

**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

**ABN 41 114 925 174**

**Financial report for the year ended 30 June 2020**

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# FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

ABN 41 114 925 174

## Financial report for the year ended 30 June 2020

### DIRECTORS' REPORT

Your Directors present their report, together with the financial statements of the Company for the financial year ended 30 June 2020.

#### Directors

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

##### *Arnold Bartholomew 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 a former community representative of the Cockburn Sound Management Council, and a former Member of Cockburn City Council. Bart is a director of Houwen Enterprise Pty Ltd trading as Inxpress Cockburn. Recreational pursuits include golf, and sailing.
Directorships held in other entities:	Nil
Interest in shares and options:	500 Shares

##### *Debra Anne Rule*

Position:	Non-Executive Director / Chair
Occupation:	Company Director and part-time Farmer
Qualifications:	MSc, BEd, GradDipSc, DipTeach, GradDipACG, GIA(Cert), GAICD
Background Information:	Debra grew up and lives in Fremantle; she has a background in education, strategic planning and information services. She has held senior roles in the public and private sectors and is the Chair of Wheatbelt NRM Inc and the former Chair of two not for profit organisations. In her spare time, she enjoys planting trees at a small rural property outside of Brookton and being part of a developing plantation sandalwood industry..
Directorships held in other entities:	Nil
Interest in shares and options:	10,500 Shares (direct) 500 Shares (indirect)

## **FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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### **Financial report for the year ended 30 June 2020**

#### *John Alexander Bird*

Position:	Non-Executive Director / Treasurer
Occupation:	Self Employed
Qualifications:	BSc, FCA, GAICD, Grad Cert (Business)
Background Information:	John has a background in business and as a Chartered Accountant, and brings wide 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 and New Zealand, and is on the board of Public Art for Fremantle Inc. 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

#### *Janusz Olbromski (Appointed 1 July 2019, Resigned 12 February 2020)*

Position:	Non-Executive Director
Occupation:	State Manager
Qualifications:	MBA, BEng, Dip OH&S
Background Information:	Janusz came to Australia in 1990, and from there grew up in and around Fremantle, where he currently lives. Janusz has held leadership positions in the construction and engineering industries for the past 15 years, both in Australia and in the UK. Ranging from engineering consultancy, to the construction of hospitals, hotels, shopping centres and apartments. Currently, Janusz manages the state manufacturing operations of an ASX listed national building products provider.
Directorships held in other entities:	Nil
Interest in shares and options:	Nil

#### *Sam Wilkinson*

Position:	Non-Executive Director
Occupation:	Climate Change Advisor and PhD Candidate
Qualifications:	BSc Hons
Background Information:	Sam has nearly 20 years' experience as a project manager in environmental strategy, policy and compliance, including at senior levels of industry and government. Sam has been an active member of the Fremantle community for the past 25 years and has a passion for sustainability. Sam is currently undertaking his Doctorate, investigating transitional issues associated with Western Australia's adoption of renewable energy.
Directorships held in other entities:	Nil
Interest in shares and options:	Nil

**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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*Sandra Le Lam*

Position:	Non-Executive Director
Occupation:	Psychologist
Qualifications:	BPsych, MPsych, MBA, MAPS
Background Information:	Sandra Lam is a Registered Psychologist. Sandra has experience spanning both the public and private sector agencies in Australia and abroad. With more than twenty years' in corporate industry and with a passion for improving the mental resilience of individuals, teams and organisations, Sandra is currently a Director and Principal Psychologist for PerMentis, a social change organisation, and FIFO Focus, an entity that empower individuals to become mentally resilient and support organisations to handle the complexities of psychological health.
Directorships held in other entities:	Nil
Interest in shares and options:	Nil

*Luke Hall (Appointed on 1 July 2019)*

Position:	Non-Executive Director
Occupation:	Lawyer
Qualifications:	LLB, BCom
Background Information:	<p>Luke is a corporate and commercial lawyer. Luke has experience in capital raising and structuring issues including Corporations Act and ASX Listing Rule compliance and governance issues, private mergers and acquisitions, private equity transactions, initial public offerings and back-door listings.</p> <p>Luke has formerly worked for major mining companies, engineering firms, and contractors in the mining and engineering sector. Prior to his career in the mining and engineering sector, he was employed by the Australian Securities and Investments Commission (ASIC) as a lawyer in the area of financial services regulation.</p>
Directorships held in other entities:	Lustrum Minerals Limited
Interest in shares and options:	Nil

**Company Secretary**

*S L Lam*

## FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

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### Financial report for the year ended 30 June 2020

#### Directors meetings attended

During the financial year, 11 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		Audit & Risk 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 Houwen	11	3	-	-	-	-	-	-
Debra Rule	11	11	-	-	-	-	-	-
John Bird	11	9	-	-	-	-	-	-
Janusz Olbromski	6	3	-	-	-	-	-	-
Sam Wilkinson	11	11	-	-	-	-	-	-
Sandra Lam	11	7	-	-	-	-	-	-
Luke Hall	11	11	-	-	-	-	-	-

#### 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 \$121,621 (2019: \$49,439).

The increase in profit in 2020 was achieved despite the low prevailing interest rates and consequently, very low margins in the banking industry generally. The increases profit reflects a focus on income, controlled costs and some government grants associated with COVID19.

The company was established to derive profits from local banking activity, and use these profits in particular to support community organisations local to the Fremantle region. It has done so to the tune of \$85,015 in 2020 (2019: \$98,081).

#### Dividends paid or recommended

The Company declared dividends of \$22,103 during the year (2019: \$29,470).

#### Financial position

The net assets of the Company have increased from \$630,599 as at 30 June 2019 to \$730,117 as at 30 June 2020, which is an improvement on prior year due to the operations 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.

## **FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

**ABN 41 114 925 174**

### **Financial report for the year ended 30 June 2020**

#### **After balance date events**

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not had a significant impact on the Company up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other 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

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

**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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**Financial report for the year ended 30 June 2020**

**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 2020:

Taxation services: \$7,780 (2019: \$7,500)

# **FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

**ABN 41 114 925 174**

## **Financial report for the year ended 30 June 2020**

### **REMUNERATION REPORT**

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

#### **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 2019 and 30 June 2020.

#### **Remuneration policy key management**

No other key management personnel other than the Directors was identified.

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

Key management personnel's remuneration package is not linked to a performance-based component.

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

Shareholder wealth is not linked to key management personnel remuneration

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

Key management personnel do not receive remuneration.

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

There are no performance-based bonuses paid to key management personnel.

The key management personnel of the company consisted of the following directors of Fremantle Community Financial Services Limited:

- Arnold Houwen
- Debra Rule
- John Alexander Bird
- Sandra Le Lam
- Luke Hall (appointed 1 July 2019)
- Sam Wilkinson
- Janusz Olbromski (resigned 12 February 2020)



**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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**Financial report for the year ended 30 June 2020**

**Additional disclosures relating to key management personnel**

2020	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees \$	Termination benefits \$	Non-monetary \$	Super-annuation \$	Long service leave \$	Equity-settled \$	
Arnold Houwen	-	-	-	-	-	-	-
Debra Rule	-	-	-	-	-	-	-
John Alexander Bird	-	-	-	-	-	-	-
Sandra Le Lam	-	-	-	-	-	-	-
Luke Hall	-	-	-	-	-	-	-
Sam Wilkinson	-	-	-	-	-	-	-
Janusz Olbromski	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2019	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees \$	Termination benefits \$	Non-monetary \$	Super-annuation \$	Long service leave \$	Equity-settled \$	
Arnold Houwen	-	-	-	-	-	-	-
Debra Rule	-	-	-	-	-	-	-
John Alexander Bird	-	-	-	-	-	-	-
Sandra Le Lam	-	-	-	-	-	-	-
Sam Wilkinson	-	-	-	-	-	-	-
Donna Quinn	-	-	-	-	-	-	-
Dearne Mary Russell	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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**Financial report for the year ended 30 June 2020**

Proportion of remuneration linked to performance and the fixed proportion are as follows:

<b>Name</b>	<b>Fixed remuneration</b>		<b>At risk - STI</b>		<b>At risk - LTI</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Arnold Houwen	-	-	-	-	-	-
Debra Rule	-	-	-	-	-	-
John Alexander Bird	-	-	-	-	-	-
Sandra Le Lam	-	-	-	-	-	-
Sam Wilkinson	-	-	-	-	-	-
Donna Quinn	-	-	-	-	-	-
Dearne Mary Russell	-	-	-	-	-	-
Janusz Olbromski	-	-	-	-	-	-
Luke Hall	-	-	-	-	-	-

*Shareholding*

The number of shares in the company held during the financial year by each director and other members of key management personnel of the company, including their personally related parties, is set out below

**2020**

*Directors*

**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	10,500	-	-	10,500
Debra Rule - Indirectly	500	-	-	500
John Alexander Bird	1,930	-	-	1,930
Sandra Le Lam	-	-	-	-
Luke Hall	-	-	-	-
Sam Wilkinson	-	-	-	-
Janusz Olbromski	-	-	-	-
	<b>13,430</b>	<b>-</b>	<b>-</b>	<b>13,430</b>

*Other transactions with key management personnel and their related parties*

There were no transactions with management personnel and their related parties in the current financial year

**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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**Financial report for the year ended 30 June 2020**

**Additional information**

The earnings of the company for the five years to 30 June 2020 are summarised below:

	2020	2019	2018	2017	2016
Sales revenue	917,328	854,731	928,117	948,399	979,972
EBITDA	308,117	95,106	129,451	131,954	174,954
EBIT	158,712	68,965	100,767	105,844	154,954
Profit after income tax	121,621	49,439	73,056	87,585	154,954

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2020	2019	2018	2017	2016
Share price at financial year end (\$)	0.50	0.50	0.45	0.45	0.45
Total dividends declared (cents per share)	0.03	0.04	0.05	0.05	0.05
Basic earnings per share (cents per share)	16.51	6.71	9.92	11.89	21.03

**Auditor's Independence Declaration**

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* for the year ended 30 June 2019 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, pursuant to section 298(2)(a) of the corporations act.



Directors

Debra Rule



John Bird

Dated this

Eleventh

day of September 2020



**RSM Australia 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 2020, 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**

**RSM AUSTRALIA PARTNERS**

*A Whyte*

**ALASDAIR WHYTE**  
Partner

Perth, WA

Dated: 11 September 2020

**THE POWER OF BEING UNDERSTOOD**

**AUDIT | TAX | CONSULTING**

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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**Financial report for the year ended 30 June 2020**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2020**

		<b>2020</b>	<b>2019</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
Revenue	2	917,328	854,731
Employee benefits expense		(345,742)	(345,217)
Depreciation and amortisation expense		(141,677)	(26,141)
Finance Costs		(7,728)	-
Other expenses	3	<u>(263,469)</u>	<u>(414,408)</u>
Profit before income tax		158,712	68,965
Income tax expense	4	<u>(37,091)</u>	<u>(19,526)</u>
<b>Profit after income tax expense for the year</b>		<b>121,621</b>	<b>49,439</b>
<b>Other comprehensive income</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year attributable to members</b>		<b><u>121,621</u></b>	<b><u>49,439</u></b>
<b>Earnings per share</b>			
Basic earnings per share (cents per share)		16.51	6.71
Diluted earnings per share (cents per share)		16.51	6.71

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 2020**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2020**

		<b>2020</b>	<b>2019</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	667,460	529,565
Trade and other receivables	7	88,385	79,992
Other assets	8	16,482	8,341
Current tax assets	23	-	1,127
<b>TOTAL CURRENT ASSETS</b>		<b>772,327</b>	<b>619,025</b>
<b>NON-CURRENT ASSETS</b>			
Other assets	8	32,732	32,732
Plant and equipment	9	98,691	22,523
Intangible assets	10	9,507	23,064
Deferred tax assets	23	5,459	2,955
<b>TOTAL NON-CURRENT ASSETS</b>		<b>146,389</b>	<b>81,274</b>
<b>TOTAL ASSETS</b>		<b>918,716</b>	<b>700,299</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	58,224	60,716
Lease Liability	12	89,692	-
Short-term provisions	13	13,360	8,984
Current tax liability	23	27,323	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>188,599</b>	<b>69,700</b>
<b>TOTAL LIABILITIES</b>		<b>188,599</b>	<b>69,700</b>
<b>NET ASSETS</b>		<b>730,117</b>	<b>630,599</b>
<b>EQUITY</b>			
Issued capital	14	736,759	736,759
Accumulated (losses)		(6,642)	(106,160)
<b>TOTAL EQUITY</b>		<b>730,117</b>	<b>630,599</b>

The accompanying notes form part of these financial statements

**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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**Financial report for the year ended 30 June 2020**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2020**

	<b>Issued Capital</b>	<b>Accumulated Losses</b>	<b>Total</b>
	\$	\$	\$
<b>Balance at 1 July 2018</b>	736,759	(126,129)	610,630
Total comprehensive income for the year attributable to members	-	49,439	49,439
<i>Transactions with owners in their capacity as owners</i>			
Dividends declared during the year (note 18)	-	(29,470)	(29,470)
	<b>736,759</b>	<b>(106,160)</b>	<b>630,599</b>
<b>Balance at 30 June 2019</b>			
<b>Balance at 1 July 2019</b>	736,759	(106,160)	630,599
Total comprehensive income for the year attributable to members	-	121,621	121,621
<i>Transactions with owners in their capacity as owners</i>			
Dividends declared during the year (note 158)	-	(22,103)	(22,103)
	<b>736,759</b>	<b>(6,642)</b>	<b>730,117</b>
<b>Balance at 30 June 2020</b>			

The accompanying notes form part of these financial statements

**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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**Financial report for the year ended 30 June 2020**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2020**

	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		902,316	849,850
Payments to suppliers and employees		(629,688)	(762,148)
Interest revenue		6,619	7,193
Tax paid		(11,144)	(29,664)
Net cash provided by operating activities	15	<u>268,102</u>	<u>65,231</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of plant, equipment, and intangibles		-	-
Net cash used in investing activities		<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend Paid		(19,018)	(26,965)
Lease payments		(111,189)	-
Net cash used in financing activities		<u>(130,207)</u>	<u>(26,965)</u>
Net increase in cash held		137,895	38,266
Cash and cash equivalents at beginning of financial year		<u>529,565</u>	<u>491,299</u>
<b>Cash and cash equivalents at end of financial year</b>	<b>6</b>	<b><u>667,460</u></b>	<b><u>529,565</u></b>

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 2020**

### **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 11 September 2020 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.

#### **New, revised or amending Accounting Standards and Interpretations adopted**

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The Company's assessment of the new and amended pronouncements that are relevant to the Company but applicable in future periods is set out below:

#### **AASB 16 Leases**

The Company has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2020**

*Impact of adoption*

AASB 16 was adopted using the modified retrospective approach and as such comparatives have not been restated. The impact of adoption on opening accumulated losses as at 1 July 2019 was as follows:

	1 July 2019
Operating lease commitments as at 1 July 2019 (AASB 117)	213,567
Operating lease commitments discounted based on the weighted average incremental borrowing rate of 5% (AASB 16)	(9,279)
Right-of-use assets (AASB 16)	<u>204,288</u>
Lease liabilities – current (AASB 16)	(114,596)
Lease liabilities – non-current (AASB 16)	<u>(89,692)</u>
Impact on opening accumulated losses as at 1 July 2019	<u>-</u>

When adopting AASB 16 from 1 July 2019, the company has applied the following practical expedients:

- applying a single discount rate to the portfolio of leases with reasonably similar characteristics;
- accounting for leases with a remaining lease term of 12 months as at 1 July 2019 as short-term leases;
- excluding any initial direct costs from the measurement of right-of-use assets;
- using hindsight in determining the lease term when the contract contains options to extend or terminate the lease; and
- not apply AASB 16 to contracts that were not previously identified as containing a lease.

**New Accounting Standards for Application in Future Periods**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2020. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

*Conceptual Framework for Financial Reporting (Conceptual Framework)*

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Company has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Company may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Company's financial statements.

# **FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

**ABN 41 114 925 174**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **Financial report for the year ended 30 June 2020**

#### **(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.

The carrying amount is recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

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.

## FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS

#### Financial report for the year ended 30 June 2020

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:

<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.

#### Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

# **FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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## **NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2020**

**(c) Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

**(d) Financial instruments**

Financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the Company intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

## **FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

**ABN 41 114 925 174**

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

#### **Financial report for the year ended 30 June 2020**

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

#### **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.

#### **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.

**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2020**

**(g) Employee benefits**

*Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

**(h) Other long-term employee benefits**

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

**(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**

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

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.

# **FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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## **NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2020**

**(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.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

**(m) Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

**(n) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**(o) Finance costs**

Finance costs attributable to qualifying assets are capitalized as part of the asset. All other finance costs are expensed in the period in which they are incurred.

**(p) Earnings per share**

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Pinnacle Listed Practical Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**(q) Comparative figures**

When required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**(r) 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.



**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2020**

**(s) 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 are 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 2020.

**(t) Key estimates — Incremental borrowing rate**

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

**(u) Key estimates — Lease term**

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>2. Revenue</b>		
Franchise margin income	873,922	833,216
Interest Income	5,708	7,193
Rental Income	13,443	14,322
Government Grants	24,255	-
	<b>917,328</b>	<b>854,731</b>
<b>3. Other expenses</b>		
Advertising and marketing	23,334	1,286
ASIC and NSX costs	13,591	13,388
ATM leasing and running costs	4,151	6,810
Bad debts charge/ (recovery)	145	-
Community sponsorship and donations	85,015	98,081
Freight and postage	8,493	9,377
Insurance	16,614	16,457

**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2020**

IT leasing and running costs	22,449	23,276
Occupancy running costs	34,757	58,757
Printing and stationery	8,205	8,816
Rental on operating lease	-	123,586
Telephone	9,269	12,640
Other operating expenses	37,446	43,220
	<b>263,469</b>	<b>414,408</b>
Remuneration of the auditors of the Company		
Audit services	12,400	11,900
Other Services	9,700	7,500
	<b>22,100</b>	<b>19,400</b>

**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2020**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>4. Income tax expense</b>		
a. The components of tax expense comprise:		
Current tax	39,595	20,948
Deferred tax (note 22)	(2,504)	(1,422)
	<u><b>37,091</b></u>	<u><b>19,526</b></u>
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 27.5% (2019: 27.5%)	37,091	19,526
Less:		
Tax effect of:		
— Recoupment of prior year tax losses not previously brought to account	-	-
— Change in tax rate	-	-
— Other allowable items	-	-
	<u><b>37,091</b></u>	<u><b>19,526</b></u>
Income tax attributable to the Company	<u><b>37,091</b></u>	<u><b>19,526</b></u>

**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2020**

**5. Key management personnel compensation**

**a. Names and positions**

<i>Name</i>	<i>Position</i>
Arnold Bartholomew Houwen	Non-Executive Director
Debra Anne Rule	Non-Executive Director / Chair
Luke Hall	Non-Executive Director (Appointed 1 July 2019)
John Alexander Bird	Non-Executive Director / Treasurer
Sam Wilkinson	Non-Executive Director
Janusz Olbromski	Non-Executive Director (resigned 12 February 2020)
Sandra Le Lam	Non-Executive Director

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report (\$Nil).

**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.

<b>2020</b>	<b>Ordinary Shares</b>			
<i>Directors</i>	<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	10,500	-	-	10,500
Debra Rule - Indirectly	500	-	-	500
John Alexander Bird	1,930	-	-	1,930
	<b>13,430</b>	<b>-</b>	<b>-</b>	<b>13,430</b>

**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2020**

	2020 \$	2019 \$
<b>6. Cash and cash equivalents</b>		
Cash at bank and in hand	667,460	529,565
<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	667,460	529,564
<b>7. Trade and other receivables</b>		
Trade debtors	74,874	78,193
Sundry Debtors	12,623	-
Accrued Interest	888	1,799
	<b>88,385</b>	<b>79,992</b>
a. Expected credit loss on receivables		
The Company did not recognise a loss in profit or loss in respect of the expected credit losses for the year ended 30 June 2020 (2019: Nil).		
<b>8. Other assets</b>		
Current		
Prepayments	16,482	8,341
	<b>16,482</b>	<b>8,341</b>
Non-current		
Bond	32,732	32,732
	<b>32,732</b>	<b>32,732</b>

**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2020**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>9. Plant and equipment</b>		
Plant and equipment		
Cost	351,586	351,586
Accumulated depreciation	(338,717)	(329,063)
	<u><b>12,869</b></u>	<u><b>22,523</b></u>
Right of Use Asset		
Cost	204,288	-
Accumulated depreciation	(118,466)	-
	<u><b>85,822</b></u>	<u><b>-</b></u>
Total	<u><b>98,691</b></u>	<u><b>-</b></u>
<i>Movement in carrying amount</i>		
Balance at the beginning of the year	22,523	35,108
Additions	204,288	-
Depreciation expense	(128,120)	(12,585)
Carrying amount at the end of the year	<u><b>98,691</b></u>	<u><b>22,523</b></u>
<b>10. Intangible assets</b>		
Franchise fee		
Cost	67,781	67,781
Accumulated amortisation	(58,274)	(44,717)
	<u><b>9,507</b></u>	<u><b>23,064</b></u>

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.

**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2020**

	2020	2019
	\$	\$
<b>11. Trade and other payables</b>		
Trade creditors and accruals	43,279	47,768
GST payable	14,945	12,948
	<u>58,224</u>	<u>60,716</u>
<b>12. Lease Liability</b>		
Current		
Lease Liability	<u>89,692</u>	<u>-</u>
Lease liability arises from adoption of AASB 16 leases from 1 July 2019. Refer to the <b>New, revised or amending Accounting Standards and Interpretations adopted</b> section in Note 1 for impact of adoption of AASB 16 Leases.		
<b>13. Provisions</b>		
Current		
Provision for employee entitlements	<u>13,360</u>	<u>8,984</u>
Number of employees at year end	<u>6</u>	<u>8</u>
<b>14. Equity</b>		
736,759 (2019: 736,759) fully paid ordinary shares	<u>736,759</u>	<u>736,759</u>

**Ordinary shares**

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

**Share buy-back**

There is no current on-market share buy-back.

**Capital risk management**

**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2020**

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The Company is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Company is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2019 Annual Report.

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>15. Cash flow information</b>		
a. Reconciliation of cash flow from operations with profit after tax		
Profit after tax	121,620	49,619
Depreciation and amortisation	141,677	26,141
Finance costs	7,728	-
<i>Movement in assets and liabilities</i>		
Receivables	(9,304)	1,586
Other assets	(7,230)	(317)
Deferred tax asset	(2,504)	(1,422)
Payables	(16,711)	(7,774)
Provisions	4,375	4,987
Current tax liability	28,451	(7,589)
	<hr/>	<hr/>
Net cash provided by operating activities	<b>268,102</b>	<b>65,231</b>

**16. Related party transactions**

There have been no related party transactions during the year.

**2020**

**2019**



**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

**ABN 41 114 925 174**

**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2020**

	\$	\$
<b>17. Leasing commitments</b>		
Non cancellable operating lease commitment contracted for but not capitalised in the financial statements		
Payable		
Not longer than 1 year	-	123,461
Longer than 1 year but not longer than 5 years	-	92,596
	<u>-</u>	<u>216,057</u>

On adoption of AASB 16 Leases, on 1 July 2019, present value of lease commitments was recorded as lease liability. Refer to **New, revised or amending Accounting Standards and Interpretations adopted** section in Note 1 for impact of adoption of AASB 16 Leases.

	2020 \$	2019 \$
<b>18. Dividends</b>		
Dividends paid during the financial year were as follows:		
Final dividend for the year ended 30 June 2019 (2019: 30 June 2018) of 3 cents (2019: 4 cents) per ordinary share	<b>22,103</b>	<b>29,470</b>
	<u>                    </u>	<u>                    </u>
a. Balance of franking account at beginning of year for franking credits arising from:		
- payment of provision for income tax	69,543	69,578
- dividends paid	(8,384)	(11,178)
	<u>                    </u>	<u>                    </u>
Balance of franking account at end of year	<b>61,159</b>	<b>58,400</b>
	<u>                    </u>	<u>                    </u>

**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.

# FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

### Financial report for the year ended 30 June 2020

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 2020.

#### **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 2020.

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 and 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 2019 and 30 June 2020 do not include any counterparties with external credit ratings. Customers are 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.

**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2020**

<b>2020</b>		Variable	Fixed			
	Weighted Average Effective Interest Rate	Floating Interest Rate	Within 1 Year	Within 1 to 5 Years	Non- Interest Bearing	Total
<i>Financial Assets</i>						
Cash and cash equivalents	1.75%	-	381,910	-	285,550	667,460
Loans and receivables		-	-	-	87,497	87,497
<b>Total Financial Assets</b>		<b>-</b>	<b>381,910</b>	<b>-</b>	<b>373,047</b>	<b>754,957</b>
<i>Financial Liability</i>						
Trade and other payables		-	-	-	(58,224)	(58,224)
Lease Liability		-	-	-	(89,692)	(89,692)
<b>Total Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(147,916)</b>	<b>(147,916)</b>
<b>2019</b>		Variable	Fixed			
	Weighted Average Effective Interest Rate	Floating Interest Rate	Within 1 Year	Within 1 to 5 Years	Non Interest Bearing	Total
<i>Financial Assets</i>						
Cash and cash equivalents	1.91%	-	375,291	-	154,274	529,565
Loans and receivables		-	-	-	78,193	78,193
<b>Total Financial Assets</b>		<b>-</b>	<b>375,291</b>	<b>-</b>	<b>232,467</b>	<b>607,758</b>
<i>Financial Liability</i>						
Trade and other payables		-	-	-	(59,098)	(59,098)
<b>Total Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(59,098)</b>	<b>(59,098)</b>

**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2020**

	<b>2020</b>	<b>2019</b>
	\$	\$
Trade and sundry payables are expected to be paid as followed:		
Less than 6 months	<b>58,224</b>	<b>59,098</b>

**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 2020, 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:

**2020**

		<b>-2 %</b>		<b>+ 2%</b>	
	Carrying Amount \$	Profit \$	Equity \$	Profit \$	Equity \$
<i>Financial Assets</i>					
Cash and cash equivalents	667,460	(13,349)	(13,349)	13,349	13,349

**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2020**

**2019**

		-2 %		+ 2%	
	Carrying Amount \$	Profit \$	Equity \$	Profit \$	Equity \$
<i>Financial Assets</i>					
Cash and cash equivalents	529,565	(10,591)	(10,591)	10,591	10,591

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**

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not had a significant impact on the Company up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other 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.

**22. Contingent liabilities and contingent assets**

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

**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2020**

	2020	2019
	\$	\$
<b>23. Tax</b>		
<b>a. Liability</b>		
Current		
Income tax	<u>27,323</u>	<u>(1,127)</u>
<b>b. Assets</b>		
Deferred tax assets comprise:		
Provisions	3,096	2,498
Other	<u>2,363</u>	<u>457</u>
	<u>5,459</u>	<u>2,955</u>
<b>c. Reconciliations</b>		
<b>i. Gross Movements</b>		
The overall movement in the deferred tax account is as follows:		
Opening balance	2,955	1,533
Statement of comprehensive income	<u>2,504</u>	<u>1,422</u>
Closing balance	<u>5,459</u>	<u>2,955</u>
<b>ii. Deferred Tax Assets</b>		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
<i>Provisions</i>		
Opening balance	2,498	1,099
Statement of comprehensive income	<u>598</u>	<u>1,399</u>
Closing balance	<u>3,096</u>	<u>2,498</u>
<i>Other</i>		
Opening balance	457	434
Statement of comprehensive income	<u>1,906</u>	<u>23</u>
Closing balance	<u>2,363</u>	<u>457</u>

# **FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

**ABN 41 114 925 174**

## **NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2020**

### **24. Relationship with 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.

### **25. Company details**

The principal place of business of the Company is:

9 Adelaide Street  
Fremantle WA 6160

The registered office of the Company is:

c/- Automic Group  
Level 2, 267 St Georges Tce  
Perth WA 6000

**FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

**ABN 41 114 925 174**

**NOTES TO THE FINANCIAL STATEMENTS**

**Financial report for the year ended 30 June 2020**

**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 2020 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.



Directors

Debra Rule

John Bird

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Dated this

Eleventh

day of September 2020



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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED**

**Opinion**

We have audited the financial report of Fremantle Community Financial Services Limited (the "Company"), which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Company 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 2020 and of its financial performance for the year then ended; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

**THE POWER OF BEING UNDERSTOOD**  
**AUDIT | TAX | CONSULTING**

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## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed this matter
<b>Adoption of AASB 16 Leases</b> Refer to the statement of financial position and Note 1.	
<p>The Company adopted AASB 16 Leases ("AASB 16") on 1 July 2019, using the modified retrospective approach. The impact of adopting AASB 16 on opening accumulated losses is disclosed in Note 1 (New, revised or amending Accounting Standards and Interpretations adopted).</p> <p>The initial application of AASB 16 is considered a key audit matter, due to the materiality of the impact and the significant management judgments involved in:</p> <ul style="list-style-type: none"> <li>identifying lease contracts and terms;</li> <li>determining model inputs to the calculation of the lease liability and right of use asset, including the applicable incremental borrowing rate and the likelihood of exercise of options to extend or terminate a lease; and</li> <li>the application of practical expedients on adoption of AASB 16.</li> </ul>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>Obtaining an understanding of management's processes undertaken in adopting AASB 16, including the application of practical expedients applied on adoption;</li> <li>Reviewing the lease contract, corroborating key inputs applied to the leasing model;</li> <li>Critically evaluating the key assumptions, such as the likelihood to exercise an option to extend a lease and the incremental borrowing rate used for calculation of the lease liability;</li> <li>Verifying the mathematical accuracy of the underlying model; and</li> <li>Reviewing the adequacy of the disclosures in the financial statements.</li> </ul>

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going

concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our auditor's report.

### **Report on the Remuneration Report**

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020.

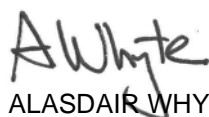
In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

#### *Responsibilities*

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.

Perth, WA  
Dated: 11 September 2020

**RSM**  
RSM AUSTRALIA PARTNERS

  
ALASDAIR WHYTE  
Partner