FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

ABN 41 114 925 174

Financial report for the year ended 30 June 2014

C O N T E N T S

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Financial report for the year ended 30 June 2014

DIRECTORS' REPORT

Your Directors present their report, together with the financial statements of the Company for the financial year ended 30 June 2014.

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
Qualifications:	
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:	Knowledge and Information Specialist
Qualifications:	MSc, BEd, GradDipSc, DipTeach, MAICD, GIA(Cert)
Background Information:	Debra grew up and lives in Fremantle; she has a background in education, strategic planning and information services. She has extensive information management experience gained in the public and private sectors across Australia. Debra has served on the boards of two not for profit organisations, the Fremantle Education Centre Inc and Learning Network Australia. She is currently self employed and in her spare time enjoys planting trees and tending sheep at a small rural property outside of Brookton.
Directorships held in other entities:	Nil
Interest in shares and options:	10,500 Shares (direct) 500 Shares (indirect)

Bruce James Moriarty

Position:	Non-Executive Director
Occupation:	Property developer
Qualifications:	R/E Licensee, AdCert Bus
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
Qualifications:	BComm, Churchill Fellowship
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 entrepreneurs, 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

John Alexander Bird

Position:	Non-Executive Director / Treasurer
Occupation:	Managing Director
Qualifications:	*BSc, FCA, GAICD, Grad Cert*
Background Information:	John is Managing Director of Envobis Pty Limited, an environmental consulting business based at the heart of Fremantle, manages a WA forestry plantation project, is an independent compliance committee member for a property trust managed investment scheme, and has started a WA-based online classified advertising business. 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 graduate of the Australian Institute of Company Directors and Fellow of the Institute of Chartered Accountants in Australia, is on the board of the Beehive Montessori School in Mosman Park and is Treasurer of the Anglican Parish of Fremantle. 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

Dearne Mary Russell

Position:	Non-Executive Director/ Company Secretary
Occupation:	Quality Manager, The Water Corporation
Qualifications:	MBA, BComm
Background Information:	Dearne is an experienced Accounting professional who for the past decade has held leadership positions providing critical support services to line management within the resources sector. She holds directorships in the banking industry and the community sector. Dearne's broad experience encompasses accounting & finance, audit, supply of goods & services, environment, occupational health & safety and contractor management. She has well rounded strategic skills in governance, compliance, risk management and business planning.
Directorships held in other entities:	Nil
Interest in shares and options:	Nil

Company Secretary

DM Russell

Directors meetings attended

During the financial year, 10 meetings of directors (including committees of directors) were held. Attendances by each Director during the year were as follows:

Names of Directors	Directors' Meetings		Human Resource Committee		Business Development		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 Houwen	10	6	1	1	-	-	-	-
Debra Rule	10	10	1	1	5	2	6	5
Bruce Moriarty	10	10	-	-	5	5	6	6
Brodie McCulloch	10	5	-	-	5	2	6	5
John Bird	10	8	-	-	5	5	-	-
Dearne Russell	10	10	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 Limited, pursuant to a franchise agreement.

Operating results

The profit of the Company after providing for income tax amounted to $138,824.

Dividends paid or recommended

The Company declared dividends of $22,103 during the year.

Financial position

The net assets of the Company have increased from $175,762 as at 30 June 2013 to $292,483 as at 30 June 2014, which is an improvement on the prior year due to the improved operating performance of the Company.

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.

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

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 2014:

Taxation services:	$6,800

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 2013 and 30 June 2014.

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 9.25%, 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 Human Resources 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.

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 period. 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.

Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* for the year ended 30 June 2014 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	Debra Rule - Chair	John Bird - Treasurer

Dated this Twelfth day of September 2014

RSM Bird Cameron Partners

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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 2014, I declare that to the best of my knowledge and belief there have been no contraventions of:

a. the auditor independence requirements of the *Corporations Act 2001* in relation to the audit, and

b. any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners.

RSM BIRD CAMERON PARTNERS

David Wall

Perth, WA

Date: 12 SEPTEMBER 2014

DAVID WALL
Partner

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $	2013 $
Revenue	2	933,560	961,688
Employee benefits expense		(327,534)	(334,792)
Depreciation and amortisation expense		(18,349)	(15,336)
Finance costs		-	4,368
Other expenses	3	(448,853)	(444,746)
Profit before income tax		138,824	171,182
Income tax expense	4	-	-
Profit for the year		**138,824**	**171,182**
Other comprehensive income		-	-
Total comprehensive income for the year attributable to members		**138,824**	**171,182**
Earnings per share			
Basic earnings per share (cents per share)		18.84	23.23
Diluted earnings per share (cents per share)		18.84	23.23

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 2014

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	2014 $	2013 $
CURRENT ASSETS			
Cash and cash equivalents	6	205,757	95,443
Trade and other receivables	7	86,845	85,903
Prepayments		16,262	4,568
TOTAL CURRENT ASSETS		308,864	185,914
NON-CURRENT ASSETS			
Plant and equipment	8	26,827	5,480
Intangible assets	9	23,720	38,183
TOTAL NON-CURRENT ASSETS		50,547	43,663
TOTAL ASSETS		**359,411**	**229,577**
CURRENT LIABILITIES			
Trade and other payables	10	57,500	46,425
Short-term provisions	11	9,428	7,390
TOTAL CURRENT LIABILITIES		66,928	53,815
TOTAL LIABILITIES		**66,928**	**53,815**
NET ASSETS		**292,483**	**175,762**
EQUITY			
Issued capital	12	736,759	736,759
Accumulated losses		(444,276)	(560,997)
TOTAL EQUITY		**292,483**	**175,762**

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 2014

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Issued Capital	Accumulated Losses	Total
	$	$	$
Balance at 1 July 2012	736,759	(710,077)	26,682
Dividends declared during the year	-	(22,102)	(22,102)
Total comprehensive income for the year	-	171,182	171,182
Balance at 30 June 2013	**736,759**	**(560,997)**	**175,762**
Balance at 1 July 2013	736,759	(560,997)	175,762
Dividends declared during the year	-	(22,103)	(22,103)
Total comprehensive income for the year	-	138,824	138,824
Balance at 30 June 2014	**736,759**	**(444,276)**	**292,483**

The accompanying notes form part of these financial statements

FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

ABN 41 114 925 174

Financial report for the year ended 30 June 2014

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014	2013
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		931,796	972,690
Payments to suppliers and employees		(782,305)	(803,639)
Finance costs		-	4,367
Interest Revenue		822	-
Net cash provided by operating activities	13	150,313	173,418
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant, equipment and intangibles		(25,233)	(5,345)
Net cash used in investing activities		(25,233)	(5,345)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend Paid		(14,766)	(22,103)
Net cash used in financing activities		(14,766)	(22,103)
Net increase/(decrease) in cash held		110,314	145,970
Cash and cash equivalents at beginning of financial year		95,443	(50,527)
Cash and cash equivalents at end of financial year	6	**205,757**	**95,443**

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 authorized for issue on 12 September 2014 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.

(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.

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.

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:

Class of Fixed Asset	*Depreciation Rate*
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.

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.

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.

(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 2014. 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 2014 amounting to $23,720.

(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	*AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and 2012-6 Amendments to Australian Accounting Standards arising from AASB 9*	This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2015 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch.	1 January 2015	The entity will adopt this standard from 1 July 2015 but there is no expected impact on the entity.

The Company has decided against early adoption of these standards.

		2014 $	2013 $
2.	**Revenue**		
	Franchise margin income	932,738	961,688
	Interest Income	822	-
		933,560	**961,688**
3.	**Expenses**		
	Advertising and marketing	14,053	27,708
	ASIC and BSX costs	6,658	6,569
	ATM leasing and running costs	6,566	7,971
	Bad debts	359	200
	Community sponsorship and donations	75,669	57,263
	Consultancy	-	160
	Freight and postage	19,511	17,202
	Insurance	15,472	18,890
	IT leasing and running costs	21,096	21,573
	Occupancy running costs	48,994	48,348
	Printing and stationery	18,515	9,920
	Rental on operating lease	171,544	172,463
	Telephone	10,912	8,603
	Other operating expenses	39,504	47,876
		448,853	**444,746**
	Remuneration of the auditors of the Company		
	Audit services	10,850	10,500
	Other Services	6,800	9,657
		17,650	**20,157**

	2014	2013
	$	$

4. Income tax expense

No income tax is payable by the Company as it has recouped tax losses not previously bought to account for income tax purposes. However, income tax expense has been brought to account for non-claimable Resident Withholding Tax credits.

	2014	2013
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% (2013: 30%)	41,647	51,355
Add:		
Tax effect of:		
— Tax credits from prior years for gone	-	-
— Deferred tax assets not brought to account	-	-
— Non-deductible depreciation and amortisation	-	-
— Other non-allowable items	-	-
Less:	41,647	51,355
Tax effect of:		
— Recoupment of prior year tax losses not previously brought to account	(41,647)	(51,355)
Income tax attributable to the Company	**-**	**-**

At reporting date, the Company had tax losses of $324,747 (2013: $ 463,571) which are available to offset future years' taxable income.

The future income tax benefit of these tax losses is $97,424 (2013: $ 139,071). 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.

5. Key management personnel compensation

a. Names and positions

Name	*Position*
Arnold Houwen	Non-Executive Director
Debra Rule	Non-Executive Director / Chairperson
Bruce Moriarty	Non-Executive Director
Brodie McCulloch	Non-Executive Director
John Alexander Bird	Non-Executive Director
Dearne Russell	Non-Executive Director / Company Secretary

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.

2014	**Ordinary Shares**			
Directors	*Balance at beginning of period*	*Purchased during the period*	*Other changes*	*Balance at end of period*
Arnold Houwen	500	-	-	500
Debra Rule	1,000	9,500	-	10,500
John Alexander Bird	1,930	-	-	1,930
	3,430	**9,500**	**-**	**12,930**

		2014	2013
		$	**$**
6.	**Cash and cash equivalents**		
	Cash at bank and in hand	**205,757**	**95,443**
	Reconciliation of cash		
	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	**205,757**	**95,443**
7.	**Trade and other receivables**		
	Trade debtors	**86,845**	**85,903**

a. Provision For Impairment of Receivables

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.

There is no provision for impairment of receivables.

	2014 $	2013 $

8. Plant and equipment

Plant and equipment		
Cost	303,312	278,079
Accumulated depreciation	(276,485)	(272,599)
	26,827	**5,480**
Movement in carrying amount		
Balance at the beginning of the year	5,480	1,586
Additions	25,233	5,345
Depreciation expense	(3,886)	(1,451)
Carrying amount at the end of the year	**26,827**	**5,480**

9. Intangible assets

Franchise fee		
Cost	69,423	69,423
Accumulated amortisation	(45,703)	(31,240)
	23,720	**38,183**

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.

10. Trade and other payables

Trade creditors and accruals	35,552	29,151
GST payable	21,948	17,274
	57,500	**46,425**

	2014 $	2013 $
11. Provisions		
Current		
Provision for employee entitlements	**9,428**	**7,390**
Number of employees at year end	**5**	**5**
12. Equity		
736,759 (2013: 736,759) fully paid ordinary shares	**736,759**	**736,759**
13. Cash flow information		
a. Reconciliation of cash flow from operations with profit after tax		
Profit after tax	138,824	171,182
Depreciation and amortisation	18,349	15,335
Movement in assets and liabilities		
Receivables	(943)	11,003
Other assets	(11,694)	(4,568)
Payables	3,739	(19,534)
Provisions	2,038	-
Net cash provided by operating activities	**150,313**	**173,418**

b. Credit Standby Arrangement and Loan Facilities

The Company has a bank overdraft facility amounting to $250,000 (2013: $250,000). This may be terminated at any time at the option of the bank. At 30 June 2014 this facility was not used (2013 : NIL). Interest rates are variable.

14. Related party transactions

There have been no related party transactions during the year.

	2014 $	2013 $
15. Leasing commitments		
Non cancellable operating lease commitment contracted for but not capitalised in the financial statements		
Payable		
Not longer than 1 year	168,912	165,600
Longer than 1 year but not longer than 5 years	675,648	662,400
	844,560	**828,000**

16. Dividends

Unfranked Dividends of $22,103 were declared during the year.

17. 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 2014.

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 the financial statements.

There are no material amounts of collateral held as security at 30 June 2014.

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 2013 and 30 June 2014 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.

2014		Variable	Fixed			
	Weighted Average Effective Interest Rate	Floating Interest Rate	Within 1 Year	Within 1 to 5 Years	Non Interest Bearing	Total
Financial Assets						
Cash and cash equivalents		-	-	-	205,757	205,757
Loans and receivables		-	-	-	86,845	86,845
Total Financial Assets		**-**	**-**	**-**	**292,602**	**292,602**
Financial Liability						
Bank overdraft secured						
Trade and other payables		-	-	-	57,500	57,500
Total Financial Liabilities		**-**	**-**	**-**	**57,500**	**57,500**

2013		Variable	Fixed			
	Weighted Average Effective Interest Rate	Floating Interest Rate	Within 1 Year	Within 1 to 5 Years	Non Interest Bearing	Total
Financial Assets						
Cash and cash equivalents		-	-	-	95,433	95,433
Loans and receivables		-	-	-	85,903	85,903
Total Financial Assets		**-**	**-**	**-**	**181,336**	**181,336**
Financial Liability						
Bank overdraft secured		-	-	-	-	-
Trade and other payables		-	-	-	46,425	46,425
Total Financial Liabilities		**-**	**-**	**-**	**46,425**	**46,425**

	2014	**2013**
	$	**$**
Trade and sundry payables are expected to be paid as followed:		
Less than 6 months	**57,500**	**46,425**

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 2014, 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:

2014

		-2 %		+ 2%	
	Carrying Amount $	Profit $	Equity $	Profit $	Equity $
Financial Assets					
Cash and cash equivalents	205,757	(4,115)	(4,115)	4,115	4,115
Financial Liability					
Bank overdraft secured	-	-	-	-	-

2013

		-2 %		+ 2%	
	Carrying Amount $	Profit $	Equity $	Profit $	Equity $
Financial Assets					
Cash and cash equivalents	95,443	(1,909)	(1,909)	1,909	1,909
Financial Liability					
Bank overdraft secured	-	-	-	-	-

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

18. 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.

19. 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.

20. Contingent liabilities and contingent assets

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

21. 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 branch 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 branch on behalf of the Bendigo Bank, however all transactions with customers conducted through the Community Bank branch 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 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.

22. 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

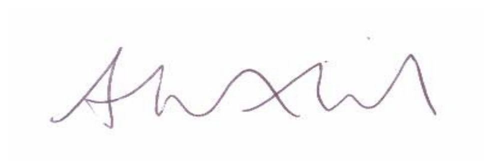
Financial report for the year ended 30 June 2014

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 2014 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	Debra Rule - Chairman	John Bird - Treasurer

Dated this Twelfth day of September 2014

RSM Bird Cameron Partners

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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 statement of financial position as at 30 June 2014, and 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.

RSM Bird Cameron Partners

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 2014 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 included in the Directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Fremantle Community Financial Services Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

DAVID WALL
Partner

Perth, WA
Dated: 12 SEPTEMBER 2014