



AGENDA

Audit Committee Agenda Wednesday, 18 September 2024 6:00 PM

Disclaimer

The purpose of this Council meeting is to discuss and, where possible, make resolutions about items appearing on the agenda.

Whilst Council has the power to resolve such items and may in fact, appear to have done so at the meeting, no person should rely on or act on the basis of such decision or on any advice or information provided by a member or officer, or on the content of any discussion occurring, during the course of the meeting. Persons should be aware that the provisions of the Local Government Act 1995 (section 5.25 (e)) establish procedures for revocation or rescission of a Council decision. No person should rely on the decisions made by Council until formal advice of the Council decision is received by that person.

The Town of East Fremantle expressly disclaims liability for any loss or damage suffered by any person as a result of relying on or acting on the basis of any resolution of Council, or any advice or information provided by a member or officer, or the content of any discussion occurring, during the course of the Council meeting.

Copyright

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Procedure for Deputations, Presentations and Public Question Time at Council Meetings

Council thanks you for your participation in Council Meetings and trusts that your input will be beneficial to all parties. Council has a high regard for community input where possible, in its decision making processes.

Deputations A formal process where members of the community request permission to address Council or Committee on an issue.	Presentations An occasion where awards or gifts may be accepted by the Council on behalf of the community, when the Council makes a presentation to a worthy recipient or when agencies may present a proposal that will impact on the Local Government.
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Procedures for Deputations

The Council allows for members of the public to make a deputation to Council on an issue related to Local Government business.

Notice of deputations need to be received **by 5pm on the day before the meeting** and agreed to by the Presiding Member. Please contact Executive Support Services via telephone on 9339 9339 or email admin@eastfremantle.wa.gov.au to arrange your deputation.

Where a deputation has been agreed to, during the meeting the Presiding Member will call upon the relevant person(s) to come forward and address Council.

A Deputation invited to attend a Council meeting:

- (a) is not to exceed five (5) persons, only two (2) of whom may address the Council, although others may respond to specific questions from Members;
- (b) is not to address the Council for a period exceeding ten (10) minutes without the agreement of the Council; and
- (c) additional members of the deputation may be allowed to speak with the agreement of the Presiding Member.

Council is unlikely to take any action on the matter discussed during the deputation without first considering an officer's report on that subject in a later Council agenda.

Procedure for Presentations

Notice of presentations being accepted by Council on behalf of the community, or agencies presenting a proposal, need to be received **by 5pm on the day before the meeting** and agreed to by the Presiding Member. Please contact Executive Support Services via telephone on 9339 9339 or email admin@eastfremantle.wa.gov.au to arrange your presentation.

Where the Council is making a presentation to a worthy recipient, the recipient will be advised in advance and asked to attend the Council meeting to receive the award.

All presentations will be received/awarded by the Mayor or an appropriate Councillor.

Procedure for Public Question Time

The Council extends a warm welcome to you in attending any meeting of the Council. Council is committed to involving the public in its decision making processes whenever possible, and the ability to ask questions during 'Public Question Time' is of critical importance in pursuing this public participation objective.

Council (as required by the **Local Government Act 1995**) sets aside a period of 'Public Question Time' to enable a member of the public to put up to three (3) questions to Council. Questions should only relate to the business of Council and should not be a statement or personal opinion. Upon receipt of a question from a member of the public, the Mayor may either answer the question or direct it to a Councillor or an Officer to answer, or it will be taken on notice.

Having regard for the requirements and principles of Council, the following procedures will be applied in accordance with the **Town of East Fremantle Local Government (Council Meetings) Local Law 2016**:

1. Public Questions Time will be limited to fifteen (15) minutes.
2. Public Question Time will be conducted at an Ordinary Meeting of Council immediately following "Responses to Previous Public Questions Taken on Notice".
3. Each member of the public asking a question will be limited to two (2) minutes to ask their question(s).
4. Questions will be limited to three (3) per person.
5. Please state your name and address, and then ask your question.
6. Questions should be submitted to the Chief Executive Officer in writing by **5pm on the day before the meeting and be signed by the author**. This allows for an informed response to be given at the meeting.
7. Questions that have not been submitted in writing by 5pm on the day before the meeting will be responded to if they are straightforward.
8. If any question requires further research prior to an answer being given, the Presiding Member will indicate that the "question will be taken on notice" and a response will be forwarded to the member of the public following the necessary research being undertaken.
9. Where a member of the public provided written questions then the Presiding Member may elect for the questions to be responded to as normal business correspondence.
10. A summary of the question and the answer will be recorded in the minutes of the Council meeting at which the question was asked.

During the meeting, no member of the public may interrupt the meetings proceedings or enter into conversation.

Members of the public shall ensure that their mobile telephone and/or audible pager is not switched on or used during any meeting of the Council.

Members of the public are hereby advised that use of any electronic, visual or audio recording device or instrument to record proceedings of the Council is not permitted without the permission of the Presiding Member.

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NOTICE OF MEETING

Elected Members

An Ordinary Meeting of the Audit Committee will be held on 18/09/2024 6:00:00 PM in the POD, 135 Canning Highway, East Fremantle and your attendance is requested.



JONATHAN THROSSELL

Chief Executive Officer

AGENDA

1 DECLARATION OF OPENING OF MEETING/ANNOUNCEMENTS OF VISITORS

2 ACKNOWLEDGEMENT OF COUNTRY

"On behalf of the Council I would like to acknowledge the Whadjuk Nyoongar people as the traditional custodians of the land on which this meeting is taking place and pay my respects to Elders past, present and emerging."

3 RECORD OF ATTENDANCE

4 MEMORANDUM OF OUTSTANDING BUSINESS

5 DISCLOSURES OF INTEREST

6 PUBLIC QUESTION TIME

7 PRESENTATIONS/DEPUTATIONS

8 CONFIRMATION OF MINUTES OF PREVIOUS MEETING

8.1 AUDIT COMMITTEE WEDNESDAY, 28 AUGUST 2024

OFFICER RECOMMENDATION

That the minutes of the Audit Committee meeting held on Wednesday, 28 August 2024 be confirmed as a true and correct record of proceedings.

9 ANNOUNCEMENTS BY THE PRESIDING MEMBER

10 REPORTS

Reports start on the next page

10.1 2409 DRAFT 2023-24 ANNUAL FINANCIAL STATEMENTS AND POSITION PAPERS

Report Reference Number	ACR-585
Prepared by	Phil Garoni, Finance Manager
Supervised by	Peter Kocian, Executive Manager Corporate Services
Meeting date	Wednesday, 18 September 2024
Voting requirements	Simple Majority
Documents tabled	
Attachments	

1. Draft annual financial statements 2023/24
2. **Confidential – Position paper 23-24 RRG**
3. Management Review of Fair Value, RUL's, Residual Values, Depreciation and Impairment of Assets.

PURPOSE

The purpose of this report is for the Audit Committee to receive the draft Annual Financial Report for the year ended 30 June 2024. Last year the OAG introduced a new requirement for all councils to have the annual financial report signed by the CEO prior to the final audit being conducted. In addition, supporting the draft financial statements are position papers to provide the principles behind the financial treatment of significant accounting entries and disclosures.

EXECUTIVE SUMMARY

Section 6.4 of the *Local Government Act 1995* requires local governments to prepare an annual financial report for the preceding financial year. The financial report is to be prepared and presented in the manner and form prescribed in the *Local Government (Financial Management) Regulations 1996*. Local Governments are required to submit the annual financial report to its auditor by the 30 September.

One of the objectives of the Audit Committee is to assess the integrity of external financial reporting, including accounting policies (3.1 of Terms of Reference). As such, two (2) Management Position Papers are presented to the Audit Committee to increase awareness of significant account balances and audit emphasis.

BACKGROUND

The following audit timetable has been extrapolated from the Audit Planning Summary that was issued by the Office of the Auditor General on 6 May 2024. At the time of this Audit Committee Meeting, audit field work is scheduled to commence on Tuesday 24th September 2024 with expected completion on 18th October 2024. The audit process is expected to be finalised in the month of November with the Audit Opinion issued by the 22nd November 2024.

The Auditors Report will be considered at the first Committee Meeting in 2025, at which time representatives from the Office of Auditor General will be in attendance.

Proposed Audit Schedule

	Date
Planning	6 – 10 May 2024
Interim Audit	13 – 24 May 2024
Issue of Interim Management Letter	By 21 June 2024
Final Trial Balance	24 September 2024
Receipt of Signed and Approved Financial Statements	24 September 2024
Final Audit	24 September 2024 to 18 October 2024
Exit Interview (week ending)	15 November 2024*
Issue of Audit Opinion and Management Letter	By 22 November 2024* (within 5 working days of receipt of the signed annual financial report and management representation letter)

Information System Audit is scheduled for June-August 2024

**Based on timely receipt of audit information and reporting documentation.*

Timelines for Provision of Information

To help deliver an audit opinion on time as agreed by the entity in the proposed audit schedule above, please follow the requirements and timelines for provision of information to the audit team as listed below:

- provide certified financial statements on 23 September 2024
- submit the audit file/folder that supports the financial statements in two working days from receipt of the certified financial statements, unless another date is agreed by your engagement leader
- submit audit information in two working days from the date of request, unless another date is agreed by your engagement leader
- respond to audit findings in five working days from the date of receipt of the audit finding unless another date is agreed by your engagement leader.

Please provide the information in a timely manner in order to avoid delays in the agreed reporting timeline and potential impact on the auditor's report.

Prior to the commencement of the annual final audit, the Office of the Auditor General (OAG) provides the Town with a Planning Summary which is discussed at an entrance meeting. The Planning Summary includes significant risks and audit emphasis and significant account balances identified by OAG, extrapolated below for the 23/24 Audit:

Significant Risks and Other Audit Issues

Through discussions with your staff and our prior knowledge of your operations, we have identified the following issues and key areas of risk affecting the audit.

Details of Risks/Issues	Audit Approach
<p>Significant capital projects the Town is undertaking in the current year:</p> <ul style="list-style-type: none"> East Fremantle oval precinct redevelopment' – Recognition and measurement of balances associated with the construction costs Fremantle Women Soccer Club refurbishment project <p>We understand from management the construction of the 'East Fremantle oval precinct redevelopment' is currently in the last stage of completion ready for capitalisation in May 2024.</p> <p>We also understand the 'Fremantle Women Soccer Club refurbishment' project is expected to be approximately 90% completed by June 2024.</p>	<p>Our procedures will focus on verifying capitalisation of construction costs confirming occurrence and correct classification of project cost including ensuring capitalised cost is capital in nature and relates to the project in accordance with the relevant accounting standards.</p>
<p>Important changes in management or the control environment:</p> <ul style="list-style-type: none"> Appointment of new Chief Executive Officer. Appointment of new Audit Committee Chairperson. 	<p>We will review any relevant changes to roles, delegations, business processes and other key controls, to confirm that no temporary or ongoing control gaps have occurred.</p>
<p>Auditing Standards require us to consider two standard risks for all entities:</p> <ul style="list-style-type: none"> Management override of controls Revenue recognition risk 	<p>Management override of controls</p> <p>Our procedures include updating our understanding of journal entry processes and non-standard events occurring during the year; evaluating business rationale of any unusual and significant transactions during the year. We will test journal entry transaction including the use of computer aided audit techniques (CAATs) to identify journal entry transactions of interest.</p> <p>Revenue recognition risk</p> <p>Our procedures will include updating our understanding of the key revenue streams, the revenue accounting policies as well as the systems, processes and controls in place. Relevant substantive procedures will be performed for each revenue stream.</p>
<p>Key changes to accounting standards that impact your entity for the first time this year. Refer to Appendix A for details.</p>	<p>We will review management's assessment of the impact of the new or amended standards, determine whether, to the extent necessary, your entity has applied the standards correctly,</p>

Details of Risks/Issues	Audit Approach
	and ensure the financial report comply with the revised requirements of each standard.
<p>Audit findings reported in the previous audit</p> <p>Information systems findings:</p> <ul style="list-style-type: none"> • 3 moderate findings (also prior year findings) • 6 minor findings (3 prior year findings) <p>Financial audit findings:</p> <ul style="list-style-type: none"> • 1 significant finding • 3 moderate findings 	<p>As part of our audit, we will follow up on these findings to assess the extent of action taken by management including:</p> <ul style="list-style-type: none"> • Obtaining documented updates from management on the status of management's responsive action to each of the findings • For all actioned items, we will corroborate the resolution to supporting documentation • For any unresolved items, we will obtain an understanding of the reasons thereof and assessed the impact on our current year's reporting and conclusions.
<p>Accounting estimates</p> <p>The following financial statement items are derived from accounting estimates and hence will receive specific audit attention:</p> <ul style="list-style-type: none"> • Provision for long service leave • Other provisions: <ul style="list-style-type: none"> ◦ Equity Contribution – Investment in Associate ◦ Expected credit loss assessment • Fair value of land and buildings and infrastructure • Depreciation of buildings and infrastructure 	<p>We will review the method and underlying data that management, and where applicable, third parties use when determining critical accounting estimates. This will include considering the reasonableness of assumptions and corroborating representations.</p>
<p>Accounting for the Town's investment in associate:</p> <ul style="list-style-type: none"> • Resource Recovery Group 	<p>We will review management's take up of the Town's interest in the associate and ensure this reflects the net investment.</p> <p>We will also review any events, transactions or circumstances occurring since the prior year and which may impact on the existing accounting treatment.</p> <p>In addition, we will review all material disclosures relating to the Town's investment in associate to ensure compliance with the relevant accounting standards.</p>

Details of Risks/Issues	Audit Approach
Involvement of Information Systems audit	General computer controls audit will be performed by the OAG Information Systems team. Any issues or findings will be communicated and presented separately; the impact of these findings (if any) will be considered as part of the overall financial audit strategy.

OAG's Better Practice Guide recommends that Position Papers should be prepared where there is an event or change to the operating environment, government policy, legislation, business development etc. that impacts the financial statements and for the Audit Committee to be briefed.

CONSULTATION

Kelli Small – Consultant

Peter Kocian – Executive Manager Corporate Services

Office of Auditor General

STATUTORY ENVIRONMENT

The Audit Committee is constituted under the *Local Government Act 1995* and operates under the Terms of Reference approved by Council.

POLICY IMPLICATIONS

The Department of Local Government has published Operational Guideline No. 9 Audit in Local Government that covers the appointment, functions and responsibilities of Audit Committees.

FINANCIAL IMPLICATIONS

There are no financial implications relevant to this item.

STRATEGIC IMPLICATIONS

Strategic Priority 5 – Leadership and Governance

5.1 Strengthen organisational accountability and transparency.

5.3 Strive for excellence in leadership and governance.

RISK IMPLICATIONS

10.1.1.1 RISKS

Risk	Risk Likelihood (based on history & with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
That the Town receives a qualified audit report	Possible (3)	Moderate (3)	Moderate (5-9)	REPUTATIONAL Substantiated, public embarrassment, moderate impact,	Control through Robust internal controls and staff development

				moderate news profile	
Failure to prepare Position Papers may result in OAG not accepting accounting estimates and treatments, either delaying audit or resulting in a qualified audit report	Likely (4)	Major (4)	High (10-16)	COMPLIANCE Short term non-compliance but with significant regulatory requirements imposed	Accept Officer Recommendation

10.1.1.1.2 RISK MATRIX

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Extreme
		1	2	3	4	5
Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives: occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating is provided below. Any items with a risk rating over 16 will be added to the Risk Register, and any item with a risk rating over 16 will require a specific risk treatment plan to be developed.

10.1.1.1.3 RISK RATING

Risk Rating	16
Does this item need to be added to the Town's Risk Register	Yes
Is a Risk Treatment Plan Required	No

SITE INSPECTION

Not applicable

COMMENT

The Draft Annual Financial Report of the Town of East Fremantle for the financial year ended 30 June 2024 is based on proper accounts and records to fairly present the financial position of the Town of East Fremantle at 30 June 2024 and the results of the operations for the financial year then ended in accordance with the

Local Government Act 1995 and, to the extent they are not inconsistent with the Act, the Australian Accounting Standards.

Several Positions Papers have been prepared aligned to the areas of risk and audit emphasis identified by OAG in their Planning Summary. There are two (2) papers of significance for the 23/24 financial year which we have provided for the committee's review.

1. Confidential – Position paper 23-24 RRG
2. Management Review of Fair Value, RUL's, Residual Values, Depreciation and Impairment of Assets

The Position Papers have been reviewed and approved by the Finance Manager and Executive Manager Corporate Services and submitted to OAG, to be subsequently reviewed by their technical team.

The Position Papers are very comprehensive and illustrate the depth of work required to enable audit clearance to be provided in a timely manner.

CONCLUSION

The Audit Committee is requested to receive the tabled Draft Annual Financial Report for the year ending 30 June 2024. Noting there is potential for changes during the final Office of the Auditor General audit. Representatives from the Office of the Auditor General will be invited to meet with the Audit Committee in the new year, and there will be an opportunity to discuss the contents of the Annual Financial Report and Auditors Report.

In addition, the Position Papers be received by the Audit Committee. Clarifications are welcome.

CHOOSE AN ITEM. OFFICER RECOMMENDATION / COMMITTEE RESOLUTION

Committee Resolution Choose an item. Click or tap to enter a date.

OFFICER RECOMMENDATION

That the Audit Committee recommend Council:

1. **Receive the draft Annual Financial Report for the Year Ended 30 June 2024 for review and request initial sign off by the Chief Executive Officer. Noting there is potential for change during the audit of the financial statements during the final Office of the Auditor General audit.**
2. **That the Audit Committee receive and endorse the following Position Papers prepared by Management:**
 - i. **Confidential – Position paper 23-24 RRG**
 - ii. **Management Review of Fair Value, RUL's, Residual Values, Depreciation and Impairment of Assets.**

REPORT ATTACHMENTS

Attachments start on the next page

TOWN OF EAST FREMANTLE
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

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The Town of East Fremantle conducts the operations of a local government with the following community vision:

An inclusive community balancing growth, lifestyle and sustainability.

Principal place of business:
135 Canning Highway
East Fremantle WA

**TOWN OF EAST FREMANTLE
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

*Local Government Act 1995
Local Government (Financial Management) Regulations 1996*

STATEMENT BY CEO

The accompanying financial report of the Town of East Fremantle has been prepared in compliance with the provisions of the *Local Government Act 1995* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2024 and the financial position as at 30 June 2024.

At the date of signing this statement the particulars included in the financial report are not misleading or inaccurate.

Signed on the [REDACTED] day of [REDACTED] 2024

Chief Executive Officer

Jonathan Throssell
Name of Chief Executive Officer

TOWN OF EAST FREMANTLE
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2024

	NOTE	2024 Actual	2024 Budget	2023 Actual
		\$	\$	\$
Revenue				
Rates	2(a),25	9,125,016	9,093,382	8,677,877
Grants, subsidies and contributions	2(a)	1,130,919	1,020,058	1,283,167
Fees and charges	2(a)	1,491,520	1,544,565	1,523,133
Interest revenue	2(a)	633,888	189,440	608,758
Other revenue	2(a)	215,795	42,000	53,697
		12,597,138	11,889,445	12,146,632
Expenses				
Employee costs	2(b)	(4,971,652)	(4,969,094)	(4,804,595)
Materials and contracts		(4,589,312)	(4,020,296)	(4,096,164)
Utility charges		(283,870)	(257,950)	(236,291)
Depreciation		(1,946,164)	(2,166,530)	(1,817,749)
Finance costs	2(b)	(170,461)	(134,490)	(9,425)
Insurance		(229,133)	(273,223)	(220,712)
Other expenditure	2(b)	(824,409)	(789,700)	(798,659)
		(13,015,001)	(12,611,283)	(11,983,595)
		(417,863)	(721,838)	163,037
Capital grants, subsidies and contributions	2(a)	16,533,247	15,979,948	10,019,839
Gain on disposal of assets held for sale		0	0	407,382
Profit on asset disposals		61,265	85,200	41,577
Loss on asset disposals		0	0	(4,797,942)
Loss on disposal of investment in associate		(42,880)	0	0
Fair value adjustments to financial assets at fair value through profit or loss	4	1,681	0	3,686
Share of net profit of associates accounted for using the equity method	22(c)	11,561	0	(779,549)
		16,564,874	16,065,148	4,894,993
Net result for the period		16,147,011	15,343,310	5,058,030
Other comprehensive income for the period				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	16	0	0	9,483,113
Total other comprehensive income for the period	16	0	0	9,483,113
Total comprehensive income for the period		16,147,011	15,343,310	14,541,143

This statement is to be read in conjunction with the accompanying notes.

**TOWN OF EAST FREMANTLE
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024**

	NOTE	2024 Actual \$	2023 Actual \$
CURRENT ASSETS			
Cash and cash equivalents	3	2,568,217	14,631,561
Trade and other receivables	5	948,112	741,694
Other financial assets	4(a)	2,710,049	0
Other assets	6	231,260	167,731
TOTAL CURRENT ASSETS		6,457,638	15,540,986
NON-CURRENT ASSETS			
Trade and other receivables	5	98,356	96,650
Other financial assets	4	83,171	81,490
Investment in associate	22(a)	0	871,324
Property, plant and equipment	7	62,411,429	41,422,143
Infrastructure	8	45,495,568	45,730,099
Right-of-use assets	10(a)	142,490	208,607
TOTAL NON-CURRENT ASSETS		108,231,014	88,410,313
TOTAL ASSETS		114,688,652	103,951,299
CURRENT LIABILITIES			
Trade and other payables	11	1,609,737	4,750,979
Other liabilities	12	340,342	6,642,115
Lease liabilities	10(b)	45,114	44,114
Borrowings	13	150,564	5,068
Employee related provisions	14	806,705	757,227
Other provisions	15	80,000	268,434
TOTAL CURRENT LIABILITIES		3,032,462	12,467,937
NON-CURRENT LIABILITIES			
Lease liabilities	10(b)	152,623	198,300
Borrowings	13	4,576,802	94,112
Employee related provisions	14	193,595	125,624
TOTAL NON-CURRENT LIABILITIES		4,923,020	418,036
TOTAL LIABILITIES		7,955,482	12,885,973
NET ASSETS		106,733,170	91,065,326
EQUITY			
Retained surplus		54,190,830	38,114,935
Reserve accounts	28	2,710,049	2,638,933
Revaluation surplus	16	49,832,291	50,311,458
TOTAL EQUITY		106,733,170	91,065,326

This statement is to be read in conjunction with the accompanying notes.

**TOWN OF EAST FREMANTLE
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2024**

	NOTE	RETAINED SURPLUS Actual \$	RESERVE ACCOUNTS Actual \$	REVALUATION SURPLUS Actual \$	TOTAL EQUITY Actual \$
Balance as at 1 July 2022		33,211,629	2,484,209	40,828,345	76,524,183
Comprehensive income for the period					
Net result for the period		5,058,030	0	0	5,058,030
Other comprehensive income for the period	16	0	0	9,483,113	9,483,113
Total comprehensive income for the period		5,058,030	0	9,483,113	14,541,143
Transfers from reserve accounts	28	3,059,287	(3,059,287)	0	0
Transfers to reserve accounts	28	(3,214,011)	3,214,011	0	0
Balance as at 30 June 2023		38,114,935	2,638,933	50,311,458	91,065,326
Comprehensive income for the period					
Net result for the period		16,147,011	0	0	16,147,011
Total comprehensive income for the period		16,147,011	0	0	16,147,011
Divestment of Investment in Associate		0	0	(479,167)	(479,167)
Transfers from reserve accounts	28	1,468,825	(1,468,825)	0	0
Transfers to reserve accounts	28	(1,539,941)	1,539,941	0	0
Balance as at 30 June 2024		54,190,830	2,710,049	49,832,291	106,733,170

This statement is to be read in conjunction with the accompanying notes.

**TOWN OF EAST FREMANTLE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2024**

	NOTE	2024 Actual \$	2023 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Rates		9,123,976	8,645,505
Grants, subsidies and contributions		1,048,366	1,085,873
Fees and charges		2,621,496	3,289,098
Interest revenue		633,888	608,758
Goods and services tax received		3,144,482	1,428,050
Other revenue		215,795	53,697
		16,788,003	15,110,981
Payments			
Employee costs		(4,847,547)	(4,702,224)
Materials and contracts		(10,647,465)	(3,187,505)
Utility charges		(283,870)	(236,291)
Finance costs		(132,678)	(9,425)
Insurance paid		(229,133)	(220,712)
Goods and services tax paid		(1,124,536)	(1,671,020)
Other expenditure		(746,203)	(784,962)
		(18,011,432)	(10,812,139)
Net cash provided by (used in) operating activities		(1,223,429)	4,298,842
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of property, plant & equipment	7(a)	(22,147,944)	(12,353,340)
Payments for construction of infrastructure	8(a)	(511,251)	(1,070,224)
Capital grants, subsidies and contributions		9,765,956	14,927,453
Proceeds from assets held for sale		0	1,850,000
Proceeds from sale of property, plant & equipment		82,050	49,040
Net cash provided by (used in) investing activities		(15,521,238)	3,402,929
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	27(a)	(77,610)	(97,259)
Payments for principal portion of lease liabilities	27(b)	(41,067)	(40,616)
Net cash provided by (used in) financing activities		4,681,323	(137,875)
Net increase (decrease) in cash held		(12,063,344)	7,563,896
Cash at beginning of year		14,631,561	7,067,665
Cash and cash equivalents at the end of the year	3	2,568,217	14,631,561

This statement is to be read in conjunction with the accompanying notes.

**TOWN OF EAST FREMANTLE
STATEMENT OF FINANCIAL ACTIVITY
FOR THE YEAR ENDED 30 JUNE 2024**

	NOTE	2024 Actual \$	2024 Budget \$	2023 Actual \$
OPERATING ACTIVITIES				
Revenue from operating activities				
General rates	25	9,125,016	9,093,382	8,677,877
Grants, subsidies and contributions		1,130,919	1,020,058	1,283,167
Fees and charges		1,491,520	1,544,565	1,523,133
Interest revenue		633,888	189,440	608,758
Other revenue		215,795	42,000	53,697
Profit on asset disposals		61,265	85,200	41,577
Fair value adjustments to financial assets at fair value through profit or loss	4	1,681	0	3,686
Share of net profit of associates accounted for using the equity method	22(c)	11,561	0	(779,549)
		12,671,645	11,974,645	11,412,346
Expenditure from operating activities				
Employee costs		(4,971,652)	(4,969,094)	(4,804,595)
Materials and contracts		(4,589,312)	(4,020,296)	(4,096,164)
Utility charges		(283,870)	(257,950)	(236,291)
Depreciation		(1,946,164)	(2,166,530)	(1,817,749)
Finance costs		(170,461)	(134,490)	(9,425)
Insurance		(229,133)	(273,223)	(220,712)
Other expenditure		(824,409)	(789,700)	(798,659)
Loss on asset disposals		0	0	(4,797,942)
Loss on disposal of investment in associate		(42,880)	0	0
		(13,057,881)	(12,611,283)	(16,781,537)
Non-cash amounts excluded from operating activities	26(a)	1,979,000	2,081,330	7,405,386
Amount attributable to operating activities		1,592,764	1,444,692	2,036,195
INVESTING ACTIVITIES				
Inflows from investing activities				
Capital grants, subsidies and contributions		16,533,247	15,979,948	10,019,839
Proceeds from disposal of assets		82,050	171,814	49,040
Proceeds from assets held for sale		0	0	1,850,000
		16,615,297	16,151,762	11,918,879
Outflows from investing activities				
Payments for investments in associates	22(b)	268,434	0	(268,434)
Purchase of property, plant and equipment	7(a)	(22,147,944)	(21,752,516)	(12,353,340)
Purchase and construction of infrastructure	8(a)	(511,251)	(672,000)	(1,070,224)
		(22,390,761)	(22,424,516)	(13,691,998)
Non-cash amounts excluded from investing activities	26(b)	(268,434)	0	268,434
Amount attributable to investing activities		(6,043,898)	(6,272,754)	(1,504,685)
FINANCING ACTIVITIES				
Inflows from financing activities				
Proceeds from borrowings	27(a)	4,800,000	4,800,000	0
Transfers from reserve accounts	28	1,468,825	884,005	3,059,287
		6,268,825	5,684,005	3,059,287
Outflows from financing activities				
Repayment of borrowings	27(a)	(77,610)	(72,634)	(97,259)
Payments for principal portion of lease liabilities	27(b)	(41,067)	(49,807)	(40,616)
Transfers to reserve accounts	28	(1,539,941)	(1,112,010)	(3,214,011)
		(1,658,618)	(1,234,451)	(3,351,886)
Amount attributable to financing activities		4,610,207	4,449,554	(292,599)
MOVEMENT IN SURPLUS OR DEFICIT				
Surplus or deficit at the start of the financial year	26(c)	751,732	378,508	512,821
Amount attributable to operating activities		1,592,764	1,444,692	2,036,195
Amount attributable to investing activities		(6,043,898)	(6,272,754)	(1,504,685)
Amount attributable to financing activities		4,610,207	4,449,554	(292,599)
Surplus or deficit after imposition of general rates	26(c)	910,805	0	751,732

This statement is to be read in conjunction with the accompanying notes.

**TOWN OF EAST FREMANTLE
FOR THE YEAR ENDED 30 JUNE 2024
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**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

1. BASIS OF PREPARATION

The financial report of the Town of East Fremantle which is a Band 3 local government comprises general purpose financial statements which have been prepared in accordance with the *Local Government Act 1995* and accompanying regulations.

Local Government Act 1995 requirements

Section 6.4(2) of the *Local Government Act 1995* read with the *Local Government (Financial Management) Regulations 1996* prescribe that the financial report be prepared in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the *Local Government Act 1995*, the Australian Accounting Standards. The Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board except for disclosure requirements of:

- AASB 7 *Financial Instruments Disclosures*
- AASB 16 *Leases* paragraph 58
- AASB 101 *Presentation of Financial Statements* paragraph 61
- AASB 107 *Statement of Cash Flows* paragraphs 43 and 45
- AASB 116 *Property, Plant and Equipment* paragraph 79
- AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* paragraph 85
- AASB 140 *Investment Property* paragraph 75(f)
- AASB 1052 *Disaggregated Disclosures* paragraph 11
- AASB 1054 *Australian Additional Disclosures* paragraph 16

The *Local Government (Financial Management) Regulations 1996* specify that vested land is a right-of-use asset to be measured at cost, and is considered a zero cost concessionary lease. All right-of-use assets under zero cost concessionary leases are measured at zero cost rather than at fair value, except for vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the Town to measure any vested improvements at zero cost.

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the financial report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

Critical accounting estimates and judgements

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

As with all estimates, the use of different assumptions could lead to material changes in the amounts reported in the financial report.

The following are estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and further information on their nature and impact can be found in the relevant note:

- Fair value measurement of assets carried at reportable value including:
 - Property, plant and equipment - note 7
 - Infrastructure - note 8
- Expected credit losses on financial assets - note 5
- Assets held for sale
- Impairment losses of non-financial assets - note 7 and 8
- Estimated useful life of intangible assets
- Investment property
- Measurement of employee benefits - note 14
- Measurement of provisions - note 15

Fair value hierarchy information can be found in note 24.

The local government reporting entity

All funds through which the Town controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 29 of the financial report.

Initial application of accounting standards

During the current year, the following new or revised Australian Accounting Standards and Interpretations were applied for the first time.

- AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates*

This standard resulted in terminology changes relating to material accounting policies (formerly referred to as significant accounting policies).

New accounting standards for application in future years

The following new accounting standards will have application to local government in future years:

- AASB 2014-10 *Amendments to Australian Accounting Standards*
 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- AASB 2020-1 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current*
- AASB 2021-7c *Amendments to Australian Accounting Standards*
 - *Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [deferred AASB 10 and AASB 128 amendments in AASB 2014-10 apply]*
- AASB 2022-5 *Amendments to Australian Accounting Standards*
 - *Lease Liability in a Sale and Leaseback*
- AASB 2022-6 *Amendments to Australian Accounting Standards*
 - *Non-current Liabilities with Covenants*

These amendments are not expected to have any material impact on the financial report on initial application.

- AASB 2022-10 *Amendments to Australian Accounting Standards*
 - *Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*

These amendment may result in changes to the fair value of non-financial assets. The impact is yet to be quantified.

- AASB 2023-1 *Amendments to Australian Accounting Standards*
 - *Supplier Finance Arrangements*

These amendments may result in additional disclosures in the case of applicable finance arrangements.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

2. REVENUE AND EXPENSES

(a) Revenue

Contracts with customers

Recognition of revenue is dependant on the source of revenue and the associated terms and conditions associated with each source of revenue and recognised as follows:

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Rates - general rates	General rates	Over time	Payment dates adopted by council during the year	None	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Grant contracts with customers	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the funding body	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms	Output method based on project milestones and/or completion date matched to performance obligations
Grants, subsidies or contributions with no contractual commitments	General appropriations and contributions with no reciprocal commitment	No obligation	Not applicable	Not applicable	Cash received	On receipt of funds	Not applicable	When assets are controlled
Fees and charges - licences, registrations, approvals	Building, planning, development and animal management, having the same nature as a licence regardless of naming.	Single point in time	Full payment prior to issue	None	Set by State legislation or limited by legislation to the cost of provision	Based on timing of issue of the associated rights	No refunds	On payment of the licence, registration or approval
Fees and charges - pool inspections	Compliance safety check	Single point in time	Equal proportion based on an equal annually fee	None	Set by State legislation	Apportioned equally across the inspection cycle	No refunds	After inspection complete based on a 4 year cycle

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

2. REVENUE AND EXPENSES

(a) Revenue (Continued)

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Fees and charges - other inspections	Regulatory food, health and safety	Single point in time	Full payment prior to inspection	None	Set by State legislation or limited by legislation to the cost of provision	Applied fully on timing of inspection	Not applicable	Revenue recognised after inspection event occurs
Fees and charges - waste management collections	Kerbside collection service	Over time	Payment dates adopted by council during the year	None	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Fees and charges - property hire	Use of halls and facilities	Single point in time	In full in advance	Refund if event cancelled within 7 days	Adopted by council annually	Based on timing of entry to facility	Returns limited to repayment of transaction	On entry or at conclusion of hire
Fees and charges for other goods and services	Reinstatements and private works	Single point in time	Payment in full in advance	None	Adopted by council annually	Applied fully based on timing of provision	Not applicable	Output method based on provision of service or completion of works
Fees and charges - fines	Fines issued for breaches of local laws	Single point in time	Payment in full within defined time	None	Adopted by council through local law	When taxable event occurs	Not applicable	When fine notice is issued
Other revenue - reimbursements	Insurance claims	Single point in time	Payment in arrears for claimable event	None	Set by mutual agreement with the customer	When claim is agreed	Not applicable	When claim is agreed
Fees & Charges Mooring Pen Fees	Leasing Mooring Pen	Single point in time	Payment in full in advance	Contract obligation	Adopted by Council annually	Based on timing of entry to facility	Returns limited to repayment of transaction on cancellation	On entry or at conclusion of hire
Fees & Charges - Property Leases	Leasing of Commercial or Residential Properties	Single point in time	Payment in full in advance	Contract obligation	Adopted by Council annually	Based on timing of entry to facility	Returns limited to repayment of transaction on	On entry or at conclusion of hire

Consideration from contracts with customers is included in the transaction price.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

2. REVENUE AND EXPENSES

(a) Revenue (Continued)

Revenue recognised during the year under each basis of recognition by nature of goods or services is provided in the table below:

For the year ended 30 June 2024

Nature	Contracts with customers Actual	Capital grant/contributions Actual	Statutory Requirements Actual	Other Actual	Total Actual
	\$	\$	\$	\$	\$
Rates	0	0	9,125,016	0	9,125,016
Grants, subsidies and contributions	1,130,919	0	0	0	1,130,919
Fees and charges	894,245	0	597,275	0	1,491,520
Interest revenue	0	0	66,775	567,113	633,888
Other revenue	215,795	0	0	0	215,795
Capital grants, subsidies and contributions	0	16,533,247	0	0	16,533,247
Total	2,240,959	16,533,247	9,789,066	567,113	29,130,385

For the year ended 30 June 2023

Nature	Contracts with customers Actual	Capital grant/contributions Actual	Statutory Requirements Actual	Other Actual	Total Actual
	\$	\$	\$	\$	\$
Rates	0	0	8,677,877	0	8,677,877
Grants, subsidies and contributions	1,283,167	0	0	0	1,283,167
Fees and charges	821,427	0	701,706	0	1,523,133
Interest revenue	0	0	53,298	555,460	608,758
Other revenue	53,697	0	0	0	53,697
Capital grants, subsidies and contributions	0	10,019,839	0	0	10,019,839
Total	2,158,291	10,019,839	9,432,881	555,460	22,166,471

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

2. REVENUE AND EXPENSES

(a) Revenue (Continued)

Note	2024 Actual	2023 Actual
	\$	\$
Interest revenue		
Interest on reserve account funds	530,932	491,101
Trade and other receivables overdue interest	71,458	53,299
Other interest revenue	31,499	64,358
	633,888	608,758
The 2024 original budget estimate in relation to: Trade and other receivables overdue interest was \$22,000.		
Fees and charges relating to rates receivable		
Charges on instalment plans	38,906	36,020
The 2024 original budget estimate in relation to: Charges on instalment plans was \$40,091.		

(b) Expenses

Auditors remuneration		
- Audit of the Annual Financial Report	65,000	53,750
- Other services – grant acquittals	5,950	5,900
	70,950	59,650
Employee Costs		
Employee benefit costs	4,971,652	4,804,595
	4,971,652	4,804,595
Finance costs		
Interest and financial charges paid/payable for lease liabilities and financial liabilities not at fair value through profit or loss	163,722	2,621
Lease liabilities	6,739	6,804
	170,461	9,425
Other expenditure		
Sundry expenses	824,409	798,659
	824,409	798,659

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

3. CASH AND CASH EQUIVALENTS

Note	2024 Actual \$	2023 Actual \$
Cash at bank and on hand	2,568,217	10,185,860
Term deposits	0	4,445,701
Total cash and cash equivalents	2,568,217	14,631,561
Held as		
- Unrestricted cash and cash equivalents	2,230,017	5,354,584
- Restricted cash and cash equivalents	338,200	9,276,977
	2,568,217	14,631,561

MATERIAL ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest.

Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

Restricted financial assets

Restricted financial asset balances are not available for general use by the local government due to externally imposed restrictions. Restrictions are specified in an agreement, contract or legislation. This applies to reserve accounts, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement and for which no liability has been recognised.

4. OTHER FINANCIAL ASSETS

(a) Current assets

Financial assets at amortised cost

Other financial assets at amortised cost

Term deposits

Held as

- Restricted other financial assets at amortised cost

Non-current assets

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss

Units in Local Government House Trust - opening balance

Movement attributable to fair value increment

Units in Local Government House Trust - closing balance

	2024 Actual \$	2023 Actual \$
	2,710,049	0
	2,710,049	0
	2,710,049	0
	2,710,049	0
	2,710,049	0
	2,710,049	0
	83,171	81,490
	83,171	81,490
	81,490	77,804
	1,681	3,686
	83,171	81,490

MATERIAL ACCOUNTING POLICIES

Other financial assets at amortised cost

The Town classifies financial assets at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cashflows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Fair values of financial assets at amortised cost are not materially different to their carrying amounts, since the interest receivable on those assets is either close to current market rates or the assets are of a short term nature. Non-current financial assets at amortised cost fair values are based on discounted cash flows using a current market rates. They are classified as level 2 fair values in the fair value hierarchy.

Interest received is presented under cashflows from operating activities in the Statement of Cash Flows where it is earned from financial assets that are held for cash management purposes.

Financial assets at fair value through profit or loss

The Town has elected to classify the following financial assets at fair value through profit or loss:

- debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- equity investments which the Town has elected to recognise as fair value gains and losses through profit or loss.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

5. TRADE AND OTHER RECEIVABLES

Note	2024 Actual \$	2023 Actual \$
Current		
Rates and statutory receivables	70,387	68,034
Trade receivables	702,180	67,456
Other receivables	33,672	129,147
GST receivable	180,767	512,041
Allowance for credit losses of rates and statutory receivables	(46,439)	(43,638)
Loan receivables - East Fremantle Lawn Tennis Club (EFLTC)	3,000	3,000
Other receivables - East Fremantle Junior Cricket Club & East Fremantle Junior Football Club (EFJCC & EFJFC)	4,545	5,654
	948,112	741,694
Non-current		
Rates and statutory receivables	85,633	76,382
Loan receivables - East Fremantle Lawn Tennis Club (EFLTC)	9,000	12,000
Other receivables - East Fremantle Junior Cricket Club & East Fremantle Junior Football Club (EFJCC & EFJFC)	3,723	8,268
	98,356	96,650

Disclosure of opening and closing balances related to contracts with customers

Information about receivables from contracts with customers along with financial assets and associated liabilities arising from transfers to enable the acquisition or construction of recognisable non financial assets is:

Disclosure of opening and closing balances related to contracts with customers				
Information about receivables from contracts with customers along with financial assets and associated liabilities arising from transfers to enable the acquisition or construction of recognisable non financial assets is:				
Note	30 June 2024 Actual	30 June 2023 Actual	1 July 2022 Actual	
	\$	\$	\$	
Contract assets	6	0	6,829	0
Total trade and other receivables from contracts with customers		0	6,829	0

MATERIAL ACCOUNTING POLICIES

Rates and statutory receivables

Rates and statutory receivables are non-contractual receivables arising from statutory requirements and include amounts due from ratepayers for unpaid rates and service charges and other statutory charges or fines.

Rates and statutory receivables are recognised when the taxable event has occurred and can be measured reliably.

Trade receivables

Trade receivables are amounts receivable from contractual arrangements with customers for goods sold, services performed or grants or contributions with sufficiently specific performance obligations as part of the ordinary course of business.

Other receivables

Other receivables are amounts receivable from contractual arrangements with third parties other than contracts with customers including grants for the construction of recognisable non financial assets.

Measurement

Trade and other receivables are recognised initially at the amount of the transaction price, unless they contain a significant financing component, and are to be recognised at fair value.

Classification and subsequent measurement

Receivables which are generally due for settlement within 30 days except rates receivables which are expected to be collected within 12 months are classified as current assets. All other receivables such as, deferred pensioner rates receivable after the end of the reporting period are classified as non-current assets.

Trade and other receivables are held with the objective to collect the contractual cashflows and therefore the Town measures them subsequently at amortised cost using the effective interest rate method.

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and fair value is considered immaterial.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

6. OTHER ASSETS

	2024 Actual	2023 Actual
	\$	\$
Other assets - current		
Prepayments	118,879	55,155
Accrued income	112,381	105,747
Contract assets	0	6,829
	231,260	167,731

MATERIAL ACCOUNTING POLICIES

Other current assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Contract assets

Contract assets primarily relate to the Town's right to consideration for work completed but not billed at the end of the period.

Where applicable, impairment of assets associated with contracts with customers are detailed at Note 2(b).

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

7. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

Movement in the balances of each class of property, plant and equipment between the beginning and the end of the current financial year.

	Land	Buildings - non-specialised level 3	Buildings - specialised level 3	Total land and buildings	Furniture and equipment	Plant and equipment	Buildings - work in progress	Total property, plant and equipment
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Balance at 1 July 2022	\$ 4,199,000	\$ 509,195	\$ 25,174,621	29,882,816	\$ 226,710	\$ 740,344	\$ 1,005,176	31,855,046
Additions	0	9,291	58,733	68,024	24,413	70,980	12,189,923	12,353,340
Disposals	0	0	(4,793,736)	(4,793,736)	(4,206)	(7,463)	0	(4,805,405)
Revaluation increments / (decrements) transferred to revaluation surplus	125,000	220,426	2,816,351	3,161,777	0	0	0	3,161,777
Depreciation	0	(47,472)	(884,869)	(932,341)	(80,607)	(129,667)	0	(1,142,615)
Transfers	0	0	0	0	0	58,410	(58,410)	0
Balance at 30 June 2023	4,324,000	691,440	22,371,100	27,386,540	166,310	732,604	13,136,689	41,422,143
Comprises:								
Gross balance amount at 30 June 2023	4,324,000	2,243,000	40,797,900	47,364,900	359,020	1,460,139	13,136,689	62,320,748
Accumulated depreciation at 30 June 2023	0	(1,551,560)	(18,426,800)	(19,978,360)	(192,710)	(727,535)	0	(20,898,605)
Balance at 30 June 2023	4,324,000	691,440	22,371,100	27,386,540	166,310	732,604	13,136,689	41,422,143
Additions	0	0	21,342,814	21,342,814	304,877	181,275	318,978	22,147,944
Disposals	0	0	0	0	0	(20,783)	0	(20,783)
Depreciation	0	(47,377)	(890,887)	(938,264)	(59,219)	(140,392)	0	(1,137,875)
Transfers	0		13,014,287	13,014,287	0	0	(13,014,287)	0
Balance at 30 June 2024	4,324,000	644,063	55,837,314	60,805,377	411,968	752,704	441,380	62,411,429
Comprises:								
Gross balance amount at 30 June 2024	4,324,000	2,243,000	75,155,000	81,722,000	657,469	1,532,539	441,380	84,353,388
Accumulated depreciation at 30 June 2024	0	(1,598,937)	(19,317,686)	(20,916,623)	(245,501)	(779,835)	0	(21,941,959)
Balance at 30 June 2024	4,324,000	644,063	55,837,314	60,805,377	411,968	752,704	441,380	62,411,429

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Land and buildings					
Land	Level 2	Market approach using recent observable market data for similar properties/income approach using discount cash flow methodology.	Independent registered valuers	June 2023	An analysed price per square metre rate for a property derived from comparable market transactions.
Land	Level 3	Adjusted market approach using recent observable market data for similar urban fringe properties that are not cleared or developed/income approach using discount cash flow methodology.	Independent registered valuers	June 2023	A financial forecast (such as a cash flow) developed using the entity's own data if there is no reasonably available information that indicates that market participants would use different assumptions.
Buildings - non-specialised level 2	Level 2	Market approach using recent observable market data for similar properties/income approach using discount cash flow methodology.	Independent registered valuers	June 2023	An analysed price per square metre rate for a property derived from comparable market transactions.
Buildings - non-specialised level 3	Level 3	Adjusted market approach using recent observable market data for similar urban fringe properties that are not cleared or developed/income approach using discount cash flow methodology.	Independent registered valuers	June 2023	A financial forecast (such as a cash flow) developed using the entity's own data if there is no reasonably available information that indicates that market participants would use different assumptions.
Buildings - specialised level 3	Level 3	Adjusted market approach using recent observable market data for similar urban fringe properties that are not cleared or developed/income approach using discount cash flow methodology.	Independent registered valuers	June 2023	A financial forecast (such as a cash flow) developed using the entity's own data if there is no reasonably available information that indicates that market participants would use different assumptions.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements (continued)
(i) Fair Value (continued)

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

(ii) Cost			
Furniture and equipment	Cost	Cost	Purchase cost
Plant and equipment	Cost	Cost	Purchase cost

Following a change to *Local Government (Financial Management) Regulation 17A*, plant and equipment type assets (being plant and equipment and furniture and equipment) are to be measured under the cost model, rather than at fair value. This change was effective from 1 July 2019 and represented a change in accounting policy. Revaluations carried out previously were not reversed as it was deemed fair value approximated cost at the date of change.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

8. INFRASTRUCTURE

(a) Movements in Balances

Movement in the balances of each class of infrastructure between the beginning and the end of the current financial year.

	Infrastructure - Roads Actual	Infrastructure - Drainage Actual	Infrastructure - Parks and Ovals Actual	Infrastructure - Footpaths and Cycleways Actual	Infrastructure - Car Parks Actual	Infrastructure - Bus Shelters Actual	Other infrastructure - Work In Progress Actual	Total Infrastructure Actual
Balance at 1 July 2022	\$ 22,326,445	\$ 4,400,680	\$ 4,090,750	\$ 5,624,739	\$ 2,301,881	\$ 211,248	\$ 15,000	\$ 38,970,743
Additions	354,230	56,707	305,347	294,899	0	0	59,041	1,070,224
(Disposals)	0	0	0	0	0	0	(15,000)	(15,000)
Revaluation increments / (decrements) transferred to revaluation surplus	3,664,481	693,398	653,383	901,144	373,595	35,335	0	6,321,336
Depreciation	(315,747)	(55,735)	(119,118)	(89,475)	(28,830)	(8,299)	0	(617,204)
Balance at 30 June 2023	26,029,409	5,095,050	4,930,362	6,731,307	2,646,646	238,284	59,041	45,730,099
Comprises:								
Gross balance at 30 June 2023	26,671,948	5,206,384	5,284,632	6,910,696	2,704,597	255,197	59,041	47,092,495
Accumulated depreciation at 30 June 2023	(642,539)	(111,334)	(354,270)	(179,389)	(57,951)	(16,913)	0	(1,362,396)
Balance at 30 June 2023	26,029,409	5,095,050	4,930,362	6,731,307	2,646,646	238,284	59,041	45,730,099
Additions	87,380	17,562	132,998	250,697	22,160	0	454	511,251
(Disposals)	0	0	0	0	0	0	0	0
Depreciation	(377,397)	(65,444)	(147,623)	(112,081)	(33,591)	(9,646)	0	(745,782)
Transfers	0	0	59,041	0	0	0	(59,041)	0
Balance at 30 June 2024	25,739,392	5,047,168	4,974,778	6,869,923	2,635,215	228,638	454	45,495,568
Comprises:								
Gross balance at 30 June 2024	26,759,328	5,223,946	5,476,671	7,161,394	2,726,758	255,197	454	47,603,748
Accumulated depreciation at 30 June 2024	(1,019,936)	(176,778)	(501,893)	(291,471)	(91,543)	(26,559)	0	(2,108,180)
Balance at 30 June 2024	25,739,392	5,047,168	4,974,778	6,869,923	2,635,215	228,638	454	45,495,568

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

8. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

(i) Fair Value	Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
	Infrastructure - Roads	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2023	Construction cost and current condition, residual value and remaining useful life assessments, ABS Producer Price Index (Index number 3101 Roads and bridge construction Western Australia)
	Infrastructure - Drainage	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2023	Construction cost and current condition, residual value and remaining useful life assessments, ABS Producer Price Index (Index number 3101 Roads and bridge construction Western Australia)
	Infrastructure - Parks and Ovals	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2023	Construction cost and current condition, residual value and remaining useful life assessments, ABS Producer Price Index (Index number 3101 Roads and bridge construction Western Australia)
	Infrastructure - Footpaths and Cycleways	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2023	Construction cost and current condition, residual value and remaining useful life assessments, ABS Producer Price Index (Index number 3101 Roads and bridge construction Western Australia)
	Infrastructure - Car Parks	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2023	Construction cost and current condition, residual value and remaining useful life assessments, ABS Producer Price Index (Index number 3101 Roads and bridge construction Western Australia)
	Infrastructure - Bus Shelters	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2023	Construction cost and current condition, residual value and remaining useful life assessments, ABS Producer Price Index (Index number 3101 Roads and bridge construction Western Australia)

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

The Town of East Fremantle is required to undertake a revaluation of their assets in accordance with the requirements of the *Local Government (Financial Management) Regulations 1996*. During the period there were no changes in the valuation techniques used to determine the fair value of infrastructure using level 3 inputs.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

9. FIXED ASSETS

(a) Depreciation

Depreciation rates

Typical estimated useful lives for the different asset classes for the current and prior years are included in the table below:

Asset Class	Useful life
Land	Not depreciated
Buildings	20 to 70 years
Furniture and equipment	3 to 19 years
Plant and equipment	2 to 20 years
Plant and equipment - Motor Vehicles - Light Fleet	2 to 10 years
Plant and equipment - Motor Vehicles - Heavy Fleet	5 to 10 years
Sealed roads, streets and carparks formation (subgrade)	Not depreciated
Sealed pavement (roads/carparks)	85 to 100 years
Surface (roads/carparks)	30 to 40 years
Surface water channels (roads/carparks)	55 to 60 years
Footpaths	40 to 80 years
Bus Shelter	25 to 30 years
Drainage - Pit	80 years
Drainage - Pipe	80 years
Right-of-use (river seabed)	Based on the remaining lease
Parks and Ovals - minor structure polygon	10 to 70 years
Parks and Ovals - playground polygon	27 years
Parks and Ovals - amenities	18 to 25 years
Parks and Ovals - bin	15 to 20 years
Parks and Ovals - lighting	20 years
Parks and Ovals - playground point	15 to 25 years
Parks and Ovals - playground lines	40 to 70 years
Parks and Ovals - sign	15 to 40 years
Parks and Ovals - fence	25 to 70 years
Parks and Ovals - gate	15 to 40 years
Parks and Ovals - irrigation	30 to 35 years
Parks and Ovals - minor structure	20 to 25 years
Parks and Ovals - other improvements	20 to 25 years
Parks and Ovals - turf	Not depreciated

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

9. FIXED ASSETS (Continued)

MATERIAL ACCOUNTING POLICIES

Initial recognition

An item of property, plant and equipment or infrastructure that qualifies for recognition as an asset is measured at its cost.

Upon initial recognition, cost is determined as the amount paid (or other consideration given) to acquire the assets, plus costs incidental to the acquisition. The cost of non-current assets constructed by the Town includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads. For assets acquired at zero cost or otherwise significantly less than fair value, cost is determined as fair value at the date of acquisition.

Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with *Local Government (Financial Management) Regulation 17A(5)*. These assets are expensed immediately.

Where multiple individual low value assets are purchased together as part of a larger asset or collectively forming a larger asset exceeding the threshold, the individual assets are recognised as one asset and capitalised.

Individual assets that are land, buildings and infrastructure acquired between scheduled revaluation dates of the asset class in accordance with the Town's revaluation policy, are recognised at cost and disclosed as being at reportable value.

Measurement after recognition

Plant and equipment including furniture and equipment and right-of-use assets (other than vested improvements) are measured using the cost model as required under *Local Government (Financial Management) Regulation 17A(2)*. Assets held under the cost model are carried at cost less accumulated depreciation and any impairment losses.

Reportable Value

In accordance with *Local Government (Financial Management) Regulation 17A(2)*, the carrying amount of non-financial assets that are land and buildings classified as property, plant and equipment, investment properties, infrastructure or vested improvements that the local government controls.

Reportable value for the purposes of *Local Government (Financial Management) Regulation 17A(4)* is the fair value of the asset at its last valuation date minus (to the extent applicable) the accumulated depreciation and any accumulated impairment losses in respect of the non-financial asset subsequent to its last valuation date.

Revaluation

Land and buildings classified as property, plant and equipment, infrastructure or vested improvements that the local government controls and measured at reportable value, are only required to be revalued every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were

Depreciation

The depreciable amount of all property, plant and equipment and infrastructure, are depreciated on a straight-line basis over the individual asset's useful life 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 life of the improvements.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Depreciation on revaluation

When an item of property, plant and equipment and infrastructure is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

- (i) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset.
- (ii) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Impairment

In accordance with *Local Government (Financial Management) Regulations 17A(4C)*, the Town is not required to comply with *AASB136 Impairment of Assets* to determine the recoverable amount of its non-financial assets that are land or buildings classified as property, plant and equipment, infrastructure or vested improvements that the local government controls in circumstances where there has been an impairment indication of a general decrease in asset values.

In other circumstances where it has been assessed that one or more these non-financial assets are impaired, the 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 or losses on disposal

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income in the period in which they arise.

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

10. LEASES

(a) Right-of-Use Assets

		Right-of-use assets - Land - Property, Plant and Equipment	Right-of-use assets Total
Movement in the balance of each class of right-of-use asset between the beginning and the end of the current financial year.	Note	Actual	Actual
		\$	\$
Balance at 1 July 2022		238,311	238,311
Adjustment		28,226	28,226
Depreciation		(57,930)	(57,930)
Balance at 30 June 2023		208,607	208,607
Adjustment		(3,610)	(3,610)
Depreciation		(62,507)	(62,507)
Balance at 30 June 2024		142,490	142,490

The following amounts were recognised in the statement of comprehensive income during the period in respect of leases where the entity is the lessee:

		2024 Actual	2023 Actual
		\$	\$
Depreciation on right-of-use assets		(62,507)	(57,930)
Finance charge on lease liabilities	27(b)	(6,739)	(6,804)
Total amount recognised in the statement of comprehensive income		(69,246)	(64,734)
Total cash outflow from leases		(47,806)	(47,420)
(b) Lease Liabilities			
Current		45,114	44,114
Non-current		152,623	198,300
	27(b)	197,737	242,414

Secured liabilities and assets pledged as security

Lease liabilities are effectively secured, as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

10. LEASES (Continued)

MATERIAL ACCOUNTING POLICIES

Leases

At inception of a contract, the Town assesses if the contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date, a right-of-use asset is recognised at cost and lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Town uses its incremental borrowing rate.

All contracts that are classified as short-term leases (i.e. a lease with a term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Details of individual lease liabilities required by regulations are provided at Note 27(b).

Right-of-use assets - measurement

Right-of-use assets are measured at cost. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not recognised in the Statement of Financial Position). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value.

Refer to Note 9 under revaluation for details on the significant accounting policies applying to vested improvements.

Right-of-use assets - depreciation

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shorter. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the Town anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

10. LEASES (Continued)

(c) Lessor - Property, Plant and Equipment Subject to Lease

The table below represents a maturity analysis of the undiscounted lease payments to be received after the reporting date.

Less than 1 year

1 to 2 years

2 to 3 years

3 to 4 years

4 to 5 years

> 5 years

2024 Actual	2023 Actual
\$	\$
307,139	264,028
192,242	159,037
177,362	159,037
159,016	157,600
138,486	152,818
830,147	894,944
1,804,392	1,787,464
436,971	411,430

Amounts recognised in profit or loss for Property, Plant and Equipment Subject to Lease

Rental income

The Town leases buildings and other community facilities to commercial organisations, members of the public and to community groups under lease agreement.

These leases are classified as operating leases as they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Lease payments for some agreements include CPI increases, but there are no other variable lease payments that depend on an index or rate.

MATERIAL ACCOUNTING POLICIES

The Town as Lessor

Upon entering into each contract as a lessor, the Town assesses if the lease is a finance or operating lease.

The contract is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases not within this definition are classified as operating leases. Rental income received from operating leases is recognised on a straight-line basis over the term of the specific lease.

Initial direct costs incurred in entering into an operating lease (e.g. legal cost, cost to setup) are included in the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

When a contract is determined to include lease and non-lease components, the Town applies AASB 15 to allocate the consideration under the contract to each component.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

11. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Prepaid rates
Accrued payroll liabilities
ATO liabilities
Bonds and deposits held
Accrued interest on borrowings

2024 Actual	2023 Actual
\$	\$
657,708	3,996,414
77,748	67,184
58,973	52,317
155,814	149,869
621,711	485,195
37,783	0
1,609,737	4,750,979

MATERIAL ACCOUNTING POLICIES

Financial liabilities

Financial liabilities are initially recognised at fair value when the Town becomes a party to the contractual provisions of the instrument.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and any consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Town prior to the end of the financial year that are unpaid and arise when the Town becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Prepaid rates

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the Town recognises income for the prepaid rates that have not been refunded.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

12. OTHER LIABILITIES

Current

Contract liabilities
Capital grant/contributions liabilities
Income in advance

2024	2023
Actual	Actual
\$	\$
0	82,553
338,200	6,555,491
2,142	4,071
340,342	6,642,115
Reconciliation of changes in contract liabilities	
Opening balance	146,910
Additions	82,553
Revenue from contracts with customers included as a contract liability at the start of the period	(146,910)
0	82,553
Reconciliation of changes in capital grant/contribution liabilities	
Opening balance	1,654,706
Additions	6,555,491
Revenue from capital grant/contributions held as a liability at the start of the period	(1,654,706)
338,200	6,555,491
Expected satisfaction of capital grant/contribution liabilities	
Less than 1 year	6,555,491
338,200	6,555,491

The aggregate amount of the performance obligations unsatisfied (or partially unsatisfied) in relation to these contract liabilities was Nil. (2023: \$82,553)

Performance obligations in relation to capital grant/contribution liabilities are satisfied as project milestones are met or completion of construction or acquisition of the asset.

MATERIAL ACCOUNTING POLICIES

Contract liabilities

Contract liabilities represent the Town's obligation to transfer goods or services to a customer for which the Town has received consideration from the customer.

Contract liabilities represent obligations which are not yet satisfied. Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

Capital grant/contribution liabilities

Capital grant/contribution liabilities represent the Town's obligations to construct recognisable non-financial assets to identified specifications to be controlled by the Town which are yet to be satisfied. Capital grant/contribution liabilities are recognised as income when the obligations in the contract are satisfied.

Fair values for non-current capital grant/contribution liabilities, not expected to be extinguished within 12 months, are based on discounted cash flows of expected cashflows to satisfy the obligations using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 24(i)) due to the unobservable inputs, including own credit risk.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

13. BORROWINGS

		2024			2023		
	Note	Current Actual	Non-current Actual	Total Actual	Current Actual	Non-current Actual	Total Actual
Secured		\$	\$	\$	\$	\$	\$
Debentures		150,564	4,576,802	4,727,366	5,068	94,112	99,180
Total secured borrowings	27(a)	150,564	4,576,802	4,727,366	5,068	94,112	99,180

Secured liabilities and assets pledged as security

Debentures, bank overdrafts and bank loans are secured by a floating charge over the assets of the Town of East Fremantle.

The Town of East Fremantle has complied with the financial covenants of its borrowing facilities during the 2024 and 2023 years.

MATERIAL ACCOUNTING POLICIES

Borrowing costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.

Fair values of borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short term nature. Borrowings fair values are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 24(i)) due to the unobservable inputs, including own credit risk.

Risk

Details of individual borrowings required by regulations are provided at Note 27(a).

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

14. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

Current provisions

Employee benefit provisions

Annual leave

Long service leave

Provision for rostered days off

Provision for time in lieu

Total current employee related provisions

Non-current provisions

Employee benefit provisions

Long service leave

Total non-current employee related provisions

Total employee related provisions

2024 Actual	2023 Actual
\$	\$
482,336	430,041
284,572	281,751
34,279	37,522
5,518	7,913
806,705	757,227
193,595	125,624
193,595	125,624
1,000,300	882,851

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave and associated on costs for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

MATERIAL ACCOUNTING POLICIES

Employee benefits

The Town's obligations for employees' annual leave, long service leave and other employee leave entitlements are recognised as employee related provisions in the Statement of Financial Position.

Short-term employee benefits

Provision is made for the Town's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Town's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

Long-term employee benefits provisions are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Town's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Town does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

15. OTHER PROVISIONS

	Equity Contribution - Investment in Associate	Settlement Agreement - Investment in Associate	Total
	\$	\$	\$
Opening balance at 1 July 2022	0	0	0
Additional provision	268,434	0	268,434
Balance at 30 June 2023	268,434	0	268,434
Opening balance at 1 July 2023	268,434	0	268,434
Additional provision	0	80,000	80,000
Unused amounts reversed	(268,434)	0	(268,434)
Balance at 30 June 2024	0	0	80,000
Comprises			
Current	0	80,000	80,000
	0	80,000	80,000

MATERIAL ACCOUNTING POLICIES

Provisions

Provisions are recognised when the Town has a present 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.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

16. REVALUATION SURPLUS

	2024 Opening Balance Actual	Total Movement on Revaluation Actual	2024 Closing Balance Actual	2023 Opening Balance Actual	Total Movement on Revaluation Actual	2023 Closing Balance Actual
	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	5,234,000	0	5,234,000	5,109,000	125,000	5,234,000
Revaluation surplus - Buildings - non-specialised level 2	17,223	0	17,223	17,223	0	17,223
Revaluation surplus - Buildings - non-specialised level 3	805,806	0	805,806	585,380	220,426	805,806
Revaluation surplus - Buildings - specialised level 3	13,974,761	0	13,974,761	11,158,410	2,816,351	13,974,761
Revaluation surplus - Plant and equipment	469,638	0	469,638	469,638	0	469,638
Revaluation surplus - Infrastructure - Roads	18,869,905	0	18,869,905	15,205,424	3,664,481	18,869,905
Revaluation surplus - Infrastructure - Drainage	4,034,587	0	4,034,587	3,341,189	693,398	4,034,587
Revaluation surplus - Infrastructure - Parks and Ovals	2,452,427	0	2,452,427	1,799,044	653,383	2,452,427
Revaluation surplus - Infrastructure - Footpaths and Cycleways	3,232,157	0	3,232,157	2,331,013	901,144	3,232,157
Revaluation surplus - Infrastructure - Car Parks	590,002	0	590,002	216,407	373,595	590,002
Revaluation surplus - Infrastructure - Bus Shelters	151,785	0	151,785	116,450	35,335	151,785
	49,832,291	0	49,832,291	40,349,178	9,483,113	49,832,291
Revaluation surplus - Share from investments in associates	479,167	(479,167)	0	479,167	0	479,167
	50,311,458	(479,167)	49,832,291	40,828,345	9,483,113	50,311,458

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

17. RESTRICTIONS OVER FINANCIAL ASSETS

	Note	2024 Actual \$	2023 Actual \$
The following classes of financial assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:			
- Cash and cash equivalents	3	338,200	9,276,977
- Financial assets at amortised cost	4	2,710,049	0
		3,048,249	9,276,977

The restricted financial assets are a result of the following specific purposes to which the assets may be used:

Restricted reserve accounts	28	2,710,049	2,638,933
Contract liabilities	12	0	82,553
Capital grant liabilities	12	338,200	6,555,491
Total restricted financial assets		3,048,249	9,276,977

**18. UNDRAWN BORROWING FACILITIES AND CREDIT
STANDBY ARRANGEMENTS**

Bank overdraft limit	1,000,000	1,000,000
Bank overdraft at balance date	0	0
Credit card limit	20,000	20,000
Credit card balance at balance date	(50)	(4,178)
Total amount of credit unused	1,019,950	1,015,822

Loan facilities

Loan facilities - current	150,564	5,068
Loan facilities - non-current	4,576,802	94,112
Total facilities in use at balance date	4,727,366	99,180

Unused loan facilities at balance date	0	0
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**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

19. CONTINGENT LIABILITIES

Bank Guarantee

The Town has provided a bank guarantee in favour of the Department of Parks and Wildlife for the amount of \$41,676. The bank guarantee has been issued in accordance with the requirements of the Riverbed lease for the boat pens in the Swan River, East Fremantle.

20. CAPITAL COMMITMENTS

	2024 Actual	2023 Actual
	\$	\$
Contracted for:		
- contract liabilities for capital works	743,829	24,638,083
- plant & equipment purchases	107,676	0
	851,505	24,638,083
Payable:		
- not later than one year	851,505	24,638,083

The capital expenditure projects outstanding at the end of the current reporting period represent:

- Fremantle Women's Soccer Club	727,006
- Other Capital Projects	16,823
- plant & equipment purchases	107,676
	851,505

The prior year related to:

- East Fremantle Oval Redevelopment Project	24,564,879
- Fremantle Women's Soccer Club	73,204
	24,638,083

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

21. RELATED PARTY TRANSACTIONS

(a) Elected Member Remuneration

Fees, expenses and allowances to be paid or reimbursed to elected council members.

Note	2024 Actual \$	2024 Budget \$	2023 Actual \$
Mayor's annual allowance	38,450	38,450	28,560
Mayor's meeting attendance fees	26,370	26,370	25,500
Mayor's ICT expenses	3,500	3,500	3,500
	68,320	68,320	57,560
Deputy Mayor's annual allowance	9,612	9,612	7,140
Deputy Mayor's meeting attendance fees	17,030	17,030	15,810
Deputy Mayor's ICT expenses	3,500	3,500	3,500
	30,142	30,142	26,450
All other council member's meeting attendance fees	113,945	119,210	108,035
All other council member's ICT expenses	23,418	24,500	23,917
	137,363	143,710	131,952
21(b)	235,825	242,172	215,962

Fees, expenses and allowances to be paid or reimbursed to elected council members.

Note	2024 Actual \$	2024 Budget \$	2023 Actual \$
Mayor's annual allowance	38,450	38,450	28,560
Deputy Mayor's annual allowance	9,612	9,612	7,140
Meeting attendance fees	157,345	162,610	149,345
Annual allowance for ICT expenses	30,418	31,500	30,917
21(b)	235,825	242,172	215,962

(b) Key Management Personnel (KMP) Compensation

The total of compensation paid to KMP of the Town during the year are as follows:

Note	2024 Actual \$	2023 Actual \$
Short-term employee benefits	674,144	671,005
Post-employment benefits	82,707	86,491
Employee - other long-term benefits	75,490	72,275
Employee - termination benefits	0	43,228
Council member costs	235,825	215,962
	1,068,166	1,088,961

Short-term employee benefits

These amounts include all salary and fringe benefits awarded to KMP except for details in respect to fees and benefits paid to council members which may be separately found in the table above.

Post-employment benefits

These amounts are the current-year's cost of the Town's superannuation contributions made during the year.

Other long-term benefits

These amounts represent annual leave and long service leave entitlements accruing during the year.

Termination benefits

These amounts represent termination benefits paid to KMP (Note: may or may not be applicable in any given year).

Council member costs

These amounts represent payments of member fees, expenses, allowances and reimbursements during the year.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

21. RELATED PARTY TRANSACTIONS

Transactions with related parties

Transactions between related parties and the Town are on normal commercial terms and conditions, no more favourable than those available to other parties, unless otherwise stated.

In addition to KMP compensation above the following transactions occurred with related parties:

	2024 Actual \$	2023 Actual \$
Purchase of goods and services	539,686	581,339
Loan Repayments (including interest & guarantee fee)	9,582	99,675
Annual contribution towards operating expenditure	27,690	29,704
Amounts payable to related parties:		
Trade and other payables	45,597	51,117

Related Parties

The Town's main related parties are as follows:

i. Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any council member, are considered key management personnel and are detailed in Notes 21(a) and 21(b)

ii. Other Related Parties

An associate person of KMP was employed by the Town under normal employment terms and conditions.

Any entity that is controlled by or over which KMP, or close family members of KMP, have authority and responsibility for planning, directing and controlling the activity of the entity, directly or indirectly, are considered related parties in relation to the Town.

iii. Entities subject to significant influence by the Town

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence.

Significant influence may be gained by share ownership, statute or agreement.

During the financial year 2023/24, the Town of East Fremantle was a participant in the Regional Resource Recovery Centre (RRRC).

The RRRC is controlled by a regional local government established in accordance with the *Local Government Act 1995*.

The regional local government, being the Resource Recovery Group (RRG - formerly SMRC), consists of four local governments which are participants in the RRRC. Participating local governments are required to contribute an annual fee to cover the capital cost in the establishment of the facility and pay gate fees for each tonne of waste they deliver to the facility to cover the operating costs.

Transactions between parties are on normal commercial terms.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

22. INVESTMENT IN ASSOCIATES

(a) Investment in associates

Set out in the table below were the associates of the Town during the year. All associates are measured using the equity method. Western Australia is the principal place of business for all associates.

Note 1: Resource Recovery Group (RRG - formerly SMRC)

Note 2: The Town, in this year ended 30 June 2024, accounted for its withdrawal from the RRG at 30 June 2024. The following note 22. provides details of the investment in associate prior to the withdrawal.

Name of entity	% of ownership interest		2024	2023
	2024	2023	Actual	Actual
			\$	\$
Resource Recovery Group (RRG) - Existing Undertakings Proportional Equity Share	5.38%	5.38%		
Resource Recovery Group (RRG) - Office Accommodation Project Proportional Equity Share	5.43%	5.44%		
Resource Recovery Group (RRG) - RRRC Project Proportional Equity Share	5.37%	5.37%		
Resource Recovery Group (RRG) - Consolidated			614,451	871,324
Total equity-accounted investments prior to accounting for the Town's withdrawal			614,451	871,324
Withdrawal from Resource Recovery Group as at 30 June 2024	0.00%		(614,451)	0
Total equity-accounted investments at 30 June 2024	Note 23		0	0

Reference note 23 as the Town has no entitlement to a share of equity due to post negotiations with the RRG.

(b) Share of investment in RRG

The Resource Recovery Group (RRG) is a statutory local government authority established in 1991 by the local governments of Canning, Cockburn, Fremantle, East Fremantle, Kwinana, Melville and Rockingham.

Contractual sharing arrangements exist between the Town and the Resource Recovery Group (RRG), a legal constituted regional local government entity, for the provision of waste services. Control of the RRG rests with the RRG Council, which is comprised of a member from each participant Council.

According to clause 8.4 of the Establishment Agreement, a decision to proceed with a project, by project participants, is required to be unanimous. All other decisions of the RRG require a simple majority, with the exception of decisions requiring an absolute majority in accordance with the *Local Government Act 1995* and the decision to consider a project proposal.

As the Town currently had 33.33% voting rights in the RRG during its investment, it is considered to have significant influence over the RRG and meets the definition of an associate under AASB 128.3. Investment in the RRG as an associate is required by AASB 128.16 to be accounted for using the Equity Method.

Member local governments may participate in regional projects that are governed by a Participants Project Agreement. There are two core projects, being:

1. The Regional Resource Recovery Centre (RRRC) Project, and;
2. The Office Accommodation Project.

Both projects were established through separate project participants' agreements. In addition to the above two projects, the support activities of the RRG such as Administrative activities, Education and Marketing, Research and Development, are referred to as Existing Undertakings.

Over the period the following local governments have since withdrawn from the Regional Council: City of Canning in June 2010, City of Rockingham in June 2012, the City of Cockburn in June 2019, City of Kwinana in June 2021 and the Town of East Fremantle 2024.

(i) Existing Undertakings

The historical annual contributions made by Participants to the Existing Undertakings are used to determine the proportional contribution percentage of each Participant to the Existing Undertakings.

The Town's share as at 30 June 2024 prior to accounting for its withdrawal was:

RRG Existing Undertakings Proportional Equity Share **5.38%**

(ii) Regional Resource Recovery Centre (RRRC) Project

RRRC Project Participants shall make an annual contribution towards the acquisition of any asset of a capital nature required by the Project, plus pay gate fees for each tonne of waste they deliver to the facility to cover the operating costs.

The annual contribution shall be an amount which bears the same proportion to the cost of the acquisition disclosed in the Project Budget for the financial year as the Population of the Project Participant bears to the total of the Populations of all Project Participants.

The capital costs for each participating Local Government member is based on the Australian Bureau of Statistics population statistics. Each project participant will develop equity in the project equal to the relevant proportion of the total capital loan repayments made by that project participant.

The Town's share as at 30 June 2024 prior to accounting for its withdrawal was:

RRRC Project Proportional Equity Share **5.37%**

RRRC - Lending Facility

The Capital construction of the RRRC facility was funded by borrowings from Western Australian Treasury Corporation (WATC). The lending facility was fully repaid on 30 June 2023.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

22. INVESTMENT IN ASSOCIATES (Continued)

(b) Share of investment in RRG (Continued)

(iii) Office Accommodation Project

The Office Accommodation Project pertains to RRG's Office located at 9 Aldous Place, Booragoon, Western Australia.

The Town's equity share of the project was based on proportional population.

The Town's share as at 30 June 2024 prior to accounting for its withdrawal was:

Office Accommodation Project Proportional Equity Share

5.43%

Office Accommodation - Lending facility

As a RRG participant, the Town guaranteed by way of security to the Western Australian Treasury Corporation, a charge over its' general funds for its' share of any outstanding debenture borrowings provided for the RRG administration building at 9 Aldous Place Booragoon. This facility has a limit of \$2 million.

As at 30 June 2024, prior to the Town's withdrawal, the balance outstanding against the lending facility stood at:

\$1,708,024

with the Town's share of this liability being:

\$92,404

using the current cost/profit sharing percentage of:

5.41%

Reference note 23 as loan has been de-recognised as at 30 June 2024 because the Town has no obligation regarding the liability.

Summarised statement of comprehensive income

Note	2024 Actual \$	2023 Audited* \$	2023 Unaudited** \$
Revenue	19,965,277	15,752,088	16,513,136
Interest revenue	341,382	238,952	238,952
Finance charge	(293,991)	(414,999)	(414,999)
Depreciation	(3,693,580)	(4,740,547)	(4,740,647)
Profit/(loss) from continuing operations	(2,485,583)	(9,105,243)	(9,519,311)
Profit/(loss) for the period	(2,485,583)	(9,105,243)	(9,519,311)
Other comprehensive income - Impairment of RRRC WCF assets	0	(6,963,290)	(6,963,290)
Total comprehensive income for the period	(2,485,583)	(16,068,533)	(16,482,601)

Summarised statement of financial position

Cash and cash equivalents	3,705,332	4,756,898	4,756,898
Other current assets	9,731,408	9,326,355	9,326,355
Total current assets	13,436,740	14,083,253	14,083,253
Non-current assets	16,532,226	19,505,812	19,091,744
Total assets	29,968,966	33,589,065	33,174,997
Current financial liabilities	95,824	91,976	91,976
Other current liabilities	6,823,005	7,236,483	4,284,468
Total current liabilities	6,918,829	7,328,459	4,376,444
Non-current financial liabilities	1,612,200	1,708,024	1,708,024
Other non-current liabilities	10,020,977	10,650,038	10,650,038
Total non-current liabilities	11,633,177	12,358,062	12,358,062
Total liabilities	18,552,006	19,686,521	16,734,506
Net assets	11,416,960	13,902,544	16,440,491
Reconciliation to carrying amounts			
Opening net assets 1 July	13,902,544	32,923,092	32,923,092
Profit/(Loss) for the period	(2,485,583)	(9,105,243)	(9,519,311)
Other comprehensive income - Impairment of RRRC WCF assets	0	(6,963,290)	(6,963,290)
Recognition of Canning/Cockburn former Equity in RRG	0	(2,952,015)	0
Closing net assets 1 July	11,416,961	13,902,544	16,440,491
Carrying amount at 1 July	871,328	1,382,443	1,382,443
- Share of associates net profit/(loss) for the period	(133,413)	(623,156)	(768,130)
- Share of associates other comprehensive income arising during the period	0	0	0
- Change to Accounting Estimate from Prior Year	144,974	(11,419)	(11,419)
- Provision for Contribution to equity in associate	(268,434)	268,434	268,434
- Disposal / Divestment of Investment in Associate	(614,455)	0	0
Carrying amount at 30 June (Refer to Note 22(a))	0	1,016,302	871,328

* 2023 Actuals have been restated for the purposes of this note only showing the audited results of the RRG.

**Due to the timing of information received by RRG and finalising of the Town's financial statements, the Town accounts for unaudited financial information provided by the RRG (Accounting Estimate). Any changes in the accounting estimate between the audited and unaudited accounts of the RRG are accounted for in the following financial year.

In 2022/23 the Town provided for a share of associates net profit/(loss) of (\$768,130) - unaudited, whereas the audited accounts provided for a share of associates net profit/(loss) of (\$623,156). A difference of (\$144,974) has been accounted for in the 2023/24 financial year.

The share of associates net profit/(loss) and comprehensive income of \$11,561 is presented in the 2023/24 financial year.

The asset value of Investments in Associates (RRG) presented in the 2023 Annual Financial Statements was \$871,328 (unaudited) versus the \$1,016,302 audited value presented in this Note. In accordance with AASB 108 - changes in accounting estimates, prior year actuals have not been amended throughout the remainder of the 2023/24 Financial Statements.

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

22. INVESTMENT IN ASSOCIATES (Continued)

(c) Share of associates net profit/(loss) for the period
Share of investment in RRG (refer to Note 22(b))

2024 Actual	2023 Audited*	2023 Unaudited**
\$	\$	\$
11,561	(634,575)	(779,549)
11,561	(634,575)	(779,549)

MATERIAL ACCOUNTING POLICIES

Investments in associates

An associate is an entity over which the Town has significant influence, that is it has the power to participate in the financial and operating policy decisions of the investee but not not control or joint control of those policies.

Investments in associates are accounted for using the equity method. The equity method of accounting, is whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Town's share of net assets of the associate. In addition, the Town's share of the profit or loss of the associate is included in the Town's profit or loss.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

23. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

The Town, at its Ordinary Council Meeting held on 20 June 2023 resolved to commence its withdrawal from the RRG, effective 1 July 2024. On 18 June 2024, at its Ordinary Council Meeting, noted a letter from the RRG (dated 24 May 2024), and resolved as follows:

That Council, with respect to the Town of East Fremantle's withdrawal from the Resource Recovery Group (effective from 1 July 2024):

- 1. notes the letter from the Resource Recovery Group dated 24 May 2024 advising of the requirement for the Town to fund amended Business Plans at an estimated cost of \$200,000.*
- 2. notes the last paragraph in the letter from the Resource Recovery Group which leaves it open for the Town of East Fremantle to propose an alternative pathway.*
- 3. notes the information contained within the agenda report which concludes that the Town is unlikely to receive an equity payment upon withdrawal which will exceed the cost of the Amended Business Plans.*
- 4. authorises the Chief Executive Officer to contact the Resource Recovery Group and propose an alternative pathway in accordance with the options detailed in this report, with a view of avoiding the cost of the amended Business Plans.*

Following this resolution the Town's Chief Executive Officer entered negotiations for an exit pathway for the Town of East Fremantle's withdrawal from the Resource Recovery Group, with a view of mitigating risks and avoiding any trailing liabilities. Following negotiations, a Deed of Settlement was prepared which provides a full release from any further obligations including the loan liability for the Office Accommodation Project in exchange for a Settlement Sum of \$80,000.

Council at its Ordinary Council Meeting held on 20 August 2024 resolved in support of the Deed of Settlement as follows:

That Council, with respect to the Town of East Fremantle's withdrawal from the Resource Recovery Group:

- 1. authorises the Chief Executive Officer to sign a Deed of Settlement as per the terms outlined in this report, subject to a formal offer being received from the Resource Recovery Group.*
- 2. pursuant to section 6.8 (1)(2) of the Local Government Act 1995, authorises by absolute majority, a variation to the 2024/25 Budget as follows, resulting in a nil change in net current assets at 30 June 2025:*

Account Number	Description	Adopted Budget	Amended Budget	Variance
352	Transfer from Strategic Waste Reserve	\$0	\$80,000	\$80,000
	Settlement Payment – Resource Recovery Group	\$0	(\$80,000)	(\$80,000)
				\$0

Following, the RRG at its meeting held on 22 August 2024 resolved as follows:

Items 15.1 to 15.6 were moved en bloc

15.1 MEMBER COUNCIL WITHDRAWAL – TOWN OF EAST FREMANTLE

COUNCIL RESOLUTION

24.08-09 **MOVED:** Cr H Fitzhardinge **SECONDED:** Cr K Wheatland

CEO RECOMMENDATION:

That the Regional Council endorse the draft deed of settlement for the withdrawal of the Town of East Fremantle and give the CEO delegated authority to negotiate final terms and execute the Deed of Settlement on behalf of RRG.

For Cr K Wheatland, Cr H Fitzhardinge
CARRIED 2/0

The Settlement Agreement was entered into following the end of this reporting period, however due to the nature and timing of the events, the Town has deemed this to be an adjustment event in accordance with AASB 110 and has accounted for the event in the reporting period ended 30 June 2024 by:

1. Recognising a provision for the amount of the Settlement Sum of \$80,000 to be paid in 2024/25; and
2. Disposal of the Investment in Associate (RRG) including any obligations to the remaining loan borrowings.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

24. OTHER MATERIAL ACCOUNTING POLICIES

a) 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 (ATO).

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

b) Current and non-current classification

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Town's operational cycle. In the case of liabilities where the Town does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current or non-current based on the Town's intentions to release for sale.

c) Rounding off figures

All figures shown in this annual financial report, other than a rate in the dollar, are rounded to the nearest dollar. Amounts are presented in Australian Dollars.

d) Comparative figures

Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

When the Town applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements that has a material effect on the statement of financial position, an additional (third) Statement of Financial Position as at the beginning of the preceding period in addition to the minimum comparative financial report is presented.

e) Budget comparative figures

Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the original budget estimate for the relevant item of disclosure.

f) Superannuation

The Town contributes to a number of Superannuation Funds on behalf of employees. All funds to which the Town contributes are defined contribution plans.

g) Fair value of assets and liabilities

Fair value is the price that the Town would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

h) Interest revenue

Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset measured at amortised cost except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

i) Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Town selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Town are consistent with one or more of the following valuation approaches:

Market approach

Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach

Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach

Valuation techniques that reflect the current replacement cost of the service capacity of an asset.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Town gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

j) Impairment of assets

In accordance with Australian Accounting Standards the Town's assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

25. RATING INFORMATION

General Rates

RATE TYPE				2023/24 Actual Rateable Value	2023/24 Actual Rate Revenue	2023/24 Actual Interim Rates	2023/24 Actual Total Revenue	2023/24 Budget Rate Revenue	2023/24 Budget Interim Rate	2023/24 Budget Total Revenue	2022/23 Actual Total Revenue
Rate Description	Basis of valuation	Rate in \$	Number of Properties	\$	\$	\$	\$	\$	\$	\$	\$
Residential	Gross rental valuation	0.06893	2,967	104,555,160	7,205,159	17,577	7,222,736	7,203,532	19,399	7,222,931	6,888,776
Commercial	Gross rental valuation	0.11684	120	12,639,425	1,439,790	31,829	1,471,619	1,439,790	0	1,439,790	1,380,095
Total general rates			3,087	117,194,585	8,644,949	49,406	8,694,355	8,643,322	19,399	8,662,721	8,268,871
Minimum payment											
Residential	Gross rental valuation	1,184	336	5,267,300	417,648	0	417,648	417,648	0	417,648	389,536
Commercial	Gross rental valuation	1,770	7	62,500	13,013	0	13,013	13,013	0	13,013	19,470
Total minimum payments			343	5,329,800	430,661	0	430,661	430,661	0	430,661	409,006
Total general rates and minimum payments			3,430	122,524,385	9,075,610	49,406	9,125,016	9,073,983	19,399	9,093,382	8,677,877
Concession on general rates							0			0	0
Total Rates							9,125,016			9,093,382	8,677,877
Rate instalment interest							38,058			37,440	36,020
Rate overdue interest							28,717			22,000	17,278

The rate revenue was recognised from the rate record as soon as practicable after the Town resolved to impose rates in the financial year as well as when the rate record was amended to ensure the information in the record was current and correct.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

26. DETERMINATION OF SURPLUS OR DEFICIT

		2023/24 Actual (30 June 2024 Carried Forward)	2022/23 Budget (30 June 2024 Carried Forward)	2022/23 Actual (30 June 2023 Carried Forward)
Note		\$	\$	\$
(a) Non-cash amounts excluded from operating activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to operating activities				
Less: Profit on asset disposals		(61,265)	(85,200)	(41,577)
Less: Population adjustment to SMRC Loan Balance		(1,800)	0	(1,302)
Less: Fair value adjustments to financial assets at fair value through profit or loss		(1,681)	0	(3,686)
Less: Share of net profit of associates and joint ventures accounted for using the equity method		(11,561)	0	779,549
Add: Loss on disposal of assets/investment in associate		42,880	0	4,797,942
Add: Depreciation		1,946,164	2,166,530	1,817,749
Non-cash movements in non-current assets and liabilities:				
Pensioner deferred rates		(9,251)	0	(9,457)
Employee benefit provisions		67,971	0	42,507
Non-current receivables		7,543	0	8,661
Movement from WIP to the Operating Statement		0	0	15,000
Non-cash amounts excluded from operating activities		1,979,000	2,081,330	7,405,386
(b) Non-cash amounts excluded from investing activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to investing activities within the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to investing activities				
Non cash payments for investments in associates		(268,434)	0	268,434
Non-cash amounts excluded from investing activities		(268,434)	0	268,434
(c) Surplus or deficit after imposition of general rates				
The following current assets and liabilities have been excluded from the net current assets used in the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
Adjustments to net current assets				
Less: Reserve accounts	28	(2,710,049)	(3,018,128)	(2,638,933)
Add: Current liabilities not expected to be cleared at end of year				
- Current portion of borrowings	13	150,564	4,825,570	5,068
- Current provision for equity contribution - Investment in Associate		0	0	268,434
- Current portion of lease liabilities	10(b)	45,114	0	44,114
Total adjustments to net current assets		(2,514,371)	1,807,442	(2,321,317)
Net current assets used in the Statement of Financial Activity				
Total current assets		6,457,638	5,663,556	15,540,986
Less: Total current liabilities		(3,032,462)	(7,470,998)	(12,467,937)
Less: Total adjustments to net current assets		(2,514,371)	1,807,442	(2,321,317)
Surplus or deficit after imposition of general rates		910,805	0	751,732

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

27. BORROWING AND LEASE LIABILITIES

(a) Borrowings

		Actual										Budget			
Purpose	Note														
		Principal at 1	New Loans	Principal	Population		New Loans	Principal	Population	Divestment of	Principal at	Principal at 1	New Loans	Principal	
		July 2022	During 2022-23	Repayments During 2022-23	Adjustment to Loan Principal	Principal at 30 June 2023	During 2023-24	Repayments During 2023-24	Adjustment to Loan Principal	Investment in Associate	30 June 2024	July 2023	During 2023-24	Repayments During 2023-24	Principal at 30 June 2024
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
RRG - Regional Resource Recovery Centre		98,204	0	(97,259)	(945)	0	0	0	0	0	0	0	0	0	0
RRG - Administration Building *		99,537	0	0	(357)	99,180	0	(4,976)	(1,800)	(92,404)	0	75,780	0	0	75,780
East Fremantle Community Park Redevelopment		0	0	0	0	0	4,800,000	(72,634)	0	0	4,727,366	0	4,800,000	(72,634)	4,727,366
Total		197,741	0	(97,259)	(1,302)	99,180	4,800,000	(77,610)	(1,800)	(92,404)	4,727,366	75,780	4,800,000	(72,634)	4,803,146

Borrowing Finance Cost Payments

					Actual for year ended	Budget for year ended	Actual for year ended
Purpose	Note	Loan Number	Institution	Interest Rate	30 June 2024	30 June 2024	30 June 2023
					\$	\$	\$
RRG - Regional Resource Recovery Centre		Various	WATC	Various	0	0	(2,621)
RRG - Administration Building *		2-7	WATC	0.35%	(4,606)	(5,157)	0
East Fremantle Community Park Redevelopment		185	WATC	4.82%	(159,116)	0	0
Total					(163,722)	(5,157)	(2,621)
Total Finance Cost Payments					(163,722)	(5,157)	(2,621)

* The Town's share of RRG Loan Liability is adjusted annually based on proportional population of member local governments.

* As per the Settlement Agreement entered into between the Town and the RRG, the Town has no further obligations in respect of the RRGs loan borrowings.

TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

27. BORROWING AND LEASE LIABILITIES (Continued)

(b) Lease Liabilities

		Actual								Budget				
Purpose	Note	Principal at 1	New Leases	ROU	Principal	Principal at	New Leases	ROU	Principal	Principal at	New Leases	Principal	Principal at	
		July 2022	During 2022-23	Adjustment 2022-23	Repayments During 2022-23	30 June 2023	During 2023-24	Adjustment 2022-23	Repayments During 2023-24	30 June 2024	During 2023-24	Repayments During 2023-24	30 June 2024	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
River seabed (Mooring Pens)		254,804	0	28,226	(40,616)	242,414	0	(3,610)	(41,067)	197,737	211,376	0	(49,807)	161,569
Total Lease Liabilities	10(b)	254,804	0	28,226	(40,616)	242,414	0	(3,610)	(41,067)	197,737	211,376	0	(49,807)	161,569
Lease Finance Cost Payments														
Purpose	Note	Institution	Interest Rate	Date final payment is due	Actual for year ended 30 June 2024	Budget for year ended 30 June 2024	Actual for year ended 30 June 2023	Lease Term (months)						
					\$	\$	\$							
River seabed (Mooring Pens)	2(b)	Department of Transport	2.60%	1/06/2028	(6,739)	(8,000)	(6,804)	252						
Total Finance Cost Payments					(6,739)	(8,000)	(6,804)							

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

28. RESERVE ACCOUNTS

	2024 Actual Opening Balance	2024 Actual Transfer to	2024 Actual Transfer (from)	2024 Actual Closing Balance	2024 Budget Opening Balance	2024 Budget Transfer to	2024 Budget Transfer (from)	2024 Budget Closing Balance	2023 Actual Opening Balance	2023 Actual Transfer to	2023 Actual Transfer (from)	2023 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Restricted by legislation/agreement												
(a) Payment in Lieu of Parking Reserve	137,010	0	0	137,010	137,010	0	0	137,010	137,010	0	0	137,010
	137,010	0	0	137,010	137,010	0	0	137,010	137,010	0	0	137,010
Restricted by council												
(b) Non Current Leave Entitlements Reserve	0	0	0	0	0	0	0	0	0	0	0	0
(b) Vehicle, Plant and Equipment Reserve	50,407	0	(50,407)	0	50,407	0	0	50,407	50,407	0	0	50,407
(c) Aged Services Reserve	0	0	0	0	0	0	0	0	11,803	0	(11,803)	0
(d) Strategic Asset Management Reserve	64,920	0	(64,920)	0	64,920	0	0	64,920	64,920	0	0	64,920
(e) Arts and Sculpture Reserve	165,664	30,000	0	195,664	165,664	30,000	(45,000)	150,664	156,772	45,000	(36,108)	165,664
(f) Waste Reserve	35,000	0	0	35,000	35,000	0	0	35,000	0	35,000	0	35,000
(g) Streetscape Reserve	75,000	0	0	75,000	75,000	0	0	75,000	75,000	0	0	75,000
(h) Drainage Reserve	193,293	0	(60,000)	133,293	216,000	0	0	216,000	250,000	0	(56,707)	193,293
(i) East Fremantle Oval Redevelopment Reserve	341,431	1,046,111	(1,137,013)	250,529	532,641	588,043	(156,077)	964,607	1,076,170	2,111,372	(2,846,111)	341,431
(j) Preston Point Facilities Reserve	145,290	0	(145,290)	0	65,290	0	(30,000)	35,290	95,290	50,000	0	145,290
(k) Sustainability and Environmental Reserve	304,723	133,830	0	438,553	304,723	133,830	(310,000)	128,553	210,337	129,288	(34,902)	304,723
(l) Town Planning Reserve	100,000	50,000	0	150,000	100,000	50,000	0	150,000	70,000	30,000	0	100,000
(m) Business Improvement Reserve	50,000	100,000	0	150,000	50,000	100,000	0	150,000	0	50,000	0	50,000
(n) Old Police Station Reserve	16,500	0	(11,195)	5,305	16,500	30,137	(16,244)	30,393	16,500	0	0	16,500
(o) Strategic Waste Reserve	146,684	180,000	0	326,684	146,684	180,000	(326,684)	0	0	146,684	0	146,684
(p) Plympton Parking Reserve	616,667	0	0	616,667	616,666	0	0	616,666	0	616,667	0	616,667
(q) Foreshore Management Plan	196,344	0	0	196,344	213,618	0	0	213,618	270,000	0	(73,656)	196,344
	2,501,923	1,539,941	(1,468,825)	2,573,039	2,653,113	1,112,010	(884,005)	2,881,118	2,347,199	3,214,011	(3,059,287)	2,501,923
	2,638,933	1,539,941	(1,468,825)	2,710,049	2,790,123	1,112,010	(884,005)	3,018,128	2,484,209	3,214,011	(3,059,287)	2,638,933

All reserves are supported by cash and cash equivalents and are restricted within equity as Reserves - cash backed.

In accordance with council resolutions or adopted budget in relation to each reserve account, the purpose for which the reserves are set aside and their anticipated date of use are as follows:

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

28. RESERVE ACCOUNTS (Continued)

Name of reserve account	Purpose of the reserve account
Restricted by legislation/agreement	
(a) Payment in Lieu of Parking Reserve	To receive and apply funds for payments received in lieu of parking.
Restricted by council	
(b) Non Current Leave Entitlements Reserve	To fund the non-current liability amount of annual, sick and long service leave entitlements accrued in previous financial years beyond the amount provided for in the Provision for Leave current liability account.
(b) Vehicle, Plant and Equipment Reserve	To support the funding of vehicle, plant and equipment purchases.
(c) Aged Services Reserve	To retain surplus CHSP program funds for future periods, and to fund all activities and assets relating to the provision of this service.
(d) Strategic Asset Management Reserve	To fund the acquisition of new and renewal of existing Town infrastructure, buildings and other assets.
(e) Arts and Sculpture Reserve	To provide for the commissioning and purchase of public art works in accordance with the Town's Public Arts Strategy.
(f) Waste Reserve	To fund and support waste management services including but not limited to refuse collection, waste management initiatives and programs, infrastructure and buildings and legal expenses associated with waste management.
(g) Streetscape Reserve	To implement Streetscape initiatives including the redevelopment of George Street.
(h) Drainage Reserve	To fund drainage asset management requirements.
(i) East Fremantle Oval Redevelopment Reserve	To fund all costs associated with the redevelopment of the East Fremantle Oval precinct.
(j) Preston Point Facilities Reserve	To fund all costs associated with the implementation of the Preston Point Facilities Master Plan.
(k) Sustainability and Environmental Reserve	To fund sustainability and environmental initiatives as well as support actions/recommendations from the Community Climate Action Plan.
(l) Town Planning Reserve	To fund planning and building works associated with the protection and amenity of the built environment.
(m) Business Improvement Reserve	To fund the implementation of business improvement initiatives including the Town's enterprise resource planning system.
(n) Old Police Station Reserve	To receive the net income from the Old Police Station for building maintenance and renewal purposes.
(o) Strategic Waste Reserve	To fund strategic waste initiatives including any costs associated with participation in the regional local government.
(p) Plympton Parking Reserve	To fund parking management initiatives within the Plympton precinct.
(q) Foreshore Management Plan	To fund all costs associated with the implementation of the Foreshore Management Plan.

**TOWN OF EAST FREMANTLE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

29 TRUST FUNDS

The Town did not hold any funds at balance date which are required to be held in trust.

Attachment -2

Confidential Attachment

OUR REF:
ENQUIRIES:



Memorandum

To: OAG - Auditor 2023-24
From: Consultant / Manager Finance
Subject: Management Review of Fair Value, RULs, Residual Values, Depreciation and Impairment of Assets
Date: June 2024

PURPOSE

The purpose of this position paper is to outline the management consideration and review of the following aspects as required by the Australian Accounting Standards and *Local Government (Financial Management) Regulations 1996*. The review considers each class of asset with a review being conducted on:

- Useful Life Estimates
- Residual Value Estimates
- Fair Value (where relevant)
- Depreciation Method
- Impairment
- Investment Property (AASB 140)

BACKGROUND

Regulation 17A of the *Local Government (Financial Management) Regulations 1996* was updated in 2023/24 and states that local governments must revalue a non-financial asset:

- **For land and buildings, infrastructure or vested improvements that the local government controls, on the day after the period of 5 years beginning on the asset's last valuation date or earlier if the local government chooses. An annual review of fair value is not required as usually would be required under AASB 116.**
- A non-financial asset is to be excluded from the assets of a local government if the fair value of the asset as at the date of acquisition by the local government is under \$5,000.
- Investment property must be revalued in accordance with AASB140.
- The carrying amount of plant and equipment will be measured using the cost model.
- The carrying amount of right of use assets will be measured using the cost model.



AASB 116 requires:

- (116.31) After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. **Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.** – *LG Regulations need to be considered as they overrule the requirements of the AASBs.*
- (116.36) If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued.
- (116.51) The **residual value** and the **useful life** of an asset shall be **reviewed at least at each financial year-end** and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.
- (116.61) The **depreciation method** applied to an asset shall be **reviewed at least at each financial year-end and**, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method shall be changed to reflect the changed pattern. Such a change shall be accounted for as a change in an accounting estimate in accordance with AASB 108.

The Town has the following Classes of Assets

- Land
- Buildings – Non Specialised – Level 2
- Buildings – Non Specialised – Level 3
- Buildings – Specialised – Level 3
- Infrastructure – Roads
- Infrastructure – Drainage
- Infrastructure – Parks & Ovals
- Infrastructure - Footpaths and Cycleways
- Infrastructure – Car Parks
- Infrastructure – Bus Shelters
- Plant and Equipment
- Furniture and Equipment



Except where an interim revaluation is required or has been performed, revaluations on asset classes have been performed as follows by qualified valuers:

Asset Class	Last Reval Year	Desktop or Full	Completed By	Next Reval Year
Land	2022/23	Full	JLL	2027/28
Buildings – All	2022/23	Full	JLL	2027/28
Infrastructure – All	2020/21	Desktop	Talis Consultants	2025/26



ASSESSMENT**Land**

There are 11 assets that make up this class.

Last year external valuers, JLL, were engaged to complete the valuation of all land and building assets at 30 June 2023. No revaluation is required under the appropriate accounting standards for the 2023/24 financial year.

Land has an unlimited useful life and therefore is not depreciated.

Measurement after Recognition Model:	Revaluation Model
Last Revaluation Year:	30 June 2023
Depreciation Method:	Not Depreciated
Useful Life:	Unlimited
Residual Value:	Not Applicable

Being Land, management is satisfied that there is no evidence to conclude that the current Useful Life, Depreciation Method, or Residual Value should change for any asset in this class as at 30 June 2024.

Buildings Non-Specialised Level 2

In determining whether a building is specialised or non-specialised, the Town has applied the following guidance from the NSW Office of Local Government:

2. Buildings

In relation to buildings, questions have been raised regarding the level to which the building should be divided into components when revaluing. When revaluing council owned and controlled buildings, councils should utilise the classifications of "non-specialised buildings" and "specialised buildings". Non-specialised buildings are general purpose or commercial buildings where there is a secondary market and a market value can be determined by appraisal. Specialised buildings are those buildings that are designed for a particular purpose. Where there is no market-based evidence available specialised buildings should be valued at depreciated replacement cost.

There are no assets in this class. No review has been completed.



Buildings Non-Specialised Level 3

There are 4 assets/asset groups that make up this class; the assets being:

- LB235 - JP McKenzie Pre Primary School - 61 George Street East Fremantle
- LB236 – Glyde In Community Learning Centre - 42 Glyde Street East Fremantle
- LB237 - EH Grey Old Infant Health Clinic Building - 80 Canning Highway East Fremantle
- LB238 - Richmond Early Childhood Centre - Cnr Fraser Street And Osborne Road East Fremantle

In determining whether a building is specialised or non-specialised, the Town has applied the following guidance from the NSW Office of Local Government:

2. Buildings

In relation to buildings, questions have been raised regarding the level to which the building should be divided into components when revaluing. When revaluing council owned and controlled buildings, councils should utilise the classifications of "non-specialised buildings" and "specialised buildings". Non-specialised buildings are general purpose or commercial buildings where there is a secondary market and a market value can be determined by appraisal. Specialised buildings are those buildings that are designed for a particular purpose. Where there is no market-based evidence available specialised buildings should be valued at depreciated replacement cost.

An independent Valuation was undertaken by JLL of all land and buildings as at 30 June 2023. As a result, a fair value increment of \$220,426 was recognised for this class of assets.

As part of the valuation a physical inspection was completed to inform the condition-based report and remaining useful lives (RULs) of each asset. Where required, the new depreciation rates were updated in Synergysoft to reflect the new RUL's as per the valuation report.

Management is satisfied that there is no evidence to conclude that the current Useful Life, Depreciation Method, or Residual Value should change as at 30 June 2024.

Measurement after Recognition Model:	Revaluation Model
Last Revaluation Year:	30 June 2023
Depreciation Method:	Straight-line
Useful Life:	45-49 years (Useful Life) (2.04%-2.22%)
Residual Value:	Nil



Buildings Specialised Level 3

There are 36 assets/asset groups that make up this class of specialised buildings.

In determining whether a building is specialised or non-specialised, the Town has applied the following guidance from the NSW Office of Local Government:

2. Buildings

In relation to buildings, questions have been raised regarding the level to which the building should be divided into components when revaluing. When revaluing council owned and controlled buildings, councils should utilise the classifications of "non-specialised buildings" and "specialised buildings". Non-specialised buildings are general purpose or commercial buildings where there is a secondary market and a market value can be determined by appraisal. Specialised buildings are those buildings that are designed for a particular purpose. Where there is no market-based evidence available specialised buildings should be valued at depreciated replacement cost.

An independent Valuation was undertaken by JLL of all land and buildings as at 30 June 2023. As a result, a fair value increment of \$2,816,345 was recognised for this class of assets.

As part of the valuation a physical inspection was completed to inform the condition-based report and remaining useful lives (RULs) of each asset. Comment in the report details JLLs approach to the building useful lives:

Useful Life

The useful lives of the assets have been reviewed and adjustments have been made where appropriate. JLL understand that the majority of building assets had previously adopted a useful life of 80 years. We consider a useful life of 80 years to be suitable for some building assets however, as part of the valuation process and our review of the useful lives we have adopted a shorter life as reflective for the remaining building assets on an individual basis. From the information provided and collected during our onsite inspections there is evidence of building assets being removed and redeveloped prior to reaching 80 years. In determining an appropriate useful life, we have considered the building design, type of construction, environmental factors, the Shire's current operations and future plans, physical, economic and obsolescent factors.

Where required, the new depreciation rates were updated in Synergysoft to reflect the new Useful Lives/RUL's as per the valuation report.



East Fremantle Community Park (EF Oval Redevelopment)

During the year, the construction of the East Fremantle Community Park was completed with a total value of \$34,151,468 added to the Buildings Specialised Level 3 Asset Class. Detailed analysis of cost and the construction contract information available, noting - the Town or its Project Management consultants do not have access to detailed payment certificates or invoices from the head contractors subcontractors to be able to split costs out any further than the head contract payment certificates received, was completed to allocate, where practicable, to building sub component categories and their respective useful lives considered. Whilst there may be components of the EF Community Park that could potentially be classed as Infrastructure Items when considered in isolation, ie. the Oval portion, management are unable to accurately separate these costs and take the view that the Community Park is a single asset, leased in whole to Belgravia under a management agreement, and in materiality the Community Park is a Specialised building asset.

Management is satisfied that there is no evidence to conclude that the current Useful Life, Depreciation Method, or Residual Value should change as at 30 June 2024.

Measurement after Recognition Model:	Revaluation Model
Last Revaluation Year:	30 June 2023
Depreciation Method:	Straight-line
Useful Life:	25-70 years (Useful Life) (1.42% - 4%)
Residual Value:	Nil



Furniture and Equipment

There are 18 assets/asset groups that make up this class. The assets are predominantly IT/Audio Visual Equipment, Office Furniture/Equipment and EF Community Park Furniture and Equipment.

AASB 116.60 states that the depreciation method used shall reflect the pattern in which the assets future economic benefits are expected to be consumed. The economic benefit is consumed equally over time and the straight-line method of depreciation remains appropriate.

The following general advice was received in regard to aggregating/grouping assets when determining their capitalization threshold:

There may be circumstances where agencies should apply the standard asset capitalisation threshold of \$5,000 to the aggregate value of a group or network of assets (a group is a collection of similar assets and a network is a chain of interconnected but dissimilar assets for the provision of one simultaneous service e.g. computer system or office furniture). That is, the cost of individual items (assets) may be below the threshold but collectively the cost of items in the group or network exceeds the threshold. Generally, aggregations of assets should only be considered where they have long useful lives and high aggregate values. It is also relevant to compare patterns of asset consumption (i.e. consumption of future economic benefits embodied in the asset or consumption of service potential) with patterns of asset replacement expenditure to identify whether there is a material periodic difference between depreciation expense and the on-going expensing of acquisitions. Where asset replacement expenditure is both lumpy and significant and depreciation expense is determined using the straight-line method, there may be a case for capitalising the assets. To aggregate assets, the impact must be material in the overall context of an agency's financial statement. The cost benefit of capitalising expenditures in such circumstances must be considered. For example, a general fit-out may involve a material outlay and yield future economic benefits over a long period of time and consequently would generally be capitalised. Although the individual items may be below the capitalisation threshold, the fit-out can be considered a network for capitalisation purposes.

Based on the above, the Town has determined to capitalise its computer hardware replacement (annual 3 year full year replacement program), as well as the FOGO bins (\$247k aggregate), in Plant and Equipment.

The Town operates an IT Hardware replacement program on a 3-year basis which is reflective in the useful lives of the assets.

In most instances items are scrapped or the sale price is nominal upon completion of their useful lives. The residual values of the assets within the Furniture and Equipment class is nil, and is deemed insignificant and therefore immaterial in the calculation of the depreciable amount.



Measurement after Recognition Model:	Cost Model
Last Revaluation Year:	Not Applicable
Depreciation Method:	Straight-line
Useful Life:	3-19 years (5.26% - 33.33%)
Residual Value:	Nil

An asset stock take has been completed for all furniture and equipment assets and portable and attractive assets not listed on the asset register. Where items have been identified as requiring removal from the asset register, this is completed.



Plant and Equipment

There are 39 assets/asset groups that make up this class. The assets consist of light fleet, heavy plant and other equipment.

AASB 116.60 states that the depreciation method used shall reflect the pattern in which the assets future economic benefits are expected to be consumed. The economic benefit is consumed equally over time for most vehicles and plant and the straightline method of depreciation remains appropriate.

A review of the plant and equipment useful lives and residual values has been completed for the year ended 30 June 2024 and deemed to be still appropriate for each asset and in accordance with the MV Acquisition and Usage Policy.

2.1.14 Motor Vehicle Acquisition & Usage Policy

Replacement of vehicles

All vehicles are to be replaced at the optimum period for changeover (see table below) , in order to achieve the lowest possible operating costs for each vehicle and as per the Town's plant and equipment replacement program and budgets.

<i>Sedans 2 years or 40,000km</i>
<i>Utilities (Petrol) 3 years or 60,000km</i>
<i>Utilities (Diesel) 4 years or 80,000km</i>
<i>Trucks and heavy plant 3 to 8 years</i>

Measurement after Recognition Model:	Cost Model
Last Revaluation Year:	Not Applicable
Depreciation Method:	Straight-line
Useful Life:	2-20 years (5% - 50%)
Residual Value:	Various

An asset stock take has been completed for all plant and equipment assets and portable and attractive assets not listed on the asset register.



Infrastructure – All Classes Comments

Fair Value

AASB 116 requires revaluations to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

All classes of Infrastructure were revalued for Fair Value as at 30 June 2021 by an external Valuer – 2 years prior (sufficient regularity).

FM Reg 17A requires all non-current assets that are subsequently measured at Fair Value to be revalued every 5 years or sooner should the local government choose.

No review of fair value of Infrastructure assets has been completed in the year ended 30 June 2024.

Useful Life

Remaining useful life (RUL) is an estimation of the remaining service potential of the asset component based on its condition. The determination of precise physical condition by visual assessment is considered appropriate to determine RUL for valuation purposes, however without extensive and expensive mechanistic or laboratory testing, supported by reliable historic data, the RUL will be an estimation at the network level. For example, visual inspections of drainage is not practicable without the use of extensive and expensive technology and the result is deemed immaterial to the resulting outcomes on RULs.

The pattern of consumption of the asset component needs to be appropriate. Different asset types have varying lifecycles with commonly accepted examples being in a straight line with a uniform loss of value of its lifecycle, or a curve which considers potentially accelerated periods of consumption. For example, many assets will appear and actually be functioning very effectively for most of their lives, but then appear to rapidly deteriorate towards the end of life. Those types of assets might be assessed with average condition rating until nearing end of life.

The RULs for all infrastructure asset classes were reviewed as part of the 2021 Valuation of Infrastructure. Regular/cyclical inspections of infrastructure assets are being incorporated as part of the Town's regular Asset Management practices. In 2021/22 a visual inspection of the asset class – Footpaths and Cycleways was conducted. The results of this are discussed under the relevant header below.



Unless as otherwise identified, the RULs for all infrastructure assets are deemed to be appropriate given the last valuation was conducted only 3 years prior with a regular inspection cycle underway to identify any further changes in condition.



Infrastructure – Roads

The Asset system reflects the management valuation (PPI) completed in 2023 per the comments in the above fair value of infrastructure section plus any additions at cost since 2023. Assets are grouped into their respective component and depreciated on a straight-line basis as follows:

- Subgrade – Not depreciated
- Sealed Pavement – 85-100 years
- Pavement Surface – 30-40 years
- Surface Water Channels - 55-60 years

Measurement after Recognition Model:	Revaluation Model
Last Revaluation Year:	30 June 2023 (Management)
Depreciation Method:	Straight-line
Average RUL:	Not Dep. – 100 years (0% - 3.33%)
Residual Value:	Nil



Infrastructure – Drainage

The Asset system reflects the management valuation (PPI) completed in 2023 per the comments in the above fair value of infrastructure section plus any additions at cost since 2023. Assets are grouped into their respective component and depreciated on a straight-line basis as follows:

- Pipe – 80 years
- Pit – 80 years

Drainage inspections were carried out in 2020. The asset inspections identified a significant number of assets previously not recognised, and thus an increase in the overall drainage asset inventory. An additional 182 drainage pipes with varying lengths and dimensions and fifteen drainage pits were identified. The net worth of drainage assets increased proportionately as part of the 2021 valuation of infrastructure. Management has a high level of confidence that no less than 95% of the drainage network has been picked up and accounted for.

Additional Drainage quantities were as follows:

	2018	2021	Additional
Drainage Pipes	11,129 m	12,596 m	1,467 m
Drainage Pits	689 Qty	704 Qty	15 Qty

Measurement after Recognition Model:	Revaluation Model
Last Revaluation Year:	30 June 2023 (Management)
Depreciation Method:	Straight-line
Useful Life:	80 years (1.25%)
Residual Value:	Nil



Infrastructure – Parks and Ovals

The Asset system reflects the management valuation (PPI) completed in 2023 per the comments in the above fair value of infrastructure section plus any additions at cost since 2023. Assets are grouped into their respective component and depreciated on a straight-line basis as follows:

- Parks & Ovals - Bore and Pump – 20 years
- Parks & Ovals – Signage – 15-40 years
- Parks & Ovals – Fence – 25-70 years
- Parks & Ovals – Gate – 15-40 years
- Parks & Ovals - Minor Structure Polygon – 10-70 years
- Parks & Ovals - Playground Polygon – 27 years
- Parks & Ovals - Irrigation – 30-35 years
- Parks & Ovals – Turf – Not Depreciated
- Parks & Ovals - Minor Structure – 20-25 years
- Parks & Ovals – Amenities – 18-25 years
- Parks & Ovals – Bin – 15-20 years
- Parks & Ovals – Lighting – 20 years
- Parks & Ovals - Playground Point - 15-25 years
- Parks & Ovals - Playground Lines – 40-70 years
- Parks & Ovals - Other Improvements – 20-25 years

Measurement after Recognition Model:	Revaluation Model
Last Revaluation Year:	30 June 2023 (Management)
Depreciation Method:	Straight-line
Useful Life:	0-70 years (0 -1.43%)
Residual Value:	Nil



Infrastructure – Footpaths & Cycleways

The Asset system reflects the management valuation (PPI) completed in 2023 per the comments in the above fair value of infrastructure section plus any additions at cost since 2023. Assets are grouped as footpaths and depreciated on a straight-line basis as follows:

- Footpaths – 40-80 years

In March 2022 the Town commissioned a data pick up of Footpaths – this involved a full visual inspection of the entire footpath network. Inspection resulted in a pick up of the Town's footpath network totaling 59.646km which is consistent with the data provided to Talis for the previous valuation (59.7km). The average condition rating of the data pick up conducted in 2021/22 is equivalent to that of Talis' report, being between a rating of 2-3. Suggesting there is no material change to the fair value due to the asset volume or condition is required.

3 Infrastructure Asset Classes

Talis was commissioned to provide a valuation for the infrastructure asset class including Assets detailed in Table 3-1:

Table 3-1 Asset Classes for Valuation

Asset Class/Sub Class	Unit of Measurement	Quantity
Roads	Kilometre	36.7km
Drainage - Pipes	Each	629
Drainage - Pits	Each	704
Footpaths	Kilometres	59.7km
Bus Shelters	Each	30
Car Parks	Each	17
Park Assets	Each	1259

Source: Talis – 2021 Valuation Report

Measurement after Recognition Model:	Revaluation Model
Last Revaluation Year:	30 June 2023 (Management)
Depreciation Method:	Straight-line
Useful Life:	40-80 years (1.3% - 2.5%)
Residual Value:	Nil



Infrastructure – Car Parks

The Asset system reflects the management valuation (PPI) completed in 2023 per the comments in the above fair value of infrastructure section plus any additions since 2023. Assets are grouped into their respective component and depreciated on a straight-line basis as follows:

- Subgrade – Not depreciated
- Sealed Pavement – 85-100 years
- Pavement Surface – 30-35 years
- Surface Water Channels - 55-60 years

Measurement after Recognition Model:	Revaluation Model
Last Revaluation Year:	30 June 2023 (Management)
Depreciation Method:	Straight-line
Useful Life:	Not Dep. – 100 years (0% - 3.33%)
Residual Value:	Nil



Infrastructure – Bus Shelters

The Asset system reflects the management valuation (PPI) completed in 2023 per the comments in the above fair value of infrastructure section plus any additions at cost since 2023. Assets are grouped as Bus Shelters and depreciated on a straight-line basis as follows:

- Bus Shelters – 25-30 years

Measurement after Recognition Model:	Revaluation Model
Last Revaluation Year:	30 June 2023 (Management)
Depreciation Method:	Straight-line
Useful Life:	25-30 years (4% - 3.33%)
Residual Value:	Nil



Investment Property

There are no assets that fall under the application of AASB 140.

Contributed Assets

The Town does not have any developer contributed assets for the year ended 30 June 2024.

At the Town, contributed assets may only usually arise where a lessee of a community building has undertaken capital works. In this instance, the Town has a Policy where a form needs to be completed and the building works approved prior to completion. No requests for capital works on Town assets were received for the year ended 30 June 2024. In some instances the Town contributes to a community group project where an asset results in ownership by the Town.

Further confirmation was sought from the Town's Planning/Building and Operations departments to ensure that no building permits were issued or improvements/works were commenced/completed on Town Assets in the year ended 30 June 2024.



Impairment

Management has reviewed all indicators of Impairment and is satisfied that there is no indication of impairment loss for any asset as at 30 June 2024. An impairment questionnaire was completed considering internal, external and other indicators as part of this assessment.

OUR REF:
ENQUIRIES:



IMPAIRMENT REVIEW/QUESTIONNAIRE 2023/24

Indicator Question	Yes	No	Comments
External Indicators			
Are there observable indications that an asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Have any significant changes with an adverse effect on the local government taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the local government operates or in the market to which an asset is dedicated?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Have market interest rates or other market rates of return on investments increased during the period; and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Internal Indicators			
Is there any evidence available of obsolescence or physical damage of an asset?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Have any significant changes with an adverse effect on the local government taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Is there any evidence available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Other Indicators			
Are there any other indicators of impairment not previously considered?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
<p><i>If any question has been answered "Yes" and any indication is present - make a formal estimate of recoverable amount. If the recoverable amount is less than the asset's carrying amount, the carrying amount of the asset must be reduced to its recoverable amount.</i></p> <p><i>If all questions have been answered "No" - no formal estimate of recoverable amount is required to be made if no indication of an impairment loss is present.</i></p>			

Peter
Kocian

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Prepared/Reviewed By:

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Exec Manager Corporate Services



Prepared By:

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Finance Manager

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Exec Manager Corporate Services



11 MATTERS BEHIND CLOSED DOORS

12 CLOSURE OF MEETING