

Fairy Meadow Community
Financial Services Limited

ABN 16 104 140 641

annual report 2011

Fairy Meadow **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2011

On behalf of the Board of Directors, welcome to our Annual General Meeting of the Fairy Meadow **Community Bank**[®] Branch and 8th Anniversary.

The last financial year has been a very challenging year for the Board with several Directors resigning including two Chairmen and the Secretary/Treasurer. We have rebuilt our Board and I believe we have a very versatile, strong and enthusiastic Board.

I would like to congratulate and thank our newly elected Directors in accepting this challenging role and look forward to working together with them for a very rewarding future for our **Community Bank**[®] branch.

I would also like to thank our loyal staff for their great commitment through out the year. It has been a year of improvement and a fulfilling one for our branch. We have seen solid growth in both profit and new accounts. Our books stand at \$75,175 million. And total accounts of 3,723.

Each year Bendigo and Adelaide Bank Ltd provide a market development fund of \$50,000 again we have given this to our community, we have given this through sponsorships, for example; Bendigo Aerial Patrol, Raise the Gong, Fairy Meadow Surf Club, Disability Trust, Cultural Groups, local schools, sporting groups and various small community groups.

2012 will be a very challenging year partially due to the Bendigo and Adelaide Bank Ltd's 'Restoring the Balance' review which will result in cutting our profit margin from .5% to .375% coming into effect late in 2012. However Bendigo and Adelaide Bank Ltd has now moved supporting resources to our local area: our Regional Manager Chris Pursehouse is based in Corrimal and the Business Banking Manager, Gary Brown is based in Nowra. Their support is dedicated to our area and close to hand for our assistance at all times. Therefore we are delighted with the prospects for 2012 and I am extremely confident that we will be able to announce the payment of our second dividend in the near future.

We acknowledge with much gratitude the loyalty of our account holders and shareholders for continuing to make our **Community Bank**[®] branch the success it is.

With your support we are fully committed to continue providing complete banking and financial services through excellent personal service to our community so that our **Community Bank**[®] branch will grow and develop; and though this our community benefits and becomes more prosperous.

Thank you for the privilege and opportunity to service.



Frank Cardamone
Chairman

Manager's report

For year ending 30 June 2011

It's easy to forget that Fairy Meadow **Community Bank**[®] Branch is nearly eight years old. It only seems like yesterday that we opened our doors and introduced the Fairy Meadow community to a different style of banking. I am pleased to say that we have not lost that focus, drive and we enjoy establishing and building strong relationships with our customers servicing their needs in a professional & efficient manner.

For the year ending 30 June 2011 our branch achieved the following:

- a) Our funds under management stood at \$75.175 million, we grew our book by \$1.715 million.
- b) Our overall end of year profit increased by 25.7% to \$119,070.
- c) Our expenditure was well maintained being 4.34% below budget.

We also continue to partner with non profit organisations in our area, which share our strong community values. We are pleased that we were able to contribute \$52,000 by way of sponsorships / donations. This amount was injected back into our local community. This truly cements the saying "Good for U and your community". By your patronage, we can offer you a high level of banking service and give back to our community.

Whilst we cannot foresee what the ensuing year will look like for our business and economy, we do know that the environment in which we operate will continue to present new challenges and opportunities. I am confident that Bendigo and Adelaide Bank Ltd has the strategy, skills and resources that will enable them to anticipate and adapt quickly and effectively to the changes that our business faces. Above all, Bendigo and Adelaide Bank Ltd, our partner, will ensure that we will continue to stay focused and offer sufficient support to enable us to meet the demands of the financial market and to deliver a strong business performance that creates enduring value for our shareholders. However, this will not be to the detriment of the service levels that our customer's currently experience.

I am very proud of the way that my staff are adapting to a challenging environment and addressing the needs of our customers. We continuously work to ensure that our high level values are consistently demonstrated in our actions and that our behaviours are aligned with, and support the achievement of our strategic business objectives. I would like to thank our Board for their continued support in our endeavours.

As we commence another year, we look forward to new challenges and the continued growth of our **Community Bank**[®] branch. This can only be achieved by your support and we look forward in assisting you in the future.



Bill Watts
Manager

Directors' report

For the financial year ended 30 June 2011

Your Directors present their report on the Company for the year ended 30 June 2011.

Directors

The names of the Directors that hold office at the date of this report are:

Name of Director	Period as Director	Qualifications & Special Responsibilities	
Lucia Zanetti	20/03/2003	Interpreter	
Frank Cardamone	10/12/2009	Business Operator	Chairman
Anne Bates	27/07/2010	Accountant	Secretary
Matthew Mitchell	10/01/2011	Finance Manager	
Alex Darling	13/05/2011	Retired	
Hilton King	13/05/2011	Lawyer	
Connie Saad	25/05/2011	Business Operator	Treasurer

The names of the Directors that held office during the period of this report are:

Name of Director	Resignation Date	Qualifications & Special Responsibilities	
Paul Jewell	24/08/2010	Business Operator	Chairman
Matt Mitchell	27/10/2010	Finance Manager	
Anne Ellicott	31/10/2010	Retired Public Servant	Treasurer
John Apolloni	15/11/2010	Business Operator	
Margaret McTanish	17/01/2011	Manager	Chairman

Principal activities

The principal activities of the Company during the financial year were:

Operation of a Bendigo Bank **Community Bank**[®] Franchise.

There were no significant changes in the nature of the Company's principal activities during the financial year.

Operating results

The profit and extraordinary items of the Company for the financial year after providing for income tax amounted to \$117,353.

Dividends paid or recommended

Unfranked dividends of \$27,200 were paid on the 24th March 2011. This equated to \$0.04/share.

Significant changes in state of affairs

No significant changes in the Company's state of affairs occurred during the financial year.

Directors' report continued

After balance date events

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

Future developments

The Company expects to maintain the present status and increase its level of operations & hence there are no likely developments in the operations in future financial years.

Environmental issues

The Company's operations are not regulated by any significant environmental regulation under the law of the Commonwealth, State or Territory.

Options

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

Directors' qualifications

(a) Directors' meetings

During the year, 13 meetings of Directors were held. Attendances by each Director were as follows:

Name	Meetings eligible to attend	Meetings attended
Frank Cardamone	13	13
Lucia Zanetti	13	11
Anne Bates	13	11
Matthew Mitchell	10	6
Margaret Mctarnish	7	6
John Apolloni	5	3
Anne Ellicott	4	4
Paul Jewel	2	1
Alex Darling	2	2
Hilton King	2	2
Connie Saad	1	1

Directors' report continued

Directors' interests in shares of the Company or related bodies corporate

The particulars of shares held by the Directors of the Company in the Company or in related bodies corporate which are required to be declared in the register of Directors' shareholdings are as follows:

Name of Director	Shareholding
Lucia Zanetti	18,250
Frank Cardamone	8,000
Hilton King	3,925

Directors' benefits

No Director has received or has become entitled to receive, during or since the financial year, a benefit as a result of a contract made by the Company or related body corporate with a Director, a firm which a Director is a member, or an entity in which a Director has a substantial financial interest.

Indemnifying Officers or Auditor

The Company has paid premiums to insure all the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Directors of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium was \$3,570.

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the Board of Directors:



Frank Cardamone
Director



Connie Saad
Director

Dated this 14 October 2011

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Revenues from ordinary activities	2	799,136	707,757
Employee benefits expense		(375,601)	(374,397)
Depreciation and amortisation expenses	3	(39,257)	(33,254)
Borrowing costs expense	3	0	(1,211)
Other expenses from ordinary activities		(266,925)	(210,519)
Profit from ordinary activities before income tax expense	3	117,353	88,376
Income tax expense relating to ordinary activities		-	-
Net profit from ordinary activities after income tax expense attributable to members of the Company	12	117,353	88,376
Total changes in equity other than those resulting from transactions with owners as owners		117,353	88,376

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position as at 30 June 2011

	Note	2011 \$	2010 \$
Current assets			
Cash assets-cash & cash equivalents	4	248,890	129,447
Receivables-trade and other receivables	5	72,668	61,106
Total current assets		321,558	190,553
Non-current assets			
Property, plant and equipment	6	146,044	164,267
Intangible assets	7	60,746	76,684
Total non-current assets		206,790	240,951
Total assets		528,348	431,504
Current liabilities			
Payables-trade and other payables	8	38,462	29,990
Provisions	9	59,255	56,506
Total current liabilities		97,717	86,496
Non-current liabilities			
Payables	8	6,943	11,473
Total non-current liabilities		6,943	11,473
Total liabilities		104,660	97,969
Net assets		423,688	333,535

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Equity			
Contributed equity	10	680,009	680,009
Dividends paid (2011)	11	(27,200)	0
Accumulated losses	12	(229,121)	(346,474)
Total equity		423,688	333,535

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Receipts from debtors		789,115	694,669
Payments to suppliers and employees		(642,928)	(569,620)
Interest received		6,055	1,333
Borrowing costs paid			(1,211)
Net cash used in operating activities	14	152,242	125,171
Cash flows from investing activities			
Payment for:			
Payments for intangible assets		0	(51,803)
Payments for property, plant & equipment		(5,600)	(23,060)
Net cash provided by (used in) investing activities		(5,600)	(74,863)
Cash flows from financing activities			
Payment for:			
Payments for dividends		(21,741)	0
Payments for tfn withholding on dividends		(5,458)	0
Net cash provided by (used in) investing activities		(27,199)	0
Net increase (decrease) in cash held		119,443	50,308
Cash at the beginning of the year		129,447	79,139
Cash at the end of the year	13	248,890	129,447

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 1. Statement of significant accounting policies

This financial report is a special purpose financial report prepared in order to satisfy the financial report preparation requirements of the Corporations Act 2001. The Directors have determined that the Company is a reporting entity.

Fairy Meadow Community Financial Services Ltd is a Company limited by shares, incorporated and domiciled in Australia.

The report has been prepared in accordance with the requirements of the Corporations Act 2001, and the following applicable Accounting Standards and Urgent Issues Group Consensus Views:

No other Accounting Standards, Urgent Issues Group Consensus Views or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

The report is also prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following material accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report:

	2011	2010
	\$	\$

Note 2. Revenue

Operating activities

Interest	6,055	1,333
Other	793,081	701,480
Interest from:		
Bendigo and Adelaide Bank Ltd	6,055	1,333

Note 3. Profit from ordinary activities

Profit from ordinary activities before income tax expense has been determined after:

Expenses

Borrowing costs

Other persons	0	1,211
Depreciation non current assets	23,365	18,225

Notes to the financial statements continued

	2011 \$	2010 \$
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Note 3. Profit from ordinary activities (continued)

Amortisation of non-current assets

Franchise fees	13,773	9,895
Preliminary expenses	2,119	2,120
	15,892	12,015

Bad debts	5,007	730
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Remuneration of Auditor

Audit or review	2,170	1,050
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Note 4. Cash assets

Cash in hand	450	450
Cash at bank	248,440	128,997
	248,890	129,447

Note 5. Receivables

Current

Trade debtors	72,668	61,106
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Note 6. Property plant and equipment

Plant & equipment - at cost	114,948	111,648
Less prov'n for depreciation	(67,382)	(59,835)
	47,566	51,813

Motor vehicles - at cost	20,574	20,574
Less prov'n for depreciation	(8,464)	(5,670)
	12,110	14,904

Fixtures & fittings - at cost	79,083	79,083
Less prov'n for depreciation	(45,127)	(40,726)
	33,956	38,357

Notes to the financial statements continued

	2011 \$	2010 \$
Note 6. Property plant and equipment (continued)		
Leasehold improvements at cost	105,555	105,555
Less written off	(53,143)	46,362
	52,412	59,193
	146,044	164,267

Note 7. Intangible assets

Franchise fee	128,862	128,862
Less: accumulated amortisation	(83,952)	(70,179)
Preliminary expenses	31,800	31,800
Less: accumulated amortisation	(16,076)	(13,956)
Share issue expenses	24,509	24,509
Less: accumulated amortisation	(24,509)	(24,509)
Borrowing costs	157	157
Less: write off	(45)	-
	60,746	76,684

Note 8. Payables

Current

Trade creditors	7,545	6,955
Other creditors	24,847	17,250
Refundable bond	1,540	1,540
Chattel mortgage	4,530	4,245
	38,462	29,990

Non-current

Chattel mortgage	6,943	11,473
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Notes to the financial statements continued

	2011 \$	2010 \$
Note 9. Provisions		
Current		
Provision for holiday pay	27,859	32,084
Provision for long service leave	31,396	24,422
Aggregate employee entitlement liability	59,255	56,506

Note 10. Contributed equity

Issued & paid up capital	680,009	680,009
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Note 11. Unfranked dividend paid

Unfranked dividend paid	21,742	0
TFN withholding paid	5,458	0
	27,200	56,506

Note 12. Retained profits

Retained profits (accumulated losses) at the beginning of the financial year	(346,474)	(434,85)
Net profit attributable to members of the Company	117,353	88,376
Retained profits (accumulated losses) at the end of the financial year	(229,121)	(346,474)

Note 13. Reconciliation of cash

For the purposes of the statement of cash flows, Cash includes cash on hand and in banks and Investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the year as shown in the Statement of cash flows is reconciled to the Related items in the balance sheet as follows:

Cash at bank	90,341	15,776
Bendigo rental income account	0	5
Investment account	0	112,727
Term deposit 2504	157,722	0

Notes to the financial statements continued

	2011	2010
	\$	\$
Note 13. Reconciliation of cash (continued)		
Managers expense account	377	489
Cash on hand	450	450
	248,890	129,447

Note 14. Reconciliation of cash flows from operations with profit from ordinary activities after income tax

Profit from ordinary activities after income tax	117,353	88,376
Non-cash flows in profit from ordinary activities		
Amortisation	15,892	12,015
Depreciation	23,365	21,665
Loss on sale of assets	503	0
Changes in assets and liabilities, net of the effects of purchase and disposals of subsidiaries		
(Increase)/decrease in trade debtors	(11,562)	(6,770)
Increase/(decrease) in payables	3,941	(3,879)
Increase/(decrease) in employee entitlements	2,750	8,487
Increase/(decrease) in sundry provisions	0	5,277
Cash flows from operations	152,242	125,171

Directors' declaration

The Directors have determined that the Company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The Directors of the Company declare that:

1. the financial statements and notes, as set out on the previous pages:
 - (a) comply with Accounting Standards as detailed in Note 1 to the financial statements and the Corporations Act 2001; and
 - (b) present fairly the Company's financial position as at 30 June 2011 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Frank Cardamone
Director



Connie Saad
Director

Dated this 14 October 2011

Auditor's independence declaration

Auditor's Independence declaration

To the audit client:

As Lead Engagement partner/auditor for the audit of Fairy Meadow Community Financial Services Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

No contraventions of the independence requirements of the Corporations Act in relation to the audit; and

No contraventions of any applicable code of professional conduct in relation to the audit.



Murray Reid,
R M Chartered Accountants
Victoria Street Wollongong

13th October 2011

Independent audit report

FAIRY MEADOW COMMUNITY FINANCIAL SERVICES LTD

ABN 16 104 140 641

INDEPENDENT AUDITOR'S REPORT

To the members of Fairy Meadow Community Financial Services Limited

We have audited the accompany financial report of Fairy Meadow Community Financial Services Limited, which comprises the balance sheet as at 30 June 2011, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Fairy Meadow Community Financial Services Limited, are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independent audit report continued

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Fairy Meadow Community Financial Services Limited on 20th September 2011, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion the financial report of Fairy Meadow Community Financial Services Limited, is in accordance with the *Corporations Act 2001*, including:

giving a true and fair view of the Fairy Meadow Community Financial Services Limited, financial position as at 30 June 2011 and of its performance for the year ended on that date; and

Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.



Murray Reid

R M Chartered Accountants

Victoria Street Wollongong

13th October 2011

Fairy Meadow **Community Bank**[®] Branch
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Franchisee: Fairy Meadow Community Financial Services Limited
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