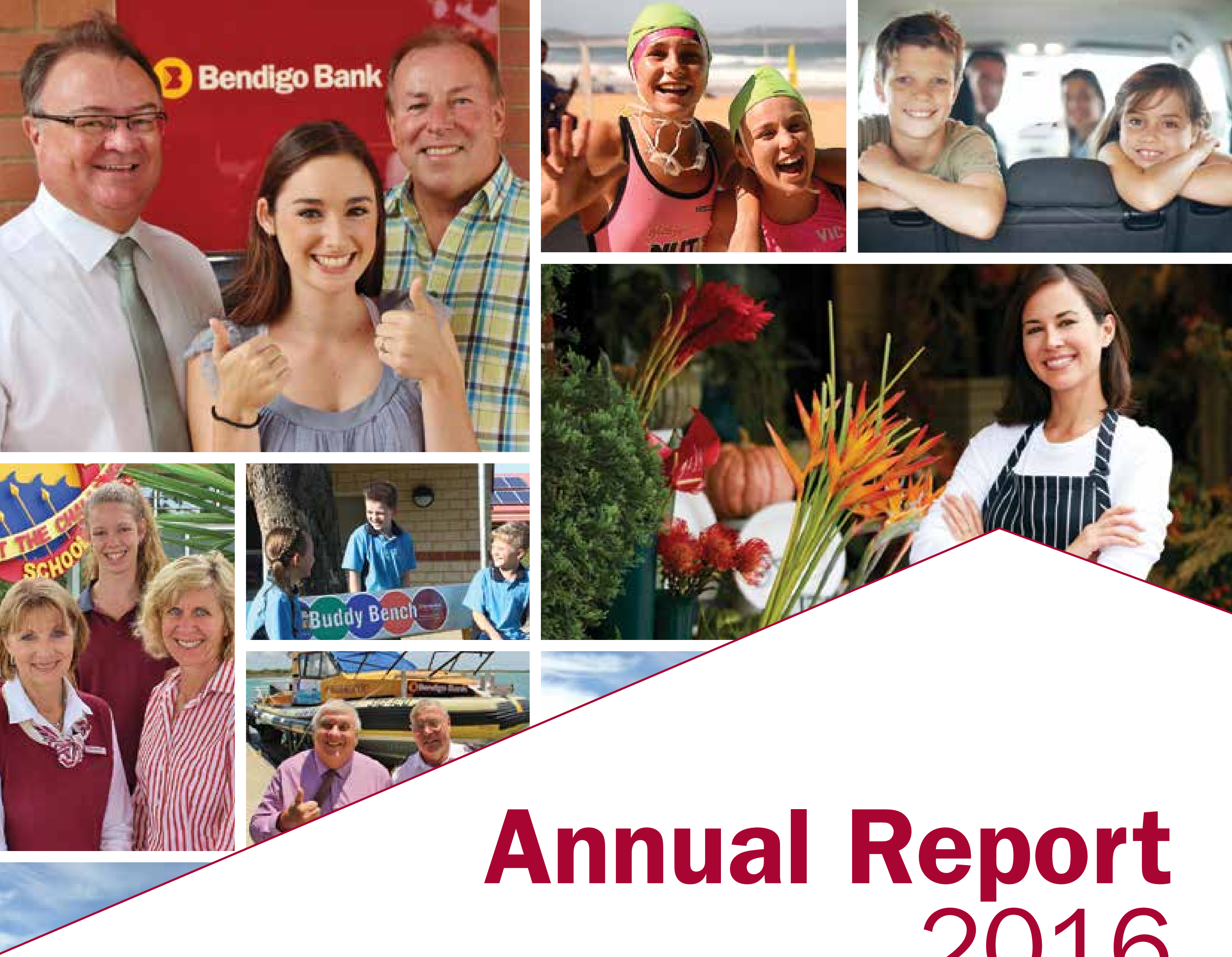

Annual Report 2016

Fairy Meadow Community Financial Services Limited

ABN 16 104 140 641

Fairy Meadow **Community Bank**® Branch

Contents

Chair’s report

For year ending 30 June 2016

This has been the first full year of operating with the refurbished branch and it has been pleasing to receive the highly positive comments from our customers and staff regarding the updated facilities. Several additional changes have been made during the year that make it easier for customers to engage with us, such as the computer and desk that enables enquiries and some transactions to be carried out independently, without the need to wait for a customer services Officer. Similarly the new large screens, including the one facing outwards in the front window will enable us to provide more information on the benefits of banking with Bendigo Bank, as well as highlighting local activities in our area.

I would particularly like to congratulate our Branch Manager Mark Tyson and his staff for their commitment to “BEing the Bendigo” and ensuring that our customers and shareholders receive friendly and helpful service, as well as constantly seeking ways to extend the range of appropriate products and services offered to our customers. Our staff have initiated and helped the local marine rescue service, supported the ‘Saving Chloe Saxby’ campaign and selling beanies to support Dr Charlie Teo’s brain cancer research programme. This truly demonstrates the corporate and community spirit of our staff. We also wish to thank Jim Crawford, the Bendigo Bank Regional Manager, and Chris Pursehouse for their on-going support.

The on-going hard work and support of Natalie Burroughs, (Secretary), Kylie McRae, (Treasurer and Governance Committee), Val Hussain, (Chair, Community Development Sub-committee), Jacqui Parrish, (Chair, Business Development Sub-committee), Fiona Henderson, (Chair, Governance Committee), Connie Saad, (Community Development Sub-committee), Tony O’Connor, (Governance Committee), John Vohradsky and Scott Bridgement, (both Business Development Sub-committee), is gratefully acknowledged.

Financially, this has been a challenging year. The planning and introduction of Bendigo Bank’s Project Horizon major reforms have had a major impact and the effects are likely to increase throughout the next financial year 2016/17. Despite accepting the basis of the revenue forecasts for the 2015/16 annual budget back in May 2015, the commissions on two products, fixed home loans and term deposits greater than 90 days, were reduced from the start of February. As part of Project Horizon, there is the option of moving from the commission to sharing the margin on these products, based on the funds transfer model. The Board is currently considering its options and are in discussions with Bendigo and Adelaide Bank to ensure a positive outcome for both parties.

During the year our company has been able to provide financial support to a wide range of organisations, including the Australian Industry Group Apprentice of the Year competition, Balgownie Public School, Balgownie Village Community Centre, Community Cancer Link, Corrimal Arts Festival, Fairy Meadow Bowls and Recreation Club, Fairy Meadow Demonstration School, Fairy Meadow Women’s Bowling Club, Illawarra Business Chamber, Illawarra Rural Fire Brigade, Illawarra Top Model, Police Charity Ball, Soldier-On, Razzamataz, Spring into Corrimal, Variety Children’s Charity, Wollongong Aerial Patrol and Wollongong Council’s Australia Day Dinner.

Notification has been received that the Marketing Development Fund (MDF) payment, which is outside of the franchise agreement, is being reduced from the $50,000 per annum received in recent years, down to only $25,000 to be received by our Branch in 2016/17. The reduction has two parts, a straight-out reduction of $10,000, plus the transfer of $15,000, (to a regional collaborative marketing campaign). This means that if we are to continue to provide sponsorships, grants and donations to local organisations at anything like similar levels to the past, then the funding will need to come from some other source.

Chair's report (continued)

As outlined in the previous 2014/15 Chair's report, as a major part of Project Horizon, Bendigo has introduced revenue sharing on a limited range of six products, based on a Funds Transfer Pricing Model, (FTP), which shares the margin on these products between Bendigo Bank and the **Community Bank®** company 50/50. This model is being progressively implemented over the July 2016 to June 2019 period, with some existing franchise holders, (including ourselves), having the option to remain on the existing arrangements, or change over to the FTP model until their current franchise expires. The Directors have been examining the advantages and disadvantages of either staying on the existing arrangements, moving to the FTP model, or trying to negotiate suitable transition arrangements, before our current franchise expires in November 2018.

To offset these impacts, the Directors and Branch Manager, with the assistance of Bendigo Bank staff, have been seeking to identify ways to grow the business, and/or reduce operational expenses. It can be expected that some of the opportunities to grow the business may require initial capital and the Directors' strong preference is that we are able to finance these opportunities internally from cash reserves, rather than seek a loan or an overdraft from Bendigo Bank.

Unfortunately, it has been because of these uncertainties and the resulting current declining profitability, that, reluctantly, the Directors resolved that it would be in the best interests of the company to not pay a dividend to shareholders at this stage.

As shown in the financial statements, the loss for the year was $10,132, ($40,357 in 2014/15), and our equity decreased to $511,452, as a result of the auditing adjustment shown in Note 1(t).

I would also wish to acknowledge, with much gratitude, the loyalty of our account holders and shareholders. Your continuing support for our **Community Bank®** branch is enabling our area to be a much better place.

Ray Tolhurst

Ray Tolhurst
Chair

Manager’s report

For year ending 30 June 2016

So here we are at the end of another wonderful year at the Fairy Meadow **Community Bank**® Branch.

This past year we have seen our business footings remain at 2015 levels. Regardless of the static nature of the business year-on-year, this is a pleasing result considering the extraordinary amount of competition re-entering the local market. In saying this however we have only achieved this through the very hard work of my marvelous team in being the country’s most customer-connected bank.

Whilst we have maintained the footings of the branch, our revenues continue to be drastically effected by the continuing falling lending interest rates. I do note that our overall revenue has been lifted by incomes generated from non-core products (e.g. insurance product sales). Our overall profitability has been supported, however, by the non-margin income that we have generated.

Without the support of this non-margin income the reported profit number that you see in this report would not have been able to be achieved.

The numbers above aside, we have been able to maintain our commitment to strengthening our local community with just under $50,000 in grants and donations to local groups and oganisations in our local community over the financial year. This echo’s our commitment to being **Bigger than a bank**. It should make all stakeholders throughout Australia proud that the combined contributions of the **Community Bank**® branches reaching in excess of $148 million to communities Australia-wide in the past 15+ years.

It would remiss of me not to recognise my wonderful staff. Thank you all for being the drivers, keep up the great work. Again we have seen a number of changes in staffing over the year. We have welcomed Silas, our Customer Relationship Manager. Also Vera and Lizzie who took up roles as Customer Service Officers. Sadly however we have said goodbye to Glenda and Sara who took up opportunities outside of Bendigo Bank, farewell ladies and thank you for your contributions.

Our Board has also seen significant changes and we welcome new Directors, Scott Bridgement and John Vohradsky, we look forward to working with you.

It is with great pride that I will continue to be at the helm of the Fairy Meadow **Community Bank**® Branch over the next 12 months. Time has passed so very quickly and I celebrate my fourth birthday with the branch and I am very proud to be member of the Bendigo Bank “family”. Thanks to our Regional Manager who has supported us stoically over the past year. Lastly and most importantly, I would like to extend my thanks to our shareholders, customers and community partners, without you we just would not be here.

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 the support of you as shareholders, customers and advocates. We look forward in assisting you into the future.

Mark Tyson
Branch Manager

Directors' report

For the financial year ended 30 June 2016

The Directors present their report of the company for the financial year ended 30 June 2016.

Directors

The following persons were Directors of Fairy Meadow Community Financial Services Limited during or since the end of the financial year up to the date of this report:

Name of Director	Period as Director	Qualifications & Special Responsibilities	
Raymond Tolhurst	24/04/2012	University lecturer/ Retiree	Chairman
Kylie McRae	27/01/2015	Accountant	Treasurer
Natalie Burroughs	29/04/2014	Chief Executive Officer	Secretary
Valerie Hussain	27/03/2012	Retired Administrative Officer	
Jacqueline Parrish	28/01/2014	Senior Executive	
Anthony O' Connor	29/04/2014	Chief Executive Officer	
Fiona Henderson	27/01/2015	Solicitor	
Concetta Saad	25/05/2011	Business Operator	
John Vohradsky	28/07/2015	Executive	
Scott Bridgement	28/07/2015	Executive	

Directors were in office for this entire year unless otherwise stated.

No Directors have material interests in contracts or proposed contracts with the company.

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings	
Director	**Attended**	**Eligible to Attend**
Raymond Tolhurst	8	8
Kylie McRae	7	8
Natalie Burroughs	8	8
Valerie Hussain	7	8
Jacqueline Parrish	5	6
Anthony O'Connor	7	8
Fiona Henderson	5	7
Concetta Saad	6	8
John Vohradsky	4	5
Scott Bridgement	5	7

Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank®** branch services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

There has been no significant changes in the nature of these activities during the year.

Review of operations

The loss of the company for the financial year after provision for income tax was $10,132 (2015 profit: $40,357).

Dividends

No dividend was declared or paid for the year for the year ended 30 June 2015. No dividend has been declared or paid for the year ended 30 June 2016 as yet.

Options

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

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

No matters or circumstances have arisen since the end of the financial year that significantly affect 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.

Likely developments

The company will continue its policy of providing banking services to the community.

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an Auditor of the company.

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.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 8 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Remuneration report

Remuneration policy

There has been no remuneration policy developed as Director positions are held on a voluntary basis and Directors are not remunerated for their services.

Equity holdings of key management personnel

The number of ordinary shares in the company held during the financial year and prior year by each Director and other key management personnel, including their related parties, are set out below:

Name	Balance at 30 June 2015	Net change in holdings	Balance at 30 June 2016
Directors			
Raymond Tolhurst	4,000		4,000
Valerie Hussain	6,500		6,500

Loans to key management personnel

There were no loans to key management personnel during the current or prior reporting period.

Signed in accordance with a resolution of the Board of Directors at Fairy Meadow on 20 September 2016.

Raymond Tolhurst
Director

Kylie McRae
Director

Auditor’s independence declaration

Daley&Co
chartered accountants | *Integrated Financial Solutions*

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001
To the Directors of Fairy Meadow Community Financial Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016, there have been no contraventions of:

(i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Daley & Co
Daley & Co
Chartered Accountants

Michael Mundt
Michael Mundt
Partner

Fairy Meadow

20 September 2016

Liability limited by a scheme approved under Professional Standards Legislation.

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	Notes	2016 $	2015 $
Revenue	2	828,179	812,894
Expenses			
Employee benefits expense	3	(463,841)	(427,194)
Depreciation and amortisation	3	(39,042)	(29,951)
Administration and general costs		(165,847)	(146,956)
Finance costs	3	(6)	-
Bad and doubtful debts expense	3	(722)	(1,461)
Occupancy expenses		(97,776)	(100,475)
IT costs		(23,146)	(21,472)
Operating profit before charitable donations and sponsorships		**37,797**	**85,385**
Charitable donations and sponsorships		(41,051)	(30,807)
Profit / (loss) before income tax		**(3,254)**	**54,578**
Income tax expense	4	6,878	14,221
Profit/(loss) for the year		**(10,132)**	**40,357**
Other comprehensive income		-	-
Total comprehensive income for the year		**(10,132)**	**40,357**

Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share		(1.49)	5.93

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2016

	Notes	2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents	5	77,574	36,535
Trade and other receivables	6	70,936	77,015
Financial assets	7	243,164	236,249
Current tax asset	4	3,557	3,809
Other assets	8	28,686	11,736
Total current assets		**423,917**	**365,344**
Non-current assets			
Property, plant and equipment	9	156,304	188,067
Intangible assets	10	31,816	45,559
Total non-current assets		**188,120**	**233,626**
Total assets		**612,037**	**598,970**
Liabilities			
Current liabilities			
Trade and other payables	11	43,639	24,585
Provisions	12	27,346	26,619
Total current liabilities		**70,986**	**51,204**
Non-current liabilities			
Provisions	12	29,600	26,182
Total non-current liabilities		**29,600**	**26,182**
Total liabilities		**100,585**	**77,386**
Net assets		**511,452**	**521,584**
Equity			
Issued capital	13	680,000	680,000
Accumulated losses	14	(168,548)	(158,416)
Total equity		**511,452**	**521,584**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the year ended 30 June 2016

	Note	Issued capital $	Retained earnings $	Reserves $	Total equity $
Balance at 1 July 2014		680,000	(171,573)	-	508,427
Profit for the year		-	40,357	-	40,357
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		**-**	**40,357**	**-**	**40,357**
Transactions with owners, in their capacity as owners					
Dividends paid or provided	23	-	(27,200)	-	(27,200)
Balance at 30 June 2015		**680,000**	**(158,416)**	**-**	**521,584**
Loss for the year		-	(10,132)	-	(10,132)
Other comprehensive income for the year		-	-	-	-
Total comprehensive loss for the year		**-**	**(10,132)**	**-**	**(10,132)**
Transactions with owners, in their capacity as owners					
Dividends paid or provided	23	-	-	-	-
Balance at 30 June 2016		**680,000**	**(168,548)**	**-**	**511,452**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		909,381	902,465
Payments to suppliers and employees		(841,286)	(865,562)
Interest received		7,225	9,606
Income tax paid		(10,435)	(8,750)
Net cash provided by operating activities	**16b**	**64,885**	**37,759**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		3,095	-
Proceeds from sale of investments		-	90,387
Purchase of property, plant and equipment		(20,026)	(115,600)
Purchase of investments		(6,915)	-
Net cash flows from / (used in) investing activities		**(23,846)**	**(25,213)**
Cash flows from financing activities			
Dividends paid		-	(27,200)
Net cash provided by / (used in) financing activities		**-**	**(27,200)**
Net increase / (decrease) in cash held		**41,039**	**(14,654)**
Cash and cash equivalents at beginning of financial year		36,535	51,189
Cash and cash equivalents at end of financial year	**16a**	**77,574**	**36,535**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

These financial statements and notes represent those of Fairy Meadow Community Financial Services Limited.

Fairy Meadow Community Financial Services Limited (‘the company’) is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 20 September 2016.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Fairy Meadow.

The branch operate as a franchise of Bendigo and Adelaide Bank Limited, using the name “Bendigo Bank”, the logo, and systems of operation of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank®** branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;

Note 1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic dependency (continued)

- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

(b) Income tax

The income tax expense / (income) for the year comprises current income tax expense / (income) and deferred tax expense / (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/ (assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Accordingly, deferred tax assets of $36,226 have not been recognised because it is not considered probable that future taxable profit will be available against which the company can utilise the benefits therein.

(c) Fair value of assets and liabilities

The company may measure some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie 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 value 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.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie 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 (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, 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.

(d) Property, plant and equipment

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

Note 1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of asset	Rate	Method
Leasehold improvements	10%	PC
Plant and equipment	10% - 30%	DV
Fixtures and Fittings	10% - 20%	DV

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(e) Impairment of assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If 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 cost 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. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Note 1. Summary of significant accounting policies (continued)

(f) 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 the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other 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 included in receipts from customers or payments to suppliers.

(g) Employee benefits

Short-term employee benefits

Provision is made for the company's obligation 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 and salaries. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits 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 remeasurement 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 company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company 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.

(h) Intangible assets

Establishment costs and franchise fees have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation in the Statement of Profit or Loss and Other Comprehensive Income.

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

Note 1. Summary of significant accounting policies (continued)

(j) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

Interest revenue is recognised on a time proportional basis that taken into account the effective yield on the financial asset.

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

(k) Investments and other financial assets

<u>(i) Classification</u>

The company classifies its financial assets in the following categories:

- loans and receivables,
- held to maturity investments, and

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Loans and receivables

This category is the most relevant to the company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the period end, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Held to maturity investments

The company classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the company intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.”

<u>(ii) Measurement</u>

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Note 1. Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

(ii) Measurement (continued)

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in the profit or loss.

(iii) Impairment

The Compny assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(iv) Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(l) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when ther eis objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

Note 1. Summary of significant accounting policies (continued)

(l) Trade and other receivables (continued)

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(n) Dividends

Provision is made for the amount of any dividends declared being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year, but not distributed at balance date.

(o) New and amended accounting policies adopted by the company

There are no new and amended accounting policies that have been adopted by the company this financial year.

(p) Comparative figures

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

(q) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servcing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjsuted for bonus elements in ordinary shares issues during the year.

(r) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018).

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

Note 1. Summary of significant accounting policies (continued)

(r) New accounting standards for application in future periods (continued)

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018). (continued)

- identify the contract(s) with customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosure regarding revenue.

When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

(s) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

<u>Employee benefits provision</u>

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

<u>Income tax</u>

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

(t) Correction of Prior Period Error

A review of the Initial Franchise Fee Intangible Asset valued at $90,000 revealed that the 30 June 2012 amortisation reversal and reinstatement of this asset was the incorrect accounting treatment. It has been determined there is no future realisable value to this asset and this transaction has been reversed.

As this error was made in a reporting period prior to the comparative period, the Balance Sheet as at 30 June 2012 was restated as follows:

- Intangible Assets - Franchise Fee was reduced by $90,000 to remove the asset from the Balance Sheet.
- Accumulated Losses - were increased by $90,000 to reverse the 30 June 2012 Amortisation write back.

Note 1. Summary of significant accounting policies (continued)

(t) Correction of Prior Period Error (continued)

This error has been rectified by restating each of the affected financial statement line items for prior periods as follows:

Statement of Financial Position (extract)	30 June 2014		30 June 2015	
	Previous Amount	Restated Amount	Previous Amount	Restated Amount
Intangible Assets	149,489	59,489	135,559	45,559
Total Assets	717,472	627,472	716,573	626,573
Net Assets	598,426	508,426	611,583	521,583
Accumulated losses	(81,573)	(171,573)	(68,417)	(158,417)
Total Equity	598,426	508,426	611,583	521,583
Statement of Financial Position (extract)	**30 June 2014**		**30 June 2015**	
	Previous Amount	**Restated Amount**	**Previous Amount**	**Restated Amount**
Accumulated losses	(81,573)	(171,573)	(68,417)	(158,417)

	2016 $	2015 $

Note 2. Revenue

Revenue		
- services commissions	770,271	749,461
	770,271	**749,461**
Other revenue		
- interest received	7,225	8,429
- other revenue	50,683	55,004
	57,908	**63,433**
Total revenue	**828,179**	**812,894**

Note 3. Expenses

Profit before income tax inculdes the following specific expenses:

Employee benefits expense		
- wages and salaries	408,454	386,471
- superannuation costs	42,877	42,010
- other costs	12,511	(1,287)
	463,841	**427,194**

	2016 $	2015 $
Note 3. Expenses (continued)		
Depreciation and amortisation		
Depreciation		
- plant and equipment	11,453	8,881
- leasehold improvements	13,846	7,140
	25,299	**16,021**
Amortisation		
- franchise fees	13,743	13,930
Total depreciation and amortisation	**39,042**	**29,951**
Finance costs		
- Interest paid	6	-
Bad and doubtful debts expenses	722	1,461
Loss on disposal of property, plant and equipment	23,395	-
Auditor's remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	9,000	5,600
- Share registry services	150	-
	9,150	**5,600**

Note 4. Income tax

a. The components of tax expense / (income) comprise:		
Current tax expense / (income)	6,878	14,221
	6,878	**14,221**
b. Prima facie tax payable		
The prima facie tax on profit / (loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit / (loss) before income tax at 30%	(976)	16,373
Add tax effect of:		
- Non-deductible expenses	7,854	(2,152)
Income tax attributable to the entity	**6,878**	**14,221**
The applicable weighted average effective tax rate is	-211.37%	26.06%

	2016 $	2015 $

Note 4. Income tax (continued)

c. Current tax liability

	2016 $	2015 $
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	(3,809)	-
Income tax paid	(6,626)	(18,030)
Current tax	6,878	14,221
	(3,557)	**(3,809)**

Note 5. Cash and cash equivalents

	2016 $	2015 $
Cash at bank and on hand	77,574	36,535
	77,574	**36,535**

Note 6. Trade and other receivables

Current

	2016 $	2015 $
Trade receivables	69,816	75,114
Other receivables	1,120	1,901
	70,936	**77,015**

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

Note 6. Trade and other receivables (continued)

Credit risk (continued)

			Past due but not impaired			
	Gross amount $	Past due and impaired $	< 30 days $	31-60 days $	> 60 days $	Not past due $
2015						
Trade receivables	75,114	-	-	-	-	75,114
Other receivables	1,901	-	-	-	-	1,901
Total	**77,015**	**-**	**-**	**-**	**-**	**77,015**
2016						
Trade receivables	69,816	-	-	-	-	69,816
Other receivables	1,120	-	-	-	-	1,120
Total	**70,936**	**-**	**-**	**-**	**-**	**70,936**

	2016 $	2015 $
Note 7. Financial assets		
Held to maturity financial assets		
Term deposits	243,164	236,249
	243,164	**236,249**

The effective interest rate on short-term bank deposits was 3% (2015: 3%); these deposits have an average maturity of 180 days.

Note 8. Other assets

	2016 $	2015 $
Prepayments	28,686	11,736
	28,686	**11,736**

Note 9. Property, plant and equipment

Leasehold improvements

	2016 $	2015 $
At cost	114,151	220,297
Less accumulated depreciation	(19,611)	(80,038)
	94,540	**140,259**

	2016 $	2015 $
Note 9. Property, plant and equipment (continued)		
Fixtures and Fittings		
At cost	104,316	80,488
Less accumulated depreciation	(63,537)	(60,116)
	40,779	**20,372**
Plant and equipment		
At cost	91,126	120,445
Less accumulated depreciation	(70,141)	(93,009)
	20,985	**27,436**
Total property, plant and equipment	**156,304**	**188,067**
Movements in carrying amounts		
Leasehold improvements		
Balance at the beginning of the reporting period	140,259	34,556
Additions	2,130	112,843
Reclassification	(10,845)	-
Disposals	(23,158)	-
Depreciation expense	(13,846)	(7,140)
Balance at the end of the reporting period	**94,540**	**140,259**
Fixtures and Fittings		
Balance at the beginning of the reporting period	20,372	23,120
Additions	17,896	680
Reclassification	10,845	-
Disposals	(635)	-
Depreciation expense	(7,699)	(3,428)
Balance at the end of the reporting period	**40,779**	**20,372**
Plant and equipment		
Balance at the beginning of the reporting period	27,436	30,811
Additions	-	2,078
Disposals	(2,697)	-
Depreciation expense	(3,754)	(5,453)
Balance at the end of the reporting period	**20,985**	**27,436**

	2016 $	2015 $

Note 9. Property, plant and equipment (continued)

Total property, plant and equipment		
Balance at the beginning of the reporting period	188,067	88,487
Additions	20,026	115,601
Disposals	(26,490)	-
Depreciation expense	(25,299)	(16,021)
Balance at the end of the reporting period	**156,304**	**188,067**

Note 10. Intangible assets

Franchise fee		
At cost	68,713	68,713
Less accumulated amortisation	(36,897)	(23,154)
	31,816	**45,559**
Total intangible assets	**31,816**	**45,559**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	45,559	59,489
Amortisation expense	(13,743)	(13,930)
Balance at the end of the reporting period	**31,816**	**45,559**

Note 11. Trade and other payables

Current		
Unsecured liabilities:		
Trade creditors	16,365	12,817
Other creditors and accruals	27,274	11,768
	43,639	**24,585**

The average credit period on trade and other payables is one month.

Notes to the financial statements (continued)

	2016 $	2015 $

Note 12. Provisions

Current		
Employee benefits	27,346	26,619
Non-current		
Employee benefits	29,600	26,182
Total provisions	**56,946**	**52,801**

Note 13. Share capital

680,000 Ordinary shares fully paid	680,000	680,000
	680,000	**680,000**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	680,000	680,000
Shares issued during the year	-	-
At the end of the reporting period	**680,000**	**680,000**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid can be seen in the Statement of Profit or Loss and Comprehensive Income.

There were no changes in the company's approach to capital management during the year.

	2016 $	2015 $

Note 14. Retained earnings / (accumulated losses)

	2016 $	2015 $
Balance at the beginning of the reporting period	(158,416)	(171,573)
Profit/(loss) after income tax	(10,132)	40,357
Dividends paid	-	(27,200)
Balance at the end of the reporting period	**(168,548)**	**(158,416)**

Note 15. Statement of cash flows

(a) Reconciliation of cash flow from operations with profit after income tax

	2016 $	2015 $
Profit / (loss) after income tax	(10,132)	40,357
Non-cash flows in profit		
- Depreciation	25,299	16,021
- Amortisation	13,743	13,930
- Bad debts	722	1,461
- Net (profit) / loss on disposal of property, plant & equipment	23,395	-
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	6,079	(77,015)
- (increase) / decrease in prepayments and other assets	(16,950)	(11,736)
- Increase / (decrease) in trade and other payables	19,054	24,585
- Increase / (decrease) in current tax liability	252	(3,809)
- Increase / (decrease) in provisions	4,145	52,801
Net cash flows from operating activities	**12,580**	**(15,174)**

Note 16. Earnings per share

	2016 $	2015 $
Basic earnings per share (cents)	(1.49)	5.93
Earnings used in calculating basic and diluted earnings per share	(10,132)	40,357
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share.	680,000	680,000

Note 17. Key management personnel and related party disclosures

(a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company is considered key management personnel.

Note 17. Key management personnel and related party disclosures (continued)

(b) Transactions with key management personnel and related parties

No key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

The Fairy Meadow Community Financial Services Limited has accepted the Bendigo and Adelaide Bank Limited's **Community Bank**® Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits.

The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be trivial.

(c) Key management personnel shareholdings

The number of ordinary shares in Fairy Meadow Community Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	2016	**2015**
Raymond Tolhurst	4,000	4,000
Valerie Hussain	6,500	6,500

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

(d) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

Note 18. Events after the reporting period

There have been no events after the end of the financial year that would materially affect the financial statements.

Note 19. Contingent liabilities and contingent assets

There were no contingent liabilities or assets at the date of this report to affect the financial statements.

Note 20. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being the Illawarra, NSW. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2015: 100%).

	2016 $	2015 $

Note 21. Commitments

Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the		
Statement of Financial Position.		
Payable:		
- no later than 12 months	77,427	74,664
- between 12 months and five years	193,566	270,993
- greater than five years	-	-
Minimum lease payments	**270,993**	**345,657**

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance and with CPI increases each year.

Note 22. Company details

The registered office and principle place of business is 37-39 Princes Highway, Fairy Meadow NSW 2519.

Note 23. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year

No dividends were paid or proposed by the company during the period. (2015: $0.04 per share)

Note 24. Fair value measurements

The carrying amounts of assets and liabilities recorded in the financial statements represent their fair values, as deterrmined in accordance with the accounting policies discliosed in note 1 to the financial statements.

Note 25. Financial risk management

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Governance Committee which reports regularly to the Board.

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 Financial Instruments: Recognition and Measurement as detailed in the accounting policies are as follows:

	Note	2016 $	2015 $
Note 25. Financial risk management (continued)			
Financial assets			
Cash and cash equivalents	5	77,574	36,535
Trade and other receivables	6	70,936	77,015
Financial assets	7	243,164	236,249
Total financial assets		**391,674**	**349,799**
Financial liabilities			
Trade and other payables	11	43,639	24,585
Total financial liabilities		**43,639**	**24,585**

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the table above.

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

None of the assets of the company are past due (2015: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited and therefore credit risk is considered minimal.

(b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Note 25. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2016	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	1%	77,574	77,574	-	-
Trade and other receivables	0%	70,936	70,936	-	-
Financial assets	3%	243,164	243,164	-	-
Total anticipated inflows		**391,674**	**391,674**	**-**	**-**
Financial liabilities					
Trade and other payables	0%	43,639	43,639	-	-
Total expected outflows		**43,639**	**43,639**	**-**	**-**
Net inflow / (outflow) on financial instruments		**348,035**	**348,035**	**-**	**-**

30 June 2015	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	1%	36,535	36,535	-	-
Trade and other receivables	0%	77,015	77,015	-	-
Financial assets	3%	236,249	236,249	-	-
Total anticipated inflows		**349,799**	**349,799**	**-**	**-**
Financial liabilities					
Trade and other payables	0%	24,585	24,585	-	-
Total expected outflows		**24,585**	**24,585**	**-**	**-**
Net inflow / (outflow) on financial instruments		**325,214**	**325,214**	**-**	**-**

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the company to interest rate risk are fixed interest securities, cash and cash equivalents.

Note 25. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit $	Equity $
Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	3,207	3,207
	3,207	**3,207**
Year ended 30 June 2015		
+/- 1% in interest rates (interest income)	2,728	2,728
	2,728	**2,728**

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Directors' declaration

In accordance with a resolution of the Directors of Fairy Meadow Community Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 30 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2016 and of the performance for the year ended on that date;

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.

3. The audited remuneration disclosures set out in the remuneration report section of the Directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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

Ray Tolhurst

Raymond Tolhurst
Director

Kylie McRae
Director

Signed at Fairy Meadow on 20 September 2016.

Independent audit report

Daley&Co chartered accountants | *Integrated Financial Solutions*

Independent Auditor's Report
To the members of Fairy Meadow Community Financial Services Limited

Report on the Financial Report

We have audited the accompanying financial report of Fairy Meadow Community Financial Services Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Daley&Co
chartered accountants

Integrated Financial Solutions

Independent Auditor's Report
To the members of Fairy Meadow Community Financial Services Limited (continued)

Opinion

In our opinion:

(a) the financial report of Fairy Meadow Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Daley & Co.

Daley & Co
Chartered Accountants

Michael Mundt

Michael Mundt
Partner

Wollongong

20 September 2016

Liability limited by a scheme approved under Professional Standards Legislation.

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