net assets only upon liquidation.
- AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-5) and AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-6) detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Company.
- AASB 2008-8: Amendments to Australian Accounting Standards – Eligible Hedged Items [AASB 139] (applicable for annual reporting periods commencing from 1 July 2009). This amendment

## **FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **Financial report for the year ended 30 June 2009**

clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations and is not expected to materially affect the Company.

- AASB 2008-13: Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110] (applicable for annual reporting periods commencing from 1 July 2009). This amendment requires that non-current assets held for distribution to owners to be measured at the lower of carrying value and fair value less costs to distribute.
- AASB Interpretation 15: Agreements for the Construction of Real Estate (applicable for annual reporting periods commencing from 1 January 2009). Under the interpretation, agreements for the construction of real estate shall be accounted for in accordance with AASB 111 where the agreement meets the definition of 'construction contract' per AASB 111 and when the significant risks and rewards of ownership of the work in progress transfer to the buyer continuously as construction progresses. Where the recognition requirements in relation to construction are satisfied but the agreement does not meet the definition of 'construction contract', revenue is to be accounted for in accordance with AASB 118. Management does not believe that this will represent a change of policy to the Company.
- AASB Interpretation 16: Hedges of a Net Investment in a Foreign Operation (applicable for annual reporting periods commencing from 1 October 2008). Interpretation 16 applies to entities that hedge foreign currency risk arising from net investments in foreign operations and that want to adopt hedge accounting. The interpretation provides clarifying guidance on several issues in accounting for the hedge of a net investment in a foreign operation and is not expected to impact the Company.
- AASB Interpretation 17: Distributions of Non-cash Assets to Owners (applicable for annual reporting periods commencing from 1 July 2009). This guidance applies prospectively only and clarifies that non-cash dividends payable should be measured at the fair value of the net assets to be distributed where the difference between the fair value and carrying value of the assets is recognised in profit or loss.

The Company does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Company's financial statements.

**(p) Authorisation for financial report**

The financial report was authorised for issue on 8 October 2009 by the Board of Directors

**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2009**

	2009 \$	2008 \$
<b>2. Revenue</b>		
Franchise margin income	472,042	312,327
Interest revenue	-	164
	<u>472,042</u>	<u>312,491</u>
<b>3. Expenses</b>		
Advertising and marketing	4,825	3,154
ASIC and BSX costs	1,335	4,335
ATM leasing and running costs	7,919	8,147
Bad debts	1,808	1,125
Community sponsorship and donations	437	505
Consultancy	3,397	9,475
Freight and postage	16,084	16,208
Insurance	10,914	11,826
IT leasing and running costs	20,106	21,232
Occupancy running costs	19,619	22,541
Printing and stationary	7,735	6,060
Rental on operating lease	60,465	55,462
Telephone	10,319	8,685
Other operating expenses	54,368	33,657
	<u>219,331</u>	<u>202,412</u>
Remuneration of the auditors of the Company		
Audit services	7,706	7,983
Other Services	5,200	8,700
	<u>12,906</u>	<u>16,683</u>

# FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2009

	2009 \$	2008 \$
<b>4. Income tax expense</b>		
No income tax is payable by the Company as it has recouped tax losses previously brought to account for income tax purposes.		
a. The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit before income tax at 30% (2008: 30%)	(32,966)	(58,745)
Add:		
Tax effect of:		
— deferred tax assets not brought to account	43,445	65,828
— non-deductible depreciation and amortisation	600	600
— other non-allowable items	1,251	1,626
Less:		
Tax effect of:		
— other allowable items	(12,330)	(9,309)
Income tax attributable to the Company	-	-

At balance date, the Company had tax losses of \$945,183 (2008: \$800,365) which are available to offset future years' taxable income.

The future income tax benefit of these tax losses is \$283,555 (2008: \$240,110). This benefit has not been recognised as an asset in the statement of financial position as there is no certainty of its realisation. The benefits will only be obtained if:

- the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;
- the Company continues to comply with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.



# FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2009

### 5. Key management personnel compensation

#### a. Names and positions

<i>Name</i>	<i>Position</i>
Arnold Houwen	Chairman
Michael Finn	Non-Executive Director
Geoffrey Dunstan	Non-Executive Director
Debra Rule	Non-Executive Director/Secretary
Susan Jones	Non-Executive Director
Bruce Moriarty	Non-Executive Director

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

#### b. Options provided as remuneration and shares issued on exercise of such options

No options were provided as remuneration or shares issued on exercise of options

#### c. Option holdings

No options over ordinary shares in the Company are held by any Director of the Company or other key management personnel, including their personally related parties.

#### d. Shareholdings

Number of ordinary shares held by key management personnel

2009

<i>Directors</i>	<b>Ordinary Shares</b>			
	<i>Balance at beginning of period</i>	<i>Purchased during the period</i>	<i>Other changes</i>	<i>Balance at end of period</i>
Arnold Houwen	500	-	-	500
Michael Finn	20,001	-	-	20,001
Geoffrey Dunstan	1	-	-	1
Debra Rule	72,000	-	(71,000)	1,000
	<b>92,502</b>	<b>-</b>	<b>(71,000)</b>	<b>21,502</b>

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## NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2009

	2009 \$	2008 \$
<b>6. Cash and cash equivalents</b>		
Cash at bank and in hand	<u>39</u>	<u>39</u>
<i>Reconciliation of cash</i>		
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:		
Cash and cash equivalents	39	39
Bank overdrafts	<u>(362,791)</u>	<u>(297,624)</u>
	<u>(362,752)</u>	<u>(297,585)</u>
<b>7. Trade and other receivables</b>		
Trade debtors	<u>56,975</u>	<u>34,010</u>
<b>a. Provision For Impairment of Receivables</b>		
Current trade and term receivables are non-interest bearing loans and generally on 30-day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is an objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the other expenses item.		
There is no provision for impairment of receivables.		
<b>8. Other assets</b>		
Current		
Prepayments	<u>7,815</u>	<u>5,278</u>
Non current		
Prepayments	<u>896</u>	<u>2,896</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2009**

	2009 \$	2008 \$
<b>9. Property, plant and equipment</b>		
Plant and Equipment		
Cost	293,171	291,086
Accumulated depreciation	<u>(203,444)</u>	<u>(144,762)</u>
	<u>89,727</u>	<u>146,324</u>
<i>Movement in carrying amount</i>		
Balance at the beginning of the year	146,324	208,240
Additions	2,085	-
Disposals	-	-
Depreciation expense	<u>(58,682)</u>	<u>(61,916)</u>
Carrying amount at the end of the year	<u>89,727</u>	<u>146,324</u>
<b>10. Intangible assets</b>		
Franchise fee		
Cost	10,000	10,000
Accumulated amortisation	<u>(7,104)</u>	<u>(5,104)</u>
	<u>2,896</u>	<u>4,896</u>
Pursuant to a five year franchise agreement with Bendigo and Adelaide Bank Ltd, the Company operates a branch of Bendigo and Adelaide Bank Ltd, providing a core range of banking products and services.		
<b>11. Trade and other payables</b>		
Trade creditors and accruals	45,695	40,733
GST payable	<u>7,258</u>	<u>3,511</u>
	<u>52,953</u>	<u>44,244</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2009**

	2009 \$	2008 \$
<b>12. Financial liabilities</b>		
Current		
Bank overdraft	<u>362,791</u>	<u>297,624</u>
Security:		
The bank overdraft is secured by a floating charge over the Company's assets.		
<b>13. Provisions</b>		
Current		
Provision for employee entitlements	<u>7,275</u>	<u>6,359</u>
Number of employees at year end	<u>2</u>	<u>5</u>
<b>14. Equity</b>		
736,759 (2008:736,759) fully paid ordinary shares	<u>736,759</u>	<u>736,759</u>
<b>15. Cash flow information</b>		
a. Reconciliation of cash flow from operations with profit after tax		
Profit after tax	(109,887)	(195,816)
Depreciation and amortisation	60,682	63,947
Movement in assets and liabilities		
Receivables	(22,965)	(9,974)
Other assets	(537)	3,834
Payables	8,709	(27,849)
Provisions	<u>916</u>	<u>2,239</u>
Net cash used in operating Activities	<u>(63,082)</u>	<u>(163,819)</u>



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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2009**

**b. Credit Standby Arrangement and Loan Facilities**

The Company has a bank overdraft facility amounting to \$430,000 (2008: \$350,000). This may be terminated at any time at the option of the bank. At 30 June 2009, \$362,791 of this facility was used (2008 \$297,624). Interest rates are variable.

**16. Related party transactions**

Director Geoffrey Dunstan provided printing services through his business Minute Man Press amounting to \$1,283 under normal commercial terms and conditions.

No other related parties have entered into a transaction with the Company during the financial years ended 30 June 2009 and 30 June 2008.

	2009	2008
	\$	\$

**17. Leasing commitments**

Non cancellable operating lease commitment contracted for but not capitalised in the financial statements

Payable

Not longer than 1 year

67,393	67,393
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Longer than 1 year but not longer than 5 years

134,786	202,179
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<u>202,179</u>	<u>269,572</u>
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**18. Dividends**

No Dividends were paid or proposed.

# FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

### Financial report for the year ended 30 June 2009

#### 19. Financial risk management

The Company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans, bills and leases.

The directors' overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

##### a. Financial risk management policies

Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The main purpose of non-derivative financial instruments is to raise finance for Company operations.

The Company does not have any derivative instruments at 30 June 2009.

##### b. Financial risk exposures and management

The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

###### i. Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt.

###### ii. Foreign currency risk

The company is not exposed to fluctuations in foreign currencies.

###### iii. Liquidity risk

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

###### iv. Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

There are no material amounts of collateral held as security at 30 June 2009.

The Company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Company.

Credit risk is managed reviewed regularly by the Board of Directors. It arises from exposures to customers as well as through deposits with financial institutions.

The Board of Directors monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the company's strict credit policies may only purchase in cash or using recognised credit cards.

The trade receivables balances at 30 June 2009 and 30 June 2008 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

###### v. Price risk

The company is not exposed to any material commodity price risk.

**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2009**

**c. Financial Instrument Composition and Maturity analysis**

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

**2009**

		Variable	Fixed			
	Weighted Average Effective Interest Rate	Floating Interest Rate	Within 1 Year	Within 1 to 5 Years	Non Interest Bearing	Total
<i>Financial Assets</i>						
Cash and cash equivalents		-	-	-	39	39
Loans and receivables		-	-	-	56,975	56,975
<b>Total Financial Assets</b>		-	-	-	<b>57,014</b>	<b>57,014</b>
<i>Financial Liability</i>						
Bank overdraft secured	9.64%	362,791	-	-	-	362,791
Trade and other payables		-	-	-	52,953	52,953
<b>Total Financial Liabilities</b>		<b>362,791</b>	-	-	<b>52,953</b>	<b>415,744</b>

**2008**

		Variable	Fixed			
	Weighted Average Effective Interest Rate	Floating Interest Rate	Within 1 Year	Within 1 to 5 Years	Non Interest Bearing	Total
<i>Financial Assets</i>						
Cash and cash equivalents		-	-	-	39	39
Loans and receivables		-	-	-	34,010	34,010
<b>Total Financial Assets</b>		-	-	-	<b>34,049</b>	<b>34,049</b>
<i>Financial Liability</i>						
Bank overdraft secured	6.0%	297,624	-	-	-	297,624
Trade and other payables		-	-	-	44,244	44,244
<b>Total Financial Liabilities</b>		<b>297,624</b>	-	-	<b>44,244</b>	<b>341,868</b>

# FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2009

	2009	2008
	\$	\$
Trade and sundry payables are expected to be paid as followed:		
Less than 6 months	52,953	44,244

### d. Net Fair Values

The net fair values of investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the Company intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

Fair values are materially in line with carrying values.

### e. Sensitivity Analysis

#### i. Interest Rate Risk

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

#### ii. Interest Rate Sensitivity Analysis

At 30 June 2009, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

2009

		-2 %		+ 2%	
	Carrying Amount	Profit	Equity	Profit	Equity
	\$	\$	\$	\$	\$
<i>Financial Liability</i>					
Bank overdraft secured	362,791	7,256	7,256	(7,256)	(7,256)



# FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

ABN 41 114 925 174

## NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2009

2008

		-2 %		+ 2%	
	Carrying Amount \$	Profit \$	Equity \$	Profit \$	Equity \$
<i>Financial Liability</i>					
Bank overdraft secured	297,624	5,952	5,952	(5,952)	(5,952)

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged. The Company has no exposure to fluctuations in foreign currency.

### 20. Segment reporting

The Company operates in the financial services sector as a branch of Bendigo and Adelaide Bank Ltd in Western Australia.

### 21. Events after the balance sheet date

No matters or circumstances have arisen since the end of the financial year that significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

### 22. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets at the reporting date.

### 23. Tax

#### a. Reconciliations

##### Deferred Tax Assets

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out below:

— Provisions	916	1,908
— Tax losses: operating losses	283,555	240,110
	<u>284,471</u>	<u>242,018</u>

### 24. Company details

The registered office and principal place of business of the Company is:

9 Adelaide Street

Fremantle WA 6160

**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

**ABN 41 114 925 174**

**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2009**

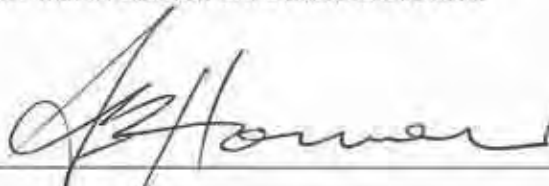
**DIRECTORS' DECLARATION**

The Directors of the Company declare that:

1. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 and:
  - a. comply with Accounting Standard; and
  - b. give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the Company
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
  - a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view.
3. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable:

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

Director



Dated this

*P.H.*

day of

*October*

2009

# RSM Bird Cameron Partners

Chartered Accountants

8 St Georges Terrace Perth WA 6000  
GPO Box R1253 Perth WA 6844  
T +61 8 9261 9100 F +61 8 9261 9111  
www.rsmi.com.au

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF

#### FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

#### Report on the Financial Report

We have audited the accompanying financial report of Fremantle Community Financial Services Limited ("the company"), which comprises the balance sheet as at 30 June 2009 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Liability limited by a  
scheme approved under  
Professional Standards  
Legislation

Major Offices in:  
Perth, Sydney, Melbourne,  
Adelaide and Canberra  
ABN 36 965 185 036

RSM Bird Cameron Partners is an  
independent member firm of RSM  
International, an affiliation of independent  
accounting and consulting firms.



### *Independence*

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

### *Auditor's Opinion*

In our opinion:

- (a) the financial report of Fremantle Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; 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 financial year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Auditor's Opinion*

In our opinion the Remuneration Report of Fremantle Community Financial Services Limited for the financial year ended 30 June 2009 complies with section 300A of the *Corporations Act 2001*.

*RSM Bird Cameron Partners.*

RSM BIRD CAMERON PARTNERS  
Chartered Accountants

*D J Wall*

D J WALL  
Partner

Perth, WA

Dated: 8 OCTOBER, 2009



# BSX additional information

Additional Information required by the Bendigo Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 28 September, 2009.

## (a) Distribution of equity securities

The number of shareholders, by size of holding, are:

Share Distribution Schedule	Holders	Shares Held	% L/C
1 - 1,000	175	112,256	15.24
1,001 - 5,000	63	175,500	23.82
5,001 - 10,000	14	127,002	17.24
10,001 - 100,000	9	322,001	43.70
100,001 and over	-	-	-
	<b>261</b>	<b>736,759</b>	<b>100</b>

There are 12 shareholders holding less than a marketable parcel of shares (\$500 in value). Their holdings total 1,754 shares.

All shares on issue are ordinary shares fully paid to \$1 per share. There are no unquoted equity securities.

## (b) Ten largest shareholders

The names of the ten largest shareholders of quoted shares are:

		Number of shares	Number of ordinary shares
1.	Fremantle Education Centre	71,000	71,000
2.	Dreamtea Pty Ltd as trustee for the Klenowski Super Fund	70,000	70,000
3.	Ms Guat K Hoo as trustee for Prosperity Super Fund	70,000	70,000
4.	Mr Michael Finn as trustee for Kakulas Finn Super Fund	20,001	20,001
5.	Ms Judith Marie Allison	20,000	20,000
6.	Mr Russell Barker	20,000	20,000
7.	Jan Burton Superannuation Fund Pty Ltd	20,000	20,000
8.	Winpar Holdings Limited	16,000	16,000
9.	Mr Thomas E Fay and Mrs Valerie E Fay	15,000	15,000
10.	Amore Mia Pty Ltd	10,000	10,000
11.	Mr Kevin Collins and Mrs Virginia Collins	10,000	10,000
12.	Mrs Cecily Cropley	10,000	10,000

# BSX additional information

13.	Dietmar Mazanetz Pty Ltd	10,000	10,000
14.	Mr Ric Glover and Ms Silvan Abbruzzese	10,000	10,000
15.	Mr Salvatore Gumina	10,000	10,000
16.	Mr Lindsay J Hill and Mrs Judith A Hill	10,000	10,000
17.	Mr Albert AT Horst	10,000	10,000
18.	Mrs Marcia Mazanetz and Mr Michael P Mazanetz	10,000	10,000
19.	Mr Thomas Watson and Mrs Jeanette Watson	10,000	10,000
20.	Mrs Naomi Zeffertt and Mr Edward A. Zeffertt	10,000	10,000

## (c) Voting rights

Each shareholder has one vote.

## (d) Corporate governance statement

The Board guides and monitors the business and affairs on behalf of the Shareholders to whom they are accountable.

The Board recognises the importance of a strong corporate governance focus and methodology. The Board is currently has completed a comprehensive set of policies and procedures that will govern our Company into the future. We believe that building policy framework will assist to clarify the future direction of our local Company, provide accountability and transparency and ensure there are guiding principles in place for future decision making.

The composition of the Board is determined in accordance with the following principles and guidelines:

- The Board should comprise at least three Directors and a maximum of 10.
- The Board shall meet at least monthly and follow meeting guidelines set down to ensure all Directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

The Directors in office at the date of this statement are:

Arnold Houwen	Chairman
Debra Rule	Director
Michael Finn	Director
Geoffrey Dunstan	Director
Susan Jones	Director
Bruce Moriarty	Director

## Board responsibilities

As a Board acts on behalf of and is accountable to the shareholders, the Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways. The Board is responsible for ensuring that management's objective and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved. These mechanisms include the following:

# BSX additional information

- Implementation of operating plans and budgets by management and Board monitoring of progress against budget – this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes;
- Monitoring of the Board's performance and communication to shareholders in order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Directors is reviewed annually by the Board. Directors whose performance is unsatisfactory are asked to retire.

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. Information is communicated to the shareholders through:

- The annual report which is distributed to all shareholders;
- The annual general meeting and other meetings so called to obtain approval for Board action as appropriate.
- Regular Shareholder newsletters.

The Board does not have an Audit Committee.

## **(e) Name of Company Secretary**

Debra Rule

## **(f) Address and telephone number of registered office:**

The registered office is located at:

Fremantle Community Bank

9 Adelaide Street

Fremantle WA 6160

Phone: (08) 9433 4969

Fax: (08) 9433 3597

The principal administrative office of the company is located at:

Fremantle Community Bank

9 Adelaide Street

Fremantle WA 6160

Phone: (08) 9433 4969

Fax: (08) 9433 3597

## **(g) Address and telephone number of office at which securities register is kept.**

Security Transfer Registers

770 Canning Highway

Applecross WA 6153

Phone: (08) 9315 2333

Fax: (08) 9315 2233

## **(h) Trading history**

The trading history for Fremantle Community Financial Services Limited is available on the BSX website at [www.bsx.com.au](http://www.bsx.com.au)

**Fremantle Community Bank®** Branch  
9 Adelaide Street, Fremantle, WA 6160  
Phone: (08) 9433 4969 Fax: (08) 9433 5272

Franchisee: Fremantle Community Financial Services Limited  
PO Box 1469, Fremantle, WA 6959  
ABN 41 114 925 174

[www.bendigobank.com.au](http://www.bendigobank.com.au)  
Bendigo Bank Limited, Fountain Court, Bendigo, VIC 3550  
ABN 11 068 049 178. (AFSL 237879) (PSW1016) (09/07)