

Fremantle Community
Financial Services Limited

ABN 41 114 925 174

annual report 2012

Fremantle **Community Bank**[®] Branch

Chairperson's Report

For year ending 30 June 2012

Thanks to the support of **Community Bank**[®] customers and shareholders the Australia-wide network has now returned more than \$80 million to support and strengthen local communities, \$10 million of that in Western Australia.

The Fremantle **Community Bank**[®] Branch has played a key role in this milestone, returning more than \$250,000 to our local community. These community grants and sponsorships have made a significant difference to a number of local organisations including Fremantle Arts Centre Courtyard Music Program, the Great Pram Push, Hulbert St Sustainability Fiesta, East Fremantle Football Club, Fremantle Wind Farm's Community Conversation and the South Fremantle Senior High School's film about the Carbon Neutral Program and we look forward to continuing to support these groups and others as more people bank with us and we become more successful.

Our branch book exceeded \$100 million this year, we are profitable, our overdraft has been significantly reduced and for the first time we have positive net assets.

We are doing well and that is a direct reflection of the outstanding customer service provided by our Branch Manager and branch staff; the tireless energy and passion of my fellow Directors; the ongoing assistance of our Regional Manager and franchise partners Bendigo and Adelaide Bank; and the most importantly the continuing support of our customers and shareholders.

I feel blessed to work with such a dedicated, enthusiastic and passionate team of people and I know we will continue to work hard to grow the business so we can reward the support of our local shareholders by paying them a dividend and support Fremantle through increased community contributions.



Debra Rule

Chairperson

Bendigo and Adelaide Bank report

For year ending 30 June 2012

Thanks to your support as shareholders the **Community Bank**[®] network has achieved a significant milestone this year, contributing more than \$80 million to support the communities these unique companies operate within.

This figure was almost unimaginable when the **Community Bank**[®] model was first launched in 1998, in partnership with the people from the small Victorian wheat farming towns of Rupanyup and Minyip. For these communities the **Community Bank**[®] model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. However, in the years since the **Community Bank**[®] model has become so much more.

In the past financial year a further 20 **Community Bank**[®] branches have opened, this growth is in-line with our forecast and consistent with what we have seen in recent years. Demand for the model remains strong and there are currently another 32 **Community Bank**[®] sites in development, with many more conversations happening with communities Australia wide.

At the end of the financial year 2011/12 the **Community Bank**[®] network had achieved the following:

- Returns to community – \$80 million
- **Community Bank**[®] branches – 295
- **Community Bank**[®] branch staff – more than 1,400
- **Community Bank**[®] branch Directors – 1,905
- Volume footings – \$21.75 billion
- Customers – 500,000
- Shareholders – 71,197
- Dividends paid to shareholders – \$28.8 million

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, so they can not only enhance banking services, but more importantly aggregate the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community.

In the past 14 years we have witnessed the **Community Bank**[®] network's returns to communities grow exponentially each year, with \$470,000 returned within the first five years, \$8.15 million within the first eight and \$22.58 million by the end of the first decade of operation.

Today that figure is an astonishing \$80 million and with the continued growth and popularity of the **Community Bank**[®] model, returns should top \$100 million by the end of 2013. These dollars add up to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco (telecommunications solution), sponsorships, scholarships and Community Enterprises that provide **Community Bank**[®] companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank**[®] company has a committed and strong partner and over the last financial year our company has also seen much success.

Bendigo and Adelaide Bank report (continued)

Last December, our Bank joined the ranks of Australia's A-rated banks following an upgrade announced by Standard & Poor's. Its decision to raise our long-term rating from BBB+ to A- means the Bank (and its **Community Bank**[®] partners) are now rated 'A' by all three of the world's leading credit rating agencies. This is a huge boost to the Bank and will allow us to access new funding opportunities. It will also enable our group to service supporters who were precluded from banking with us because we were not A rated.

The rating upgrade is a welcome boost for the Bank and its partners at a time when funding is expensive and likely to remain so, margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on our Bank's margin and as **Community Bank**[®] margin share is still in part based on fixed trails, this is continuing to reflect a skew in margin share between the Bank and its **Community Bank**[®] partners.

We've been working with the **Community Bank**[®] network to take action to reduce this imbalance (which is in favour of the **Community Bank**[®] partners) and see the share of revenue on core banking products closely aligned to the key principal of 50/50 revenue share. Recent market developments are challenging this goal, but the Bank and its partners remain committed to addressing this.

It's Bendigo and Adelaide Bank's vision to be Australia's leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank**[®] shareholders to support us as we work with our partners to deliver on our goals and ensure our sustained and shared success.

As **Community Bank**[®] shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about banking and the role it plays in modern society.

We thank you all for the part you play in driving this success.



Russell Jenkins
Executive Customer and Community

Branch Manager's Report

Dear Shareholders

During 2012 we have seen our business experience continued growth and profitability in the face of global economic instability and aggressive competition around interest rates.

The first half of the financial year saw some change in the structure of the branch, the outcome of which was a significant saving in the employment costs of the branch as existing resources were shuffled to become more efficient. Significant training was required as part of this process, and I am pleased to report that we now have a highly skilled and dedicated team. The most inexperienced person in the team has been with the bank for 18 months, which is evidence of our ability to attract and retain well motivated and trained staff. I would like to take the opportunity to thank all of the staff for their tremendous efforts during the past 12 months.

Despite a year of challenges, it is pleasing to be able to report on another successful year for Fremantle Community Financial Services Limited and for our community. The branch experienced growth of \$10 million during the financial year, with the following end of year totals:

- \$40.2 million of deposit funds,
- \$63.9 million of loan funds,
- \$104.1 million in total funds under management.

Growth in customer numbers has been steady over the course of the year, as has our growth in products per customer, which peaked at 1.658 in June 2012.

The Board of Directors have faced many challenging decisions throughout the year. The sound financial decisions made during this period have ensured that we deliver an exceptional service to our clients, as well as an excellent working environment and culture for all of our staff. Congratulations to our Chairperson Debra Rule, and the Board of Directors for their continued support, enthusiasm and commitment which will ensure the success of our company into the future.



Lizzie Kennedy
Branch Manager

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FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

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Financial report for the year ended 30 June 2012

DIRECTORS' REPORT

Your Directors present their report, together with the financial statements of the Company for the financial year ended 30 June 2012.

Directors

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

Arnold Bart Houwen

Position: Non-Executive Director
Occupation: Business Development Consultant
Background Information: 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.
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.
Directorships held in other entities: Nil
Interest in shares and options: 500 Shares

Debra Anne Rule

Position: Non-Executive Director / Chairman
Occupation: Consultant
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 (Ceased 13/11/2011)

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

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Chair with the Salvation Army Red Shield Appeal.

Directorships held in other entities: Nil

Interest in shares and options: Nil

Bruce James Moriarty

Position: Non-Executive Director/ Company secretary

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

Brodie McCulloch

Position: Non-Executive Director

Occupation: Managing Director

Background Information: Brodie has had extensive experience in the area of marketing communication strategy and planning. A combination of local, national international experience has provided Brodie with unique perspectives communication strategies and execution methods.

Brodie founded Social innovation in Western Australia in 2010 with the recognition that there was no single point of contact in Western Australia for Social Entrepreneur's, Communities or Organisations who are developing innovative programs and ideas for social good and to fill real needs.

Directorships held in other entities: Nil

Interest in shares and options: Nil

Vincenzo Cinquina (Ceased 9/11/2011)

Position: Non-Executive Director / Company Secretary

Occupation: Businessman

Background Information: Vince has lived in the Fremantle area for most of his life and currently lives in East Fremantle. He has worked in the financial markets sector for much of his professional career. Initially in the banking sector in W.A., followed by a number of years in the corporate sector in the Eastern States and currently at the Western Australian Treasury Corporation managing the long term debt issuance program for the State. Vince sees joining the board and providing his expertise as an opportunity to support the Fremantle community in a meaningful way.

Directorships held in other entities: Nil

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entities:

Interest in shares and options: 1000 shares

John Alexander Bird

Position: Non-Executive Director / Treasurer

Occupation: Self Employed

Background Information: John is Managing Director of Dinglebird Environmental Pty Limited, an environmental consulting business based at the heart of Fremantle, and also manages three WA forestry plantation projects from another office in Fremantle. He has a background as a Chartered Accountant and in small/medium business, and brings experience in corporate governance and financial management to the board of Fremantle Community Bank.

John is a member of the Australian Institute of Company Directors and Institute of Chartered Accountants in Australia, and is on the board of the Beehive Montessori School in Mosman Park. He is a passionate and active proponent of the culture, history, social development and prosperity of Fremantle and is keen for the Fremantle Community Bank to play a key part in these.

Directorships held in other entities: Nil

Interest in shares and options: 1,930 shares

Peter Ashley Nolin (Ceased 29/11/2011)

Position: Non-Executive Director

Occupation: Businessman

Background Information: Peter was CEO of the Fremantle Chamber of Commerce, and previously he was the Managing Director of Gage Roads Brewing Co, a Company he founded and managed from incorporation through to listing on the Australian Securities Exchange. In 2006, Peter received a '40 under 40' Award from WA Business News in acknowledgement of his business achievements. Prior to that Peter was recognised as one the most highly awarded craft brewers in the country. He has recently completed the Executive Master of Business Administration program at the University of Western Australia.

Directorships held in other entities: Nil

Interest in shares and options: Nil

Company Secretary

Bruce James Moriarty (Appointed 30/11/2011)

Vincenzo Cinquina (Ceased 09/11/2011)

FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**ABN 41 114 925 174****Financial report for the year ended 30 June 2012****Directors meetings attended**

During the financial year, 20 meetings of directors (including committees of directors) were held. Attendances by each Director during the year were as follows:

| Names of Directors | Directors' Meetings | | HR Committee | | Audit Committee | | Marketing and Sponsorship | |
|--|---------------------------|-----------------|---------------------------|-----------------|---------------------------|-----------------|---------------------------|-----------------|
| | Number eligible to attend | Number attended | Number eligible to attend | Number attended | Number eligible to attend | Number attended | Number eligible to attend | Number attended |
| Arnold Bart Houwen | 11 | 9 | 1 | 1 | - | - | - | - |
| Debra Anne Rule | 11 | 11 | 1 | 1 | 1 | 1 | 7 | 7 |
| Susan Jones (Ceased 13/11/2011) | 4 | 3 | - | - | - | - | - | - |
| Bruce James Moriarty | 11 | 10 | - | - | - | - | 7 | 7 |
| Brodie McCulloch | 11 | 10 | - | - | - | - | 7 | 7 |
| Vincenzo Cinquina (Ceased 9/11/2011) | 4 | 2 | - | - | - | - | - | - |
| John Alexander Bird | 11 | 9 | - | - | 1 | 1 | - | - |
| Peter Ashley Nolin (Ceased 29/11/2011) | 4 | 3 | - | - | - | - | - | - |

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 Limited, pursuant to a franchise agreement.

Operating results

The profit of the Company after providing for income tax amounted to \$129,435.

Dividends paid or recommended

The Company did not pay or declare any dividends during the year.

Financial position

The net assets of the Company have increased from \$(102,735) as at 30 June 2011 to \$26,682 as at 30 June 2012, which is an improvement on prior year due to the improved operating performance of the Company.

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

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Financial report for the year ended 30 June 2012

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.

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

During the year the Company appointed a separate audit committee which has met once during the year.

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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 2012:

| | |
|--------------------|---------|
| Taxation services: | \$7,421 |
|--------------------|---------|

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Financial report for the year ended 30 June 2012

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 2011 and 30 June 2012.

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

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Financial report for the year ended 30 June 2012

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 KPIs. 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 2012

Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* for the year ended 30 June 2012 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

 J.A. Bird

Dated this



day of September 2012

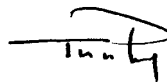
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Fremantle Community Financial Services Limited for the year ended 30 June 2012, 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



TUTU PHONG
Partner

Perth, WA
Dated: 13 September 2012

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Financial report for the year ended 30 June 2012

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012**

| | | 2012 | 2011 |
|--|-------------|-----------------------|----------------------|
| | Note | \$ | \$ |
| Revenue | 2 | 960,880 | 827,368 |
| Employee benefits expense | | (399,148) | (330,252) |
| Depreciation and amortisation expense | | (14,989) | (39,323) |
| Finance costs | | (20,903) | (12,179) |
| Other expenses | 3 | <u>(396,405)</u> | <u>(392,568)</u> |
| Profit before income tax | | 129,435 | 53,046 |
| Income tax expense | 4 | <u>-</u> | <u>-</u> |
| Profit for the year | | <u>129,435</u> | <u>53,046</u> |
| Other comprehensive income | | <u>-</u> | <u>-</u> |
| Total comprehensive income for the year attributable to members | | <u>129,435</u> | <u>53,046</u> |
| Earnings per share | | | |
| Basic earnings per share (cents per share) | | 17.57 | 7.20 |
| Diluted earnings per share (cents per share) | | 17.57 | 7.20 |

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 2012

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012**

| | Note | 2012 \$ | 2011 \$ |
|----------------------------------|------|-----------------------|-------------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 6 | - | - |
| Trade and other receivables | 7 | 96,904 | 66,798 |
| Other current assets | 8 | - | 23,960 |
| TOTAL CURRENT ASSETS | | <u>96,904</u> | <u>90,758</u> |
| NON-CURRENT ASSETS | | | |
| Plant and equipment | 9 | 1,586 | 2,690 |
| Intangible assets | 10 | 52,067 | 65,952 |
| Other non-current assets | 8 | - | 1,435 |
| TOTAL NON-CURRENT ASSETS | | <u>53,653</u> | <u>70,077</u> |
| TOTAL ASSETS | | <u>150,557</u> | <u>160,835</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 11 | 63,928 | 19,417 |
| Short-term financial liabilities | 12 | 50,527 | 228,695 |
| Short-term provisions | 13 | 9,420 | 15,476 |
| TOTAL CURRENT LIABILITIES | | <u>123,875</u> | <u>263,588</u> |
| TOTAL LIABILITIES | | <u>123,875</u> | <u>263,588</u> |
| NET ASSETS | | <u>26,682</u> | <u>(102,753)</u> |
| EQUITY | | | |
| Issued capital | 14 | 736,759 | 736,759 |
| Accumulated losses | | (710,077) | (839,512) |
| TOTAL EQUITY | | <u>26,682</u> | <u>(102,753)</u> |

The accompanying notes form part of these financial statements

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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012**

| | Issued Capital | Accumulated Losses | Total |
|---|-----------------------|-------------------------------|------------------|
| | \$ | \$ | \$ |
| Balance at 1 July 2010 | 736,759 | (892,558) | (155,799) |
| Total comprehensive income for the year | - | 53,046 | 53,046 |
| Balance at 30 June 2011 | 736,759 | (839,512) | (102,753) |
| | | | |
| Balance at 1 July 2011 | 736,759 | (839,512) | (102,753) |
| Total comprehensive income for the year | | 129,435 | 129,435 |
| Balance at 30 June 2012 | 736,759 | (710,077) | 26,682 |

The accompanying notes form part of these financial statements

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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012**

| | Note | 2012 \$ | 2011 \$ |
|---|----------|------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 930,774 | 836,498 |
| Payments to suppliers and employees | | (731,703) | (758,038) |
| Finance costs | | (20,903) | (10,891) |
| Income tax paid | | - | - |
| Net cash provided by operating activities | 15 | <u>178,168</u> | <u>67,569</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of plant, equipment and intangibles | | - | (69,423) |
| Net cash used in investing activities | | <u>-</u> | <u>(69,423)</u> |
| Net increase/(decrease) in cash held | | 178,168 | (1,854) |
| Cash and cash equivalents at beginning of financial year | | (228,695) | (226,841) |
| Cash and cash equivalents at end of financial year | 6 | <u>(50,527)</u> | <u>(228,695)</u> |

The accompanying notes form part of these financial statements

FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

1. Statement of significant accounting policies

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.

The financial statements were authorised for issue on 13 September 2012 by the Directors of the Company.

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Company had net current liabilities of \$26,971 as at 30 June 2012.

The Directors believe that it is reasonably foreseeable that the Company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

1. The company is profitable and generating positive cash flow from operations;
2. The business activities are supported by Bendigo and Adelaide Bank Limited, including assistance with the preparation and review of the Company's annual cash flow budgets;
3. Bendigo and Adelaide Bank Limited has confirmed that it currently provides working capital by way of an overdraft facility with a limit of \$250,000.
4. The provision of additional funding by Bendigo and Adelaide Bank Limited, is dependent upon the Company fulfilling its ongoing responsibilities under the Franchise Agreement and continuing to work closely with Bendigo and Adelaide Bank Limited's management, to further develop the business. The Company believes that it is fulfilling these responsibilities.

(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

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Financial report for the year ended 30 June 2012

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.

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) **Plant and equipment**

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

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 statement of comprehensive income during the financial year in which they are incurred.

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Depreciation

The depreciable amount of all plant and equipment is depreciated on a straight line basis over their useful lives to the entity commencing from the time the asset is held ready for use.

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

| <i>Class of Fixed Asset</i> | <i>Depreciation Rate</i> |
|-----------------------------|--------------------------|
| Plant and equipment | 20% - 37.5% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 statement of comprehensive Income.

(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.

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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 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 Statement of Comprehensive Income 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 securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

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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 statement of comprehensive income.

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 statement of comprehensive income.

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

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 Bank 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 statement of financial position.

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(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 statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows 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 Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(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 2012. 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 2012 amounting to \$52,067.

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(o) New Accounting Standards for Application in Future Periods

At the date of this financial report the following standards, which may impact the entity in the period of initial application, have been inserted but are not yet effective.

| Reference | Title | Summary | Application date (financial years beginning) | Expected Impact |
|------------------|------------------------------|--|---|-----------------------------------|
| AASB 9 | <i>Financial Instruments</i> | Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39. | 1 January 2013 | No expected impact on the entity. |

The Company has decided against early adoption of these standards.

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Financial report for the year ended 30 June 2012

| | 2012 | 2011 |
|---|----------------|----------------|
| | \$ | \$ |
| 2. Revenue | | |
| Franchise margin income | <u>960,880</u> | <u>827,368</u> |
| 3. Expenses | | |
| Advertising and marketing | 50,443 | 64,221 |
| ASIC and BSX costs | 3,529 | 6,567 |
| ATM leasing and running costs | 7,172 | 8,261 |
| Bad debts | 727 | 1,005 |
| Community sponsorship and donations | 5,395 | 6,409 |
| Consultancy | 9,731 | 34,334 |
| Freight and postage | 18,858 | 17,054 |
| Insurance | 13,437 | 13,136 |
| IT leasing and running costs | 18,316 | 19,832 |
| Occupancy running costs | 45,082 | 37,557 |
| Printing and stationery | 12,820 | 13,201 |
| Rental on operating lease | 166,619 | 117,671 |
| Telephone | 11,365 | 11,033 |
| Other operating expenses | 32,911 | 42,287 |
| | <u>396,405</u> | <u>392,568</u> |
| Remuneration of the auditors of the Company | | |
| Audit services | 8,350 | 5,433 |
| Other Services | 7,421 | 9,643 |
| | <u>15,771</u> | <u>15,076</u> |

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| | 2012 | 2011 |
|--|----------|----------|
| | \$ | \$ |
| 4. Income tax expense | | |
| No income tax is payable by the Company as it has recouped tax losses not previously brought to account for income tax purposes. However, income tax expense has been brought to account for non-claimable Resident Withholding Tax credits. | | |
| a. The components of tax expense comprise: | | |
| Under/(over) provision in respect of prior years | - | - |
| | - | - |
| b. 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% (2010: 30%) | 38,830 | 15,914 |
| Add: | | |
| Tax effect of: | | |
| — Tax credits from prior years for gone | - | - |
| — Deferred tax assets not brought to account | - | - |
| — Non-deductible depreciation and amortisation | - | 1,310 |
| — Other non-allowable items | 12,479 | 179 |
| Less: | | |
| Tax effect of: | | |
| — Recoupment of prior year tax losses not previously brought to account | (43,729) | (17,403) |
| — Other allowable items | (7,580) | - |
| Income tax attributable to the Company | - | - |

At reporting date, the Company had tax losses of \$634,753 (2011: \$782,790) which are available to offset future years' taxable income.

The future income tax benefit of these tax losses is \$190,426 (2011: \$234,837). This benefit has not been recognised as an asset in the statement of financial position as there is not a high probability of its realisation. The benefits will only be obtained if:

- i. 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;
- ii. the Company continues to comply with the conditions for deductibility imposed by the law; and
- iii. no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

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5. Key management personnel compensation

a. Names and positions

| <i>Name</i> | <i>Position</i> |
|---|--|
| Arnold Houwen | Non-Executive Director |
| Debra Rule | Non-Executive Director / Chairperson |
| Susan Jones (<i>Ceased 13/11/2011</i>) | Non-Executive Director |
| Bruce Moriarty | Non-Executive Director / Company Secretary |
| Brodie McCulloch | Non-Executive Director |
| Vincenzo Cinquina (<i>Ceased 9/11/2011</i>) | Non-Executive Director / Company Secretary |
| John Alexander Bird | Non-Executive Director |
| Peter Ashley Nolin (<i>Ceased 29/11/2011</i>) | Non-Executive Director |

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

b. Remuneration of Key Management Positions

No Director of the company receives remuneration for services as a Company Director.

c. Shareholdings

Number of ordinary shares held by key management personnel.

| 2012 <i>Directors</i> | Ordinary Shares | | | |
|---------------------------------|---------------------------------------|------------------------------------|----------------------|---------------------------------|
| | <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 |
| Debra Rule | 1,000 | - | - | 1,000 |
| John Alexander Bird | 500 | 1,430 | - | 1,930 |
| | 2,000 | 1,430 | - | 13,430 |

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| | 2012 | 2011 |
|---|-----------------|------------------|
| | \$ | \$ |
| 6. Cash and cash equivalents | | |
| Cash at bank and in hand | - | - |
| <i>Reconciliation of cash</i> | | |
| Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows: | | |
| Cash and cash equivalents | | - |
| Bank overdrafts | (50,527) | (228,695) |
| | <u>(50,527)</u> | <u>(228,695)</u> |
| 7. Trade and other receivables | | |
| Trade debtors | <u>96,904</u> | <u>66,798</u> |
| a. Provision For Impairment of Receivables | | |
| <p>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 will be included in the other expenses item of the statement of comprehensive income.</p> <p>There is no provision for impairment of receivables.</p> | | |
| 8. Other assets | | |
| Current | | |
| Prepayments | - | <u>23,960</u> |
| Non current | | |
| Prepayments | - | <u>1,435</u> |

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| | 2012 | 2011 |
|--|---------------|---------------|
| | \$ | \$ |
| 9. Plant and equipment | | |
| Plant and equipment | | |
| Cost | 296,214 | 296,214 |
| Accumulated depreciation | (294,628) | (293,524) |
| | 1586 | 2,690 |
| <i>Movement in carrying amount</i> | | |
| Balance at the beginning of the year | 2,690 | 37,646 |
| Additions | - | - |
| Depreciation expense | (1,104) | (34,956) |
| | 1,586 | 2,690 |
| 10. Intangible assets | | |
| Franchise fee | | |
| Cost | 69,423 | 69,423 |
| Accumulated amortisation | (17,356) | (3,471) |
| | 52,067 | 65,952 |
| Pursuant to a five year franchise agreement with Bendigo and Adelaide Bank Limited, the Company operates a branch of Bendigo and Adelaide Bank Limited, providing a core range of banking products and services. | | |
| 11. Trade and other payables | | |
| Trade creditors and accruals | 38,809 | 9,488 |
| GST payable | 25,119 | 9,929 |
| | 63,928 | 19,417 |

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| | 2012 | 2011 |
|--|----------------|----------------|
| | \$ | \$ |
| 12. Financial liabilities | | |
| Current | | |
| Bank overdraft | <u>50,527</u> | <u>228,695</u> |
| <i>Security:</i> | | |
| The bank overdraft and mortgage loan are secured by a floating charge over the Company's assets. | | |
| 13. Provisions | | |
| Current | | |
| Provision for employee entitlements | <u>9,420</u> | <u>15,476</u> |
| Number of employees at year end | <u>5</u> | <u>6</u> |
| 14. Equity | | |
| 736,759 (2011: 736,759) fully paid ordinary shares | <u>736,759</u> | <u>736,759</u> |
| 15. Cash flow information | | |
| a. Reconciliation of cash flow from operations with profit after tax | | |
| Profit after tax | 129,435 | 53,047 |
| Depreciation and amortisation | 14,989 | 39,323 |
| <i>Movement in assets and liabilities</i> | | |
| Receivables | (30,106) | 9,130 |
| Other assets | 25,395 | (19,686) |
| Payables | 44,511 | (29,721) |
| Provisions | <u>(6,056)</u> | <u>15,476</u> |
| Net cash provided by operating activities | <u>178,168</u> | <u>67,569</u> |
| b. Credit Standby Arrangement and Loan Facilities | | |

The Company has a bank overdraft facility amounting to \$250,000 (2011: \$430,000). This may be terminated at any time at the option of the bank. At 30 June 2012, \$50,527 of this facility was used (2011 : \$228,695). Interest rates are variable.

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16. Related party transactions

There have been no related party transactions during the year.

| 2012 | 2011 |
|------|------|
| \$ | \$ |

17. Leasing commitments

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

Payable

| | | |
|--|----------------|----------------|
| Not longer than 1 year | 160,000 | 160,000 |
| Longer than 1 year but not longer than 5 years | 640,000 | 546,666 |
| | <u>800,000</u> | <u>646,666</u> |

18. Dividends

No Dividends were paid or proposed.

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 2012.

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. Liquidity risk

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

iii. Credit risk

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

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the financial statements.

There are no material amounts of collateral held as security at 30 June 2012.

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 2012 and 30 June 2011 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

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 statement of financial position.

| 2012 | Weighted Average Effective Interest Rate | Variable | Fixed | | Non Interest Bearing | Total |
|------------------------------------|--|------------------------|---------------|---------------------|----------------------|----------------|
| | | Floating Interest Rate | Within 1 Year | Within 1 to 5 Years | | |
| <i>Financial Assets</i> | | | | | | |
| Cash and cash equivalents | | - | - | - | - | - |
| Loans and receivables | | - | - | - | 96,904 | 96,904 |
| Total Financial Assets | | - | - | - | 96,904 | 96,904 |
| <i>Financial Liability</i> | | | | | | |
| Bank overdraft secured | 6.73% | 50,527 | - | - | - | 50,527 |
| Trade and other payables | | - | - | - | 63,928 | 63,928 |
| Total Financial Liabilities | | 50,527 | - | - | 63,928 | 114,455 |

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| 2011 | Weighted Average Effective Interest Rate | Variable | | Fixed | | Non Interest Bearing | Total |
|------------------------------------|--|------------------------------|------------------|---------------------------|---------------|----------------------------|----------------|
| | | Floating Interest Rate | Within 1 Year | Within 1 to 5 Years | | | |
| <i>Financial Assets</i> | | | | | | | |
| Cash and cash equivalents | | - | - | - | - | | - |
| Loans and receivables | | - | - | - | 66,798 | | 66,798 |
| Total Financial Assets | | - | - | - | 66,798 | | 66,798 |
| <i>Financial Liability</i> | | | | | | | |
| Bank overdraft secured | 7.03% | 228,695 | - | - | - | | 228,695 |
| Trade and other payables | | - | - | - | 19,417 | | 19,417 |
| Total Financial Liabilities | | 228,695 | - | - | 19,417 | | 248,112 |

2012 **2011**
\$ **\$**

Trade and sundry payables are expected to be paid as followed:

| | | |
|--------------------|---------------|---------------|
| Less than 6 months | 63,928 | 19,417 |
|--------------------|---------------|---------------|

d. Net Fair Values

The net fair values of investments have been valued at the quoted market bid price at reporting 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 statement of financial position 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 reporting 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 the reporting date 30 June 2012, 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:

FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

ABN 41 114 925 174

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Financial report for the year ended 30 June 2012

2012

| | | -2 % | | + 2% | |
|----------------------------|--------------------------|--------------|--------------|--------------|--------------|
| | Carrying Amount \$ | Profit \$ | Equity \$ | Profit \$ | Equity \$ |
| <i>Financial Assets</i> | | | | | |
| Cash and cash equivalents | - | - | - | - | - |
| <i>Financial Liability</i> | | | | | |
| Bank overdraft secured | 50,527 | 1,011 | 1,011 | (1,011) | (1,011) |

2011

| | | -2 % | | + 2% | |
|----------------------------|--------------------------|--------------|--------------|--------------|--------------|
| | Carrying Amount \$ | Profit \$ | Equity \$ | Profit \$ | Equity \$ |
| <i>Financial Assets</i> | | | | | |
| Cash and cash equivalents | - | - | - | - | - |
| <i>Financial Liability</i> | | | | | |
| Bank overdraft secured | 228,695 | 4,574 | 4,574 | (4,574) | (4,574) |

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

20. Operating Segments

Types of products and services by segment

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

Major customers

The Company operates under the terms of a franchise agreement with Bendigo and Adelaide Bank Limited, which accounts for all of the franchise margin income.

21. Events after the Statement of Financial Position 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.

FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

22. Contingent liabilities and contingent assets

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

| 2012 | 2011 |
|------|------|
| \$ | \$ |

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:

| | | |
|--------------|----------------|----------------|
| — Tax losses | 195,730 | 234,837 |
| | 195,730 | 234,837 |

24. Economic dependency – Bendigo and Adelaide Bank Limited

The company has entered into franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank branches at Fremantle, Western Australia.

The branch operates as a franchise of Bendigo Bank, using the name “Bendigo Bank” and the logo and system of operations of Bendigo Bank. The company manages the Community Bank branches on behalf of the Bendigo Bank, however all transactions with customers conducted through the Community Bank branches are effectively conducted between the customers and Bendigo Bank.

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

Bendigo Bank provides significant assistance in establishing and maintaining the Community Bank branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- Advice and assistance in relation to the design, layout and fit out of the Community Bank branches;
- Training for the branch manager and other employees in banking management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sales techniques and proper customer relations.

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2012

25. 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 2012

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 Australian Accounting Standards; and
 - b. give a true and fair view of the financial position as at 30 June 2012 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 Australian Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view.
3. the financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1; and
4. 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

Auxili JA Bird

Dated this

Thirteenth day of September 2012

**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 ("the company"), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

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 control as the directors determine is 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. 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 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 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.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Fremantle Community Financial Services Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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 2012 and of its 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

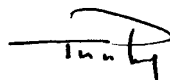
We have audited the Remuneration Report contained within the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility 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 Fremantle Community Financial Services Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 13 September 2012

NSX additional information

Additional Information required by the National Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 30 June, 2012.

(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 | 177 | 111,257 | 15.10 |
| 1,001 – 5,000 | 61 | 164,500 | 22.33 |
| 5,001 – 10,000 | 15 | 135,002 | 18.32 |
| 10,001 – 100,000 | 9 | 326,000 | 44.25 |
| 100,001 and over | - | - | - |
| | 262 | 736,759 | 100 |

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 Guart 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. | Winpar Holdings Limited | 20,000 | 20,000 |
| 6. | Ms Judith Marie Allison | 20,000 | 20,000 |
| 7. | Mr Russell Barker | 20,000 | 20,000 |
| 8. | Jan Burton Superannuation Fund Pty Ltd | 20,000 | 20,000 |
| 9. | Mr Thomas E Fay and Mrs Valeria 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 as trustee for Cropley Super Fund | 10,000 | 10,000 |

NSX 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 Host | 10,000 | 10,000 |
| 18. | Mrs Maria 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 completing a comprehensive set of policies and procedures that will govern our Company into the future. We believe that the building of a 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:

| | |
|------------------|-------------|
| Debra Rule | Chairperson |
| Arnold Houwen | Director |
| Bruce Moriarty | Director |
| Brodie McCulloch | Director |
| John Bird | 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:

NSX 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 has established an Audit Committee.

(e) Name of Company Secretary:

Bruce James Moriarty

(f) Address and telephone number of registered office:

The registered office is located at:
Fremantle Community Bank
9 Adelaide Street
Fremantle WA 6160
Telephone: (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
Telephone: (08) 9433 4969
Fax: (08) 9433 3597

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

Security Transfer Registers
70 Canning Highway
Applecross WA 6153
Telephone: (08) 9315 2333
Fax: (08) 9315 2233

(h) Trading history

The trading history for Fremantle Community Financial Services Limited is available on the NSX website at www.nsx.com.au

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

Franchisee: Fremantle Community Financial Services Limited
9 Adelaide Street, Fremantle WA 6160
Phone: (08) 9433 4969
ABN: 41 114 925 174

www.bendigobank.com.au/fremantle
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
(BMPAR11086) (09/11)

