

Fremantle Community Financial Services Limited



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

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

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

2007 Annual Report

Fremantle
Community Bank® Branch


Bendigo Bank

▪ **Rule 3.17 (h)**

There are currently 14 parcels of less than 500 shares. These holdings total 1,755 shares.

▪ **Rule 3.17 (i)**

N/A – Refer to Rule 3.17 (d)

▪ **Rule 3.17 (j) – Company Secretary**

The company secretary of Fremantle Community Financial Services Limited is Debra Anne Rule

▪ **Rule 3.17 (k) – Registered Office and Principal Administrative Office**

9 Adelaide Street
Fremantle WA 6160
(08) 9433 4969

▪ **Rule 3.17 (l) – Securities Register**

The company securities register is kept at:

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153
(08) 9315 2333

▪ **Rule 3.17 (m)**

Not applicable.

▪ **Rule 3.17 (n)**

Not applicable.

C O N T E N T S

Chairmans' Report

Manager's Report

Directors' Report

Auditor's Independence Declaration

Independent Audit Report

Directors' Declaration

Income Statement

Balance Sheet

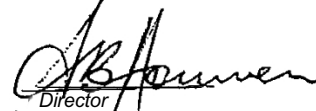
Statement of Changes in Equity

Cash Flow Statement

Notes to the Financial Statements

BSX.Report

*This is annexure A of 26 pages referred
to in Form 388: Copy of financial
statements and reports*


Director

Dated this 26 day of September 2007

FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

ABN 41 114 925 174

BSX REPORT

Additional information required by the Bendigo Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 26 September 2007.

▪ **Rule 3.17 (c) - Corporate governance statement**

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

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

The Board does have an Audit Committee.

▪ **Rule 3.17 (d) - Substantial Shareholders**

The names of the ten largest shareholders are as follows:

	Shareholders	No. of Ordinary Shares
1	Fremantle Education Centre Inc.	71,000
2	Prosperity Super Fund	70,000
3	Klenowski Super Fund	50,000
4	Freo Super Fund	20,000
5	Ms Judith Marie Allison	20,000
6	Kakulas Finn Super Fund	20,000
7	Gemini Pty Ltd Super Fund	20,000
8	Dietmar Mazanetz Pty Ltd	20,000
9	The Klenowski Super Fund	20,000
10	Mr Thomas E Fay	15,000

▪ **Rule 3.17 (e) – Details of Voting rights**

Each Shareholder has one vote regardless of the number of shares held.

▪ **Rule 3.17 (g) - Distribution of Shareholders**

The distribution of shareholders is:

Share Distribution Schedule	Holders	Units Held	% L/C
1 -1,000	185	115,257	15.64
1,001 - 5,000	66	174,500	23.68
5,001 - 10,000	13	116,002	15.74
10,001 - 100,000	10	331,000	44.93
100,001 and over	0	0	0.00
	274	736,759	100.00

23. **Changes in accounting policy**

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	Standards Affected	Outline of Amendment	Application Date of Standard	Application Date for Group
AASB 2005-10: Amendments to Australian Accounting Standards	AASB 1: First time adoption of AIFRS AASB 4: Insurance Contracts AASB 101: Presentation of Financial Statements AASB 114: Segment Reporting AASB 117: Leases AASB 133: Earnings per Share AASB 1023: General Insurance Contracts AASB 1038: Life Insurance Contracts AASB 139: Financial Instruments: Recognition and Measurement	The disclosure requirements of AASB 132: Financial Instruments: Disclosure and Presentation have been replaced due to the issuing of AASB 7: Financial Instruments: Disclosures in August 2005. These amendments will involve changes to financial instrument disclosures within the financial report. However, there will be no direct impact on amounts included in the financial report as it is a disclosure standard.	1 Jan 2007	1 July 2007
AASB 7: Financial Instruments: Disclosures	AASB 132: Financial Instruments: Disclosure and Presentation	As above	1 Jan 2007	1 July 2007

24. **Company details**

The registered office and principal place of business of the Company is:
9 Adelaide Street
Fremantle WA 6160

For the year ended 30 June 2007.

The Fremantle **Community Bank**[®] Branch of Bendigo Bank has continued to grow steadily in its first full year of operation.

This year has seen the consolidation phase move into greater focus on building the business.

The growth has again exceeded our expectations with new accounts being opened at a rate of approximately 60 per month and total business within the branch has passed the \$25 million milestone.

These figures are very satisfying and we thank our shareholders, our customers and the community of Fremantle for giving us such continuing strong support.

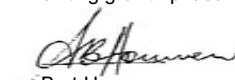
Along with the rest of the Board I would again like to extend our gratitude to Kelly Kennedy and her team. The hard work and dedication of the past year has been rewarded with the results that have been achieved.

As Directors we continue to take our responsibilities seriously through the ongoing review of our corporate governance practices.

The Board has started to develop long term strategies for business growth and the fulfilment of our charter with some exciting community partnerships which will be announced in due course.

We continue to remain confident in the long term future and growth prospects of the Company and look forward to the continued support of the shareholders and the greater community.

I would like to thank my fellow Directors for their confidence and support as the new Chairman and our **Community Bank**[®] branch staff for their continued support and assistance as we continue this exiting growth phase for our Company.


Bart Houwen
Chairman

FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

18. Financial instruments

(b) Credit risk

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

(c) Net fair values

The net fair value of financial assets and liabilities of the Company approximates their carrying amount.

The Company has no financial assets and liabilities where the carrying amount exceeds the net fair value at balance date.

No financial assets and financial liabilities are readily traded on organised markets in standardised form.

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.

19. Segment reporting

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

20. Events after the balance sheet date

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

21. Contingent liabilities

There were no contingent liabilities at the reporting date.

2007
\$

2006
\$

22. Tax

a. Reconciliations

i. Deferred Tax Assets

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 4(b) occur:

— provisions	1,263	965
— tax losses: operating losses	174,281	66,001
	<u>175,544</u>	<u>66,966</u>

FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

16. Leasing commitments

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

Payable		
Not longer than 1 year	67,393	65,000
Longer than 1 year but not longer than 5 years	269,572	245,000
	<u>336,965</u>	<u>310,000</u>

17. Financial instruments

a. Interest rate risk

2007

	Rates	Variable	Fixed 1 year	Fixed 1 to 5 years	Non- interest	Total
<i>Financial Assets</i>						
Cash and cash equivalents	-	-	-	-	1,849	1,849
Receivables	-	-	-	-	24,036	24,036
Total Financial Assets		-	-	-	25,885	25,885

Financial Liabilities

Payables	-	-	-	-	(77,813)	(77,813)
Interest bearing liabilities	6.0%	(135,815)	-	-	-	(135,815)
Total Financial Liabilities		(135,815)	-	-	(77,813)	(213,628)

2006

	Rates	Variable	Fixed 1 year	Fixed 1 to 5 years	Non- interest	Total
<i>Financial Assets</i>						
Cash and cash equivalents	2.65%	43,357	-	-	101,551	145,088
Total Financial Assets		43,357	-	-	101,551	145,088
<i>Financial Liabilities</i>						
Payables	-	-	-	-	(66,228)	(66,228)
Total Financial Liabilities		-	-	-	(66,228)	(66,228)

Managers Report

Who can forget 13 March 2006, a day that is significant in the history of Fremantle. This was of course the day we opened our doors and introduced a new way of banking to residents and business owners of Fremantle.

Our first 15 months of trading has seen us reach some significant milestones. Thanks to the support from our shareholders and new clients I can present the below figures:

Accounts held: 1358

Total portfolio: \$ 23,118,000

It is important to note that this portfolio is made up of over \$13 million in business and consumer lending as well as approximately \$9.2 million in deposit funds.

Lets look at were we stood this time last year:

Accounts held: 456

Total portfolio: \$ 7,436,000

This represents a significant increase in business that we should all be proud of.

Whilst I reflect on our own performance, I thought you may be interested to know how Bendigo Bank has grown.

Nationally we now have 360 locations, over one million customers and in excess of \$16 billion dollars under management.

Yes both locally and nationally we are making a difference by offering 'face to face' banking.

I would like to thank Henri Scholz, Norrey Brown and Jeannie Lyons for their fantastic support. I am very proud of their efforts and the high standard of customer service they deliver.

I am also very appreciative of the Board, who through their underlying support make our job a lot easier.

However, we would not be in this strong position we now find ourselves in without the support of our shareholders. You are the people who had the faith and belief to make this all happen, thank you.

I personally look forward to another year of solid growth as we continue our journey together.



Kelly Kennedy
Branch Manager

FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

	2007 \$	2006 \$
10. Trade and other payables		
Trade creditors and accruals	77,813	68,228
GST payable	(5,751)	-
	<u>72,062</u>	<u>68,228</u>
11. Financial liabilities		
Current		
Bank overdraft	<u>135,815</u>	<u>-</u>
<i>Security</i>		
The bank overdraft and mortgage loan are secured by a floating charge over the Company's assets.		
12. Provisions		
Provision for employee entitlements	<u>4,120</u>	<u>3,215</u>
Number of employees at year end	<u>5</u>	<u>8</u>
13. Equity		
736,759 (2006: 729,759) fully paid ordinary shares	<u>736,759</u>	<u>729,759</u>

FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

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Financial report for the year ended 30 June 2007

Kevin Arthur Campbell (Resigned 19 April 2007)

Position: Non-Executive Director
 Date of Birth: 24 November 1946
 Occupation: Company Director
 Background Information: A director of Public and Private companies for the past 30 years in Advertising, Marketing and Technology. Kevin has been involved in taking companies from start up to Australian Stock Exchange Listing.
 Interest in shares and options: 5,001 shares

Company Secretary

Debra Anne Rule (Appointed 26 September 2006)

Geoffrey Graeme Dunstan (Resigned 5 September 2006)

Directors meetings attended

Names of Directors	Directors' Meetings	
	Number eligible to attend	Number attended
Kevin Arthur Campbell	8	8
Michael Boyd Finn	11	6
Geoffrey Graeme Dunstan	11	10
Arnold Bart Houwen	11	9
Kevin Colin Staffa	8	6
Debra Anne Rule	11	10

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 Bank, pursuant to a franchise agreement.

Operating results

The amount of the loss from ordinary activities of the Company after income tax amounted to \$332,811.

Dividends paid or recommended

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

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.

REMUNERATION REPORT

This report details the nature and amount of remuneration for each Director 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 2007 and 30 June 2006.

Remuneration policy

The remuneration policy of the Company has been designed to align Executive 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 Executives to run and manage the Company, as well as create goal congruence between Executives and shareholders.

The board's policy for determining the nature and amount of remuneration for senior Executives of the Company is as follows:

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

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

All remuneration paid to Executives is valued at the cost to the Company and expensed.

Performance-based remuneration

As part of each Executive'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 Executives with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with Executives to ensure buy-in. The measures are specifically tailored to the areas each Executive is involved in and has a level of control over. The KPIs target areas the board believes hold greater potential for Company expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the Company and respective industry standards.

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

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

Company performance, shareholder wealth and Executive remuneration

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

	2007 \$	2006 \$
6. Trade and other receivables		
Trade debtors	<u>24,036</u>	<u>-</u>
7. Other assets		
Current		
Prepayments	<u>7,112</u>	<u>7,017</u>
Non Current		
Prepayments	<u>4,896</u>	<u>8,899</u>
8. Property, plant and equipment		
Plant and Equipment		
Cost	291,055	289,573
Accumulated depreciation	<u>(82,815)</u>	<u>(21,190)</u>
	<u>208,240</u>	<u>268,383</u>
<i>Movement in carrying amount</i>		
Balance at the beginning of the year	268,383	-
Additions	1,482	289,573
Depreciation expense	<u>(61,625)</u>	<u>(21,190)</u>
Carrying amount at the end of the year	<u>208,240</u>	<u>268,383</u>
9. Intangible assets		
Franchise fee		
Cost	10,000	10,000
Accumulated amortisation	<u>(3,104)</u>	<u>(1,101)</u>
	<u>6,896</u>	<u>8,899</u>

Pursuant to a five year franchise agreement with Bendigo Bank, the Company operates a branch of Bendigo Bank at Fremantle, trading as "Fremantle Community Branch – Bendigo Bank", providing a core range of banking products and services. The Company entered into the franchise agreement at a cost of \$10,000 in respect of the franchise fee.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

	2007	2006
	\$	\$
4. Income tax expense		
No income tax is payable by the Company as it incurred tax losses for the period for income tax purposes.		
a. The components of tax expense comprise:		
Current tax	-	-
b. The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2006: 30%)	(99,843)	(108,875)
Add:		
Tax effect of:		
— non-deductible depreciation and amortization	601	330
— other non-allowable items	271	42,544
Less:		
Tax effect of:		
— other allowable items	(9,309)	-
— Tax losses not brought to account	108,280	66,001
Income tax attributable to entity	-	-

At balance date, the Company had tax losses of \$580,937 (2006: \$220,004) which are available to offset future years' taxable income.

The future income tax benefit of these tax losses is \$174,281 (2006: \$66,001). This benefit has not been recognised as an asset in the statement of financial position as its realisation is not virtually certain. It was not brought to account in previous years. The benefits will only be obtained if:

- (a) 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;
- (b) the Company continues to comply with the conditions for deductibility imposed by the law; and
- (c) no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

5. Cash and cash equivalents

Cash at bank and in hand	1,849	145,088
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Financial report for the year ended 30 June 2007

Key management personnel remuneration policy

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

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

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

Details of remuneration for year ended 30 June 2007

The remuneration for each Executive officer of the Company receiving the highest remuneration during the year was as follows:

	Salary, Fees and Commissions	Superannuation Contribution	Cash Bonus	Non-cash Benefits	Total	Performance related
	\$	\$	\$	\$	\$	%
<i>Kelly Kennedy</i>	78,750	7,088	-	-	85,838	-
	78,750	7,088	-	-	85,838	-

Details of remuneration for year ended 30 June 2006

The remuneration for each Executive officer of the Company receiving the highest remuneration during the year was as follows:

	Salary, Fees and Commissions	Superannuation Contribution	Cash Bonus	Non-cash Benefits	Total	Performance related
	\$	\$	\$	\$	\$	%
<i>Kelly Kennedy</i>	30,656	2,759	-	-	33,415	-
	30,656	2,759	-	-	33,415	-

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.

Options

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

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

FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

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Financial report for the year ended 30 June 2007

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.

Share options

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

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.

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 2002. 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 2007:

Taxation services: \$8,060

Auditor's Independence Declaration

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

This report is signed in accordance with a resolution of the Board of Directors.

Director



Dated this 26 day of September 2007

FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

ABN 41 114 925 174

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

	2007 \$	2006 \$
2. Revenue		
Franchise margin income	190,685	12,863
Interest revenue from:		
Other parties	3,380	56
	<u>194,065</u>	<u>12,919</u>
3. Expenses		
Start up costs	-	155,150
Rental on operating lease	53,323	34,592
IT leasing and running costs	23,979	10,123
Advertising and marketing	8,847	3,434
ASIC and BSX costs	5,699	750
ATM leasing and running costs	7,864	2,402
Bad debts	1,140	-
Community sponsorship and donations	2,876	15
Consultancy	19,737	8,190
Freight and postage	17,109	4,003
Insurance	13,851	3,506
Occupancy running costs	34,696	17,544
Printing and stationary	11,014	8,093
Telephone	11,606	3,694
Other operating expenses	26,434	22,097
	<u>238,175</u>	<u>273,593</u>
Remuneration of the auditors of the Company		
Audit services	2,575	1,750
Other Services	8,060	5,440
	<u>10,635</u>	<u>7,190</u>

(h) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(j) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(l) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(m) Comparative figures

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

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 group.

Key estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group 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 2007. 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 2007 amounting to \$6,896

The financial report was authorised for issue on 26 September 2007 by the board of directors

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS
FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2007 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
- no contraventions of any applicable code of professional conduct in relation to the review.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

David Wall

DAVID WALL
Partner

Perth, WA

Date: 26 September 2007

RSM Bird Cameron Partners

Chartered Accountants

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INDEPENDENT AUDIT REPORT
 TO THE MEMBERS OF
 FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Fremantle Community Financial Services Limited (the company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

We have also audited the remuneration disclosure contained in the directors' report. As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading 'Remuneration Report' in the directors' report and not in the financial report.

Directors' Responsibility for the Financial Report

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

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration declarations contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 and the remuneration disclosures contained in the directors' report.

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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**

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

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 stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

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 unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

(e) Impairment of assets

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

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

Where it is not possible to estimate the recoverable amount of an individual asset, the group 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

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.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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 group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

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

Depreciation

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

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

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

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

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

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

(c) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity 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.

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

Independence

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

Auditor's Opinion on the Financial Report

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 2007 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Auditor's Opinion on the AASB 124 Remuneration Disclosures Contained in the Directors' Report

In our opinion the remuneration disclosures that are contained in the directors' report comply with Accounting Standards AASB 124

RSM Bird Cameron Partners.

RSM BIRD CAMERON PARTNERS
Chartered Accountants

David Wall

DAVID WALL
Partner

Perth, WA
Date: *26 September 2007*

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting and the Corporations Regulations 2004; and
 - b. give a true and fair view of the Company's financial position as at 30 June 2007 and of the performance for the year ended on that date of the Company
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view.
3. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable:

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

Director



Dated this

26

day of

September

2007

1. Statement of significant accounting policies

Basis of preparation

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

- (i) The Company is budgeting to return a profit for the year ended 30 June 2008; and
- (ii) The Bendigo Bank has confirmed that it will support the Company such that it will be in a position to meet its financial obligations for a period of twelve months from the date of this report.

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

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

The financial report covers Fremantle Community Financial Services Limited as an individual entity. Fremantle Community Financial Services Limited is a listed public company, incorporated and domiciled in Australia.

The financial report complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting policies

(a) Income tax

The change for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 is calculated at the tax rates that are expected to apply to the year when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(b) Property, plant and equipment

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

FREMANTLE COMMUNITY FINANCIAL SERVICES LIMITED

ABN 41 114 925 174

Financial report for the year ended 30 June 2007

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 \$	2006 \$
Cash flows from operating activities			
Receipts from customers		166,648	12,863
Payments to suppliers and employees		(454,443)	(297,518)
Interest Received		3,380	57
Borrowing costs paid		(142)	(517)
Net cash provided by/(used in) operating activities	14(b)	<u>(284,557)</u>	<u>(285,115)</u>
Cash flows from investing activities			
Payments for plant and equipment		(1,497)	(289,556)
Payments for franchise fee		-	(10,000)
Net cash used in investing activities		<u>(1,497)</u>	<u>(299,556)</u>
Cash flows from financing activities			
Proceeds from issue of securities		<u>7,000</u>	<u>729,759</u>
Net cash provided by/(used in) financing activities		<u>7,000</u>	<u>729,759</u>
Net increase/(decrease) in cash held		(279,054)	145,088
Cash held at the beginning of the financial year		145,088	-
Cash held at the end of the financial year	14(a)	<u>(133,966)</u>	<u>145,088</u>

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 2007

**INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 \$	2006 \$
Revenue	2	194,065	12,919
Employee benefits expense		(224,931)	(79,434)
Depreciation and amortisation expense		(63,628)	(22,291)
Finance costs		(142)	(517)
Other expenses	3	<u>(238,175)</u>	<u>(273,593)</u>
Loss before income tax		(332,811)	(362,916)
Income tax expense	4	<u>-</u>	<u>-</u>
Loss attributable to members		<u>(332,811)</u>	<u>(362,916)</u>
Overall operations			
Basic loss per share (cents per share)		(45.2)	(49.7)
Diluted loss per share (cents per share)		(45.2)	(49.7)

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 2007

BALANCE SHEET
AS AT 30 JUNE 2007

	Note	2007 \$	2006 \$
CURRENT ASSETS			
Cash and cash equivalents	5	1,849	145,088
Trade and other receivables	6	24,036	-
Other current assets	7	7,112	7,017
TOTAL CURRENT ASSETS		32,997	152,105
NON-CURRENT ASSETS			
Property, plant and equipment	8	208,240	268,383
Intangible assets	9	6,896	8,899
Other non-current assets	7	4,896	8,899
TOTAL NON-CURRENT ASSETS		220,032	286,181
TOTAL ASSETS		253,029	438,286
CURRENT LIABILITIES			
Trade and other payables	10	72,062	68,228
Financial liabilities	11	135,815	-
Short-term provisions	12	4,120	3,215
TOTAL CURRENT LIABILITIES		211,997	71,443
TOTAL LIABILITIES		211,997	71,443
NET ASSETS		41,032	366,843
EQUITY			
Issued capital	13	736,759	729,759
Accumulated losses		(695,727)	(362,916)
TOTAL EQUITY		41,032	366,843

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 2007

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007

	Share Capital (Ordinary shares)	Retained earnings (accumulated losses)	Total
Balance at 1 July 2005	-	-	-
Loss attributable to the members of the Company	-	(362,916)	(362,916)
Shares issued during the year	729,759	-	729,759
Balance at 30 June 2006	729,759	(362,916)	366,843
Balance at 1 July 2006	729,759	(362,916)	366,843
Loss attributable to the members of the Company	-	(332,811)	(332,811)
Shares issued during the year	7,000	-	7,000
Balance at 30 June 2007	736,759	(695,727)	41,032

The accompanying notes form part of these financial statements