

TOWN OF EAST FREMANTLE

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2005

29 FINANCIAL INSTRUMENTS

(a) Significant Accounting Policies

Details of the significant policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 of the accounts.

The following table details the Council's exposure to interest rate risk as at the reporting date.

	Average Interest Rate %	Variable Interest Rate \$	Fixed Interest Rate Maturity			Non-Interest Bearing \$	Total \$
			Less than 1 Year \$	1 to 5 Years \$	More Than 5 Years \$		
2005 Financial Assets							
Term Deposits	5	729,148					729,148
Cash at Bank	5	191,864					191,864
Trade Receivables						173,447	173,447
Rate Receivables						61,049	61,049
		921,012	-	-	-	234,496	1,155,508
2005 Financial Liabilities							
Trade Payables						983,451	983,451
Loans	6	1,259,631					1,259,631
		1,259,631	-	-	-	983,451	2,243,082
2004 Financial Assets							
Term Deposits	5	926,859					926,859
Cash at Bank	4	130,553					130,553
Trade Receivables						151,031	151,031
Rate Receivables						52,649	52,649
		1,057,412	-	-	-	203,680	1,261,092
2004 Financial Liabilities							
Trade Payables						698,917	698,917
Loans	7	1,375,786					1,375,786
		1,375,786	-	-	-	698,917	2,074,703

b) Net Fair Values

The carrying amount of financial assets and financial liabilities recorded in the financial report represents their respective net fair values determined in accordance with the accounting policies disclosed in Note 1.

c) Credit Risk Exposure

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 and forming part of the financial report. The Town does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Town.

30 Impacts of adopting to International Financial Reporting Standards (IFRS)

The Council will report for the first time in compliance with AIFRSs in the annual financial report for the year ended 30 June 2006 (that is the year commencing 1 July 2005). The annual financial report for the year ended 30 June 2005 will be prepared in accordance with Australian Accounting Standards and other financial reporting requirements (Australian GAAP).

The transition to the AIFRSs has been managed via a process of education which includes technical training and liaison with Council's auditors and industry groups. This has included a review of AIFRSs to determine the effect on the Council's existing accounting policies and treatments. The majority of the AIFRSs transitional adjustments will be made retrospectively against opening retained earnings on 1 July 2004. Transitional adjustment relating to those standards for which comparatives are not required will only be made with effect from 1 July 2005.

The following areas have been identified as requiring assessment for impact of AIFRSs on the Council's current accounting policies and treatments. They should not be taken as an exhaustive list.

Property, Plant and Equipment, Infrastructure Assets

a Property, Plant and Equipment, Infrastructure Assets

Each class of property, plant and equipment and infrastructure assets can be valued at either cost or fair value. The Council expects to adopt the existing policy and therefore it is not anticipated any adjustments will be necessary

b Employee Benefits

The treatment for long service leave under the AIFRSs remains unchanged for the measurement of long service leave entitlements under current Australian GAAP. AIFRSs requires non-current annual leave entitlements to be measured at present value. Under Australian GAAP non-current annual leave entitlements are currently measured at the amount the Council expects to pay.

It is not anticipated any such adjustment will be significant.

c Impairment of Assets

Assets are tested for impairment where an impairment trigger (per AIFRSs) has occurred. To the extent any impairment is determined, this will be recognised immediately in the operating statement.

Based on the assessment performed to date, it is not anticipated any such adjustments will be significant.

Assets may be considered impaired in one reporting period and not in subsequent periods. Therefore, it is not practicable to determine the impact of the change in accounting policy for future financial reports as any impairment or reversal thereof will be affected by future conditions.

d Financial Assets and Financial Liabilities

Under current Australian GAAP, financial assets and financial liabilities are recognised at cost, at fair value, or at net market value.

On adoption of AIFRSs, the Council will be required to classify these financial instruments into various specified categories this being loans and receivables, held to maturity investments, trading assets or available for sale financial assets. It is anticipated, based on definitions contained within AIFRSs, most Council's financial assets and liabilities will fall into loans and receivables category and will be measured at their initial recognition amount.

Based on reviews performed to date, it is not anticipated any such adjustments will be significant.

Such financial assets will be subject to annual impairment testing and to the extent any impairment testing is determined, it will be recognised immediately in the operating statement.

e Investment Property

Investment property are valued at either cost or fair value on adoption of AIFRSs. Investment property on cost basis should be adjusted for any impairment balances. Investment property at fair value should reflect market conditions at each reporting date.

It is not anticipated any adjustments will result from the above approach. If they do, they will be recognised against opening retained earnings or past revaluation reserves in the balance sheet.

f Cashflow Statement

There are no material differences between the cash flow statement presented under AIFRSs and the cash flow statement presented under current Australian GAAP.

31 EMPLOYEES' REMUNERATION

Number of employees of the Council, in bands of \$10,000, entitled to an annual salary of \$100,000 or more.

Salary Range	2005	2004
\$	#	#
100,000 - 109,999	1	1
110,000 - 119,999		
120,000 - 129,999		
130,000-139,999		
140,000-149,999		
150,000-159,999		

32 EMPLOYEE NUMBERS

	2005	2004
	#	#
The number of full-time equivalent Employees at balance date	<u>37</u>	<u>37</u>

33 ECONOMIC DEPENDENCY

A significant portion of revenue is received by way of grants from the State and Federal Government.

