Annual Report 2018

Fairy Meadow Community Financial Services Limited

ABN 16 104 140 641

Fairy Meadow **Community Bank**® Branch

Contents

Chairman’s report

For year ending 30 June 2018

It has been an exciting year of change for Fairy Meadow Community Financial Services Limited. I have attempted in this report to capture some of the major events which have shaped our year.

Financial Performance

The company returned to profitability this year with a Net Profit result of $29,543, a substantial turnaround of over $33,000 on the previous year’s result. This was the result of significant effort by the branch to reduce costs in an environment in which our revenues were well down on budgeted levels following a change in the profit sharing model with Bendigo Bank taking effect during the year.

Personnel

Effective 1 July 2018, Ray Tolhurst resigned as a Director and Chairman of the company. Ray had been a Director since 24 April 2012 and held the position of Chairman since 25 February 2014. He has acted with tenacity, passion and dedication in his efforts to achieve the best outcomes for the company and its shareholders, customers and staff.

Ray is a passionate believer in the **Community Bank**® model and with the energy and drive he brought to the roles of Director and Chairman, Ray made a huge contribution to the Fairy Meadow **Community Bank**® Branch and we are the poorer for his departure. On behalf of the Board of Directors and all shareholders I wish to extend our appreciation and best wishes to Ray and his wife Rosie.

At the July Board Meeting, I was elected by the Directors, as Chairman of Fairy Meadow Community Financial Services Limited. This is a role which I am honoured to accept. I am committed to the **Community Bank**® model and with the upheaval currently occurring in the financial services sector our bank is ideally placed to provide customers with the security they are seeking in uncertain times. As we take steps to consolidate and grow, I will continue to maintain our focus on supporting our local communities.

You may be aware that the Board is supported by three sub-committees which operate at a more detailed level than time allows at Board meetings. During the year there were changes to two of these committees; Diana Foye became Chair of the Community Investments Committee, taking over from Valerie Hussain who has been a long time Director, Committee Chair and community champion, and the Business Development and Marketing Committee which was previously chaired by John Vohradsky is now under the guidance of Kyrn Stevens. On behalf of all shareholders I thank Valerie and John for their significant contributions to these Committees and wish every success for Diana and Kyrn in their new roles.

Strategic Plan

To assist us to meet our financial and social objectives, the company developed a Strategic Plan during the financial year which will guide us for the next five years. Already some of these strategies are being implemented and you will continue to see more of this in coming years.

One of the initiatives incorporated into our Strategy is to: ‘Expand our physical presence by establishing additional service centres’.

This goal is included in our Strategy because the Board is of the unanimous view that there are growth opportunities available, through which we can generate increased wealth to put back into our communities and for the benefit of our shareholders. Of course, growing our business by what we have called ‘increasing our footprint’ has significant potential benefits and also carries some risk. I want to assure shareholders that we are taking every possible step to minimise the risk and optimise the outcome for our Company.

Already we have undertaken a broad survey of areas of potential demand for a Bendigo facility (the assessment included a review of demographics, competitors, schools in the area etc). This provided us with some areas which are clear ‘no go’ areas and some others where more exploratory work is warranted.

A good example of taking this high-level survey to the next stage is the recent launch of the campaign to generate sufficient business in the Port Kembla area for us to consider providing banking services to the Port Kembla community. We are working with local community groups who are passionate about partnering with Bendigo Bank. If financial targets are able to be achieved through this campaign, we will conduct a thorough investigation to assess whether we believe this venture will be successful before proceeding.

In summary, our multi-year strategy may be modified along the way, as we respond to, or anticipate, where the market is heading. I will report regularly to shareholders on our progress against our Strategic Plan initiatives.

Low Volume Share Market

In October 2017, Fairy Meadow Community Financial Services Limited was registered on the Low Volume Share Market (LVM). This market is utilised by individuals trading shares in small volumes and usually low value transactions. We are conscious of the need to provide such a facility for our shareholders and our Company Secretary, Natalie Burroughs, has worked extremely hard to deliver this outcome. Shareholders are welcome to contact Natalie who can provide more detail around the operation of the LVM and how you might utilise it to acquire or sell shares.

Community Contribution

We are first and foremost a 'community bank'. When allocating funds the Company continues to prioritise supporting our local community through sponsorships and donations.

During the year, we supported a number of significant charitable and cultural events. Recipients included the Police Charity Ball, Russell Vale Public School, i98 Convoy, Illawarra Suicide Prevention, Community Cancer Link and Rotary – for a total of almost $12,000 in community contributions.

Fairy Meadow **Community Bank**® Branch also sponsored the Australia Day celebrations undertaken by Wollongong City Council. This is a major cultural event for the City and our Bank is proud to be the major sponsor of this series of activities.

Be the Change Campaign

Some shareholders will already be aware of the **Be the change** campaign, an advertising and promotional campaign developed by Bendigo Bank which focuses on the mutual benefit to customers and the broader community through banking with the **Community Bank**® network across Australia. These advertisements are currently being run in the Illawarra region as we seek to ensure that people realise that connecting with a company like ours is a connection with our local community.

Finally, at the end of another financial year in which we overcame many challenges to put ourselves on the path to delivering sustainable financial results, I would like to express my appreciation to our dedicated team at the Fairy Meadow **Community Bank**® Branch led by Mark Tyson our Branch Manager. We receive wonderful feedback about customer interactions with our staff and there is no better measure of success than happy customers. I thank also our shareholders and our customers for their ongoing support and confidence in our branch. We will continue to work hard to justify that support. Lastly, I express my sincere appreciation to our volunteer Board of Directors. The responsibilities associated with being a Director of a financial institution in the current environment are onerous and this outstanding group of Directors continues to step up to the challenge.

I wish you all a wonderful festive season and look forward with confidence to the year ahead.

J Brannon

John Brannon
Chairman

Manager's report

For year ending 30 June 2018

The years seem to be flying past so quickly. I can hardly believe that our Fairy Meadow **Community Bank**® Branch, which opened in 2003 will be celebrating 15 years in November of 2018 servicing our community.

As I look back at the 2018 year and think about our humble beginnings I am filled with a fantastic sense of pride. We started with a simple dream, a dream of ensuring that our community had banking and financial services. We now have a business with footings well above $132 million, a customer base of in excess of 3,300 and have directed in excess of $400,000 to our local community.

I also look at the **Community Bank**® model, a model that celebrates 20 years this year. I am astounded that this model that was borne out of a simple idea of partnering with a community has now 322 **Community Bank**® branches, in excess of 6,000 staff and has returned in excess of $200 million in direct funding to local communities around Australia. Who wouldn't be proud of being a part of that!

Although we only form a small part of the big picture, all of us; staff, Directors, shareholders and customers past and present should feel proud of what we have helped achieve. Each of you has been an integral part of a model that has truly changed communities.

Financially this year we have seen our footings and overall revenues remain stable at 2017 levels. This being said however, we have seen the Fairy Meadow **Community Bank**® Branch move from a loss in the 2017 financial year to the modest profit that we see in our 2018 financial statements.

This has been able to be achieved mainly through continued restraint and in some cases marked reductions in costs. In addition, and with the continuing "squeeze" on margins we have continued with our major focus on the sale of non-margin financial products.

As in past years, our sector is continuing to experience substantial change. This is due to many factors, not least being the ongoing changes being brought about by the Financial Services and Banking Royal Commission.

We are seeing greater emphasis being placed on the 'Responsible Lending' requirements from APRA. This has increased our requirements for assessing and verifying our applicants' financial positions. In addition to this we have also seen restrictions placed on investment lending, both residential and commercial.

For the future we need to be acutely aware of our compliance obligations and requirements. We must also continue to place the needs and requirements of our customers first and ensure we place them at the core of everything we do. I must say that at the Bendigo Bank this is 'business as usual'.

We continue to see customers utilising different mediums in which to satisfy their financial needs. This is evidenced by our 'over the counter' transaction levels reducing year on year, in part due to the emergence of new payment systems like Osko and pay-wave and full-service internet financial services providers.

This evidences continuing societal change in the way that customers wish to bank and have their financial services delivered. Whilst embracing and accommodating these changes, here at the Fairy Meadow **Community Bank**® Branch you will see the same friendly faces and hear the same friendly voices when you call or come to visit us.

As with all great businesses, here at Fairy Meadow **Community Bank**® Branch we have great people who make it all 'work'. I would like to recognise my wonderful and very hard-working staff, my focused and supportive Board and the Bendigo leadership team. Thank you all for being the drivers of our business, keep doing what you do to make this business what it is today.

We have seen a number of changes in our business this financial year. We have welcomed Beth, our new Customer Service Supervisor, who replaced Mitch King.

Manager's report (continued)

It is with great sadness that we farewell Mitch. Mitch decided through the year to take up a promotion with another **Community Bank**® branch at Oak Flats/Shellharbour. I know that a lot of you know Mitch and commend him for his work for the organisation, customers and shareholders. I am sure that you will all join with me in congratulating Mitch on his promotion and wish him well in his future endeavours.

Our Board, whilst remaining the same as for the 2017 financial year, sees our Chair, Ray Tolhurst, resign from his position and the Board effective 1 July 2018. I know that the organisation will miss Ray's commitment and passion. I wish you well for your future and personally thank you for your support and guidance over the past six years. We welcome and congratulate existing Director, John Brannon, for his appointment as Chair effective 1 July 2018.

We have also seen a change to our Bendigo and Adelaide Bank Limited leadership team with Jim Crawford moving to a Senior Leadership Role leading the Metro Sydney Bendigo teams. Thank you Jim for all of your support and guidance. I welcome Anthony Gillett as our new Regional Manager and thank Chris Pursehouse, Steve Joy and David Chamberlain for their support throughout the past year.

Finally, and most importantly, I would like to extend my gratitude to our shareholders, customers and community partners for your continuing support.

It is with continuing pride that I will continue to be at the helm of the Fairy Meadow **Community Bank**® Branch over the next 12 months. Time slips away so very quickly but I take great solace being part of the wonderful community of the 'Bendigo' and Fairy Meadow communities.

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, partners and advocates.

We look forward in assisting you into the future.

Mark Tyson
Branch Manager

Directors' report

For the financial year ended 30 June 2018

The Directors present their report of the Company for the financial year ended 30 June 2018.

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	Executive	Secretary
Valerie Hussain	27/03/2012	Retired Administrative Officer	
Anthony O' Connor	29/04/2014	Chief Executive Officer	
John Vohradsky	28/07/2015	Executive	
Scott Bridgement	28/07/2015	Executive	
John Brannon	20/02/2017	Company Director	
Diana Foye	18/04/2017	Solicitor	
Kyrn Stevens	15/04/2017	Marketing 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	6	6
Kylie McRae	4	5
Natalie Burroughs	6	6
Valerie Hussain	6	6
Anthony O'Connor	5	6
John Vohradsky	6	6
Scott Bridgement	6	6
John Brannon	5	6
Diana Foye	4	6
Kyrn Stevens	6	6

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

Review of operations

The profit of the Company for the financial year after provision for income tax was $29,543 (2017 loss: $3,624).

Dividends

No dividend was declared or paid for the year ended 30 June 2017. No dividend has been declared or paid for the year ended 30 June 2018.

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 (Directors, Secretary and employees) 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 incurred by an 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 9 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 2017	Net change in holdings	Balance at 30 June 2018
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 25 September 2018.

J Brannon

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John Brannon

Director

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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, there have been:

i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Daley & Co

Daley & Co
Chartered Accountants

Michael Mundt

Michael Mundt
Partner

Wollongong

25 September 2018

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CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

Liability limited by a Scheme approved under Professional Standards Legislation

Financial statements

Fairy Meadow Community Financial Services Limited
ABN 16 104 140 641
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2018

	Note	2018 $	2017 $
Revenue	2	794,987	777,563
Expenses			
Employee benefits expense	3	(465,418)	(467,135)
Depreciation and amortisation	3	(37,612)	(39,094)
Administration and general costs		(116,721)	(134,730)
Finance costs	3	(16)	(16)
Bad and doubtful debts expense	3	(2,058)	(566)
Occupancy expenses		(108,748)	(97,422)
IT costs		(21,351)	(20,975)
Operating profit before charitable donations and sponsorships		**43,063**	**17,625**
Charitable donations and sponsorships		(12,006)	(16,029)
Profit / (loss) before income tax		**31,057**	**1,596**
Income tax expense	4	1,514	5,220
Profit / (loss) for the year		**29,543**	**(3,624)**
Other comprehensive income		-	-
Total comprehensive income / (loss) for the year		**29,543**	**(3,624)**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company (cents per share):			
- basic earnings per share		4.34	(0.53)

Fairy Meadow Community Financial Services Limited
ABN 16 104 140 641
Statement of FInancial Position
as at 30 June 2018

	Note	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents	5	113,909	92,539
Trade and other receivables	6	71,991	73,476
Financial assets	7	308,056	300,000
Current tax asset	4	2,557	40
Other assets	8	12,410	11,251
Total current assets		**508,922**	**477,307**
Non-current assets			
Property, plant and equipment	9	109,449	130,953
Intangible assets	10	4,331	18,074
Total non-current assets		**113,780**	**149,027**
Total assets		**622,703**	**626,334**
Liabilities			
Current liabilities			
Trade and other payables	11	36,884	55,414
Provisions	12	40,853	57,191
Total current liabilities		**77,737**	**112,605**
Non-current liabilities			
Provisions	12	7,594	5,900
Total non-current liabilities		**7,594**	**5,900**
Total liabilities		**85,331**	**118,505**
Net assets		**537,372**	**507,829**
Equity			
Issued capital	13	680,000	680,000
Accumulated losses	14	(142,628)	(172,171)
Total equity		**537,372**	**507,829**

Fairy Meadow Community Financial Services Limited
ABN 16 104 140 641
Statement of Changes in Equity
for the year ended 30 June 2018

	Note	Issued capital $	Retained earnings $	Reserves $	Total equity $
Balance at 1 July 2016		680,000	(168,548)	-	511,452
Profit for the year ended 30 June 2017		-	(3,624)	-	(3,624)
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		**-**	**(3,624)**	**-**	**(3,624)**
Transactions with owners, in their capacity as owners					
Dividends paid or provided	23	-	-	-	-
Balance at 30 June 2017		680,000	(172,171)	-	507,829
Profit for the year ended 30 June 2018		-	29,543	-	29,543
Other comprehensive income for the year		-	-	-	-
Total comprehensive loss for the year		**-**	**29,543**	**-**	**29,543**
Transactions with owners, in their capacity as owners					
Dividends paid or provided	23	-	-	-	-
Balance at 30 June 2018		680,000	(142,629)	-	537,372

Fairy Meadow Community Financial Services Limited
ABN 16 104 140 641
Statement of Cash Flows
for the year ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		863,335	848,203
Payments to suppliers and employees		(835,640)	(778,499)
Interest received		8,127	7,357
Income tax paid		(4,031)	(5,260)
Net cash provided by operating activities	14a	**31,791**	**71,801**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	-
Proceeds from sale of investments		-	-
Purchase of property, plant and equipment		-	-
Purchase of investments		(10,422)	(56,836)
Net cash flows from / (used in) investing activities		**(10,422)**	**(56,836)**
Cash flows from financing activities			
Dividends paid		-	-
Net cash provided by / (used in) financing activities		**-**	**-**
Net increase / (decrease) in cash held		**21,369**	**14,965**
Cash and cash equivalents at beginning of financial year		92,539	77,574
Cash and cash equivalents at end of financial year	5	**113,909**	**92,539**

Notes to the financial statements

For year ended 30 June 2018

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 25 September 2018.

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 operates 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.

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic dependency (continued)
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:

- 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;
- 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.

1. Summary of significant accounting policies (continued)

(c) Fair value of assets and liabilities (continued)

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.

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

1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

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.

(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.

1. Summary of significant accounting policies (continued)

(g) Employee benefits (continued)

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.

(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 takes 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

(i) Classification
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.

1. Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

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.

(ii) Measurement

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.*

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.

1. Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

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 there is 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.

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.

(m) 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.

(n) 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.

(o) Comparative figures

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

1. Summary of significant accounting policies (continued)

(p) 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 servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issues during the year.

(q) 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:

- 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.

1. Summary of significant accounting policies (continued)

(r) 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.

Employee benefits provision

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.

Income tax

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.

	2018 $	2017 $
2. Revenue		
Revenue		
- services commissions	758,500	743,929
	758,500	743,929
Other revenue		
- interest received	8,127	7,357
- other revenue	28,360	26,277
	36,487	33,634
Total revenue	**794,987**	**777,563**

	2018 $	2017 $
3. Expenses		
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	434,294	424,614
- superannuation costs	45,768	36,375
- other costs	(14,644)	6,146
	465,418	467,135
Depreciation and amortisation		
Depreciation		
- plant and equipment	12,451	13,290
- leasehold improvements	11,419	12,061
	23,870	25,351
Amortisation		
- franchise fees	13,743	13,743
Total depreciation and amortisation	37,612	39,094
Finance costs		
- Interest paid	16	16
Bad and doubtful debts expenses	2,058	566
Loss on disposal of property, plant and equipment	-	-
Auditor's remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	9,000	9,000
- Share registry services	570	350
	9,570	9,350
4. Income tax		
Current tax expense / (income)	1,514	5,220
	1,514	**5,220**
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 27.5%	8,541	439
Add tax effect of:		
- Non-deductible expenses	(7,027)	4,781
Income tax attributable to the entity	**1,514**	**5,220**
The applicable weighted average effective tax rate is	4.87%	327.00%

	2018 $	2017 $
4. Income tax (continued)		
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	(40)	(3,557)
Income tax paid	(4,030)	(1,703)
Current tax	1,514	5,220
Under / (over) provision prior years	-	-
	(2,557)	**(40)**
5. Cash and cash equivalents		
Cash at bank and on hand	113,909	92,539
	113,909	**92,539**
6. Trade and other receivables		
Current		
Trade receivables	70,794	72,197
Other receivables	1,198	1,279
	71,991	**73,476**

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.

			Past due but not impaired			
	Gross amount	Past due and impaired	< 30 days	31-60 days	> 60 days	Not past due
2017	**$**	**$**	**$**	**$**	**$**	**$**
Trade receivables	72,197	-	-	-	-	72,197
Other receivables	1,279	-	-	-	-	1,279
Total	**73,476**	**-**	**-**	**-**	**-**	**73,476**
2018						
Trade receivables	70,794	-	-	-	-	70,794
Other receivables	1,198	-	-	-	-	1,198
Total	**71,991**	**-**	**-**	**-**	**-**	**71,991**

	2018 $	2017 $
7. Financial assets		
Held to maturity financial assets		
Term deposits	308,056	300,000
	308,056	300,000

The effective interest rate on short-term bank deposits was 2.5% (2017: 3%); these deposits have a maturity of between 180 and 365 days.

	2018 $	2017 $
8. Other assets		
Prepayments	12,410	11,251
	12,410	**11,251**
9. Property, plant and equipment		
Leasehold improvements		
At cost	114,151	114,151
Less accumulated depreciation	(43,091)	(31,672)
	71,060	82,479
Fixtures and Fittings		
At cost	104,316	104,316
Less accumulated depreciation	(81,435)	(73,815)
	22,881	30,501
Plant and equipment		
At cost	93,492	91,126
Less accumulated depreciation	(77,984)	(73,153)
	15,508	17,973
Total property, plant and equipment	**109,449**	**130,953**
Movements in carrying amounts		
Leasehold improvements		
Balance at the beginning of the reporting period	82,479	94,540
Depreciation expense	(11,419)	(12,061)
Balance at the end of the reporting period	71,060	82,479
Fixtures and Fittings		
Balance at the beginning of the reporting period	30,501	40,779
Depreciation expense	(7,620)	(10,278)
Balance at the end of the reporting period	22,881	30,501
Plant and equipment		
Balance at the beginning of the reporting period	17,973	20,985
Additions	2,366	-
Depreciation expense	(4,831)	(3,012)
Balance at the end of the reporting period	15,508	17,973
Total property, plant and equipment		
Balance at the beginning of the reporting period	130,953	156,304
Additions	2,366	-
Depreciation expense	(23,870)	(25,351)
Balance at the end of the reporting period	**109,449**	**130,953**

	2018 $	2017 $
10. Intangible assets		
Franchise fee		
At cost	68,713	68,713
Less accumulated amortisation	(64,382)	(50,639)
	4,331	18,074
Total intangible assets	**4,331**	**18,074**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	18,074	31,816
Amortisation expense	(13,743)	(13,743)
Balance at the end of the reporting period	**4,331**	**18,074**

11. Trade and other payables

	2018 $	2017 $
Current		
Unsecured liabilities:		
Trade creditors	7,786	14,047
Other creditors and accruals	29,098	41,367
	36,884	**55,414**

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

12. Provisions

	2018 $	2017 $
Current		
Annual leave	25,743	30,511
Long service leave	15,110	26,680
	40,853	57,191
Non-current		
Long service leave	7,594	5,900
Total provisions	**48,447**	**63,091**

13. Share capital

	2018 $	2017 $
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**

13. Share capital (continued)

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 monitors 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.

	2018 $	2017 $
14. Retained earnings / (accumulated losses)		
Balance at the beginning of the reporting period	(172,171)	(168,548)
Profit/(loss) after income tax	29,543	(3,623)
Dividends paid	-	-
Balance at the end of the reporting period	**(142,628)**	**(172,171)**
(a) Reconciliation of cash flow from operations with profit after income tax		
Profit / (loss) after income tax	29,543	(3,624)
Non-cash flows in profit		
- Depreciation	23,870	25,351
- Amortisation	13,743	13,743
- Net (profit) / loss on disposal of property, plant & equipment	-	-
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	1,485	6,079
- (increase) / decrease in prepayments and other assets	(1,159)	(16,950)
- Increase / (decrease) in trade and other payables	(18,531)	19,054
- Increase / (decrease) in current tax liability	(2,516)	252
- Increase / (decrease) in provisions	(14,644)	4,145
Net cash flows from operating activities	**31,790**	**48,050**

Note 15 – Removed

	2018 $	2017 $
16. Earnings per share		
Basic earnings per share (cents)	4.34	(0.53)
Earnings used in calculating basic and diluted earnings per share	29,543	(3,624)
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share.	680,000	680,000

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.

The totals of remuneration paid to key management personnel of the Company during the year are as follows:

	2018 $	2017 $
Short-term employee benefits	114,651	123,954
Post-employment benefits	8,721	8,626
Other long-term benefits	2,844	985
Share-based payments	-	-
Total key management personnel compensation	126,216	133,565

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) 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.

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

(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:

	2018	2017
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.

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.

19. Contingent liabilities and contingent assets

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

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 (2017: 100%).

	2018 $	2017 $
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	83,262	80,136
- between 12 months and five years	41,631	120,205
- greater than five years	-	-
Minimum lease payments	124,892	200,341

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.
Finance leases comprise leases of property, plant and equipment under normal commercial finance lease terms and conditions repayable over 5 years.

22. Company details

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

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. (2017: nil per share)

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.

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 a 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	2018 $	2017 $
Financial assets			
Cash and cash equivalents	5	113,909	92,539
Trade and other receivables	6	71,991	73,476
Financial assets	7	308,056	300,000
Total financial assets		493,956	466,016
Financial liabilities			
Trade and other payables	11	36,884	55,414
Total financial liabilities		36,884	55,414

25. Financial risk management (continued)

(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 (2017: 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.

25. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis:

30 June 2018	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	1%	113,909	113,909	-	-
Trade and other receivables	0%	71,991	71,991	-	-
Financial assets	3%	308,056	308,056	-	-
Total anticipated inflows		493,956	493,956	-	-
Financial liabilities					
Trade and other payables	0%	36,884	36,884	-	-
Total expected outflows		36,884	36,884	-	-
Net inflow / (outflow) on financial instruments		457,072	457,072	-	-

30 June 2017	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	1%	92,539	92,539	-	-
Trade and other receivables	0%	73,476	73,476	-	-
Financial assets	3%	300,000	300,000	-	-
Total anticipated inflows		466,016	466,016	-	-
Financial liabilities					
Trade and other payables	0%	55,414	55,414	-	-
Total expected outflows		55,414	55,414	-	-
Net inflow / (outflow) on financial instruments		410,602	410,602	-	-

(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.

25. Financial risk management (continued)

(c) Market risk (continued)

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

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.

Year ended 30 June 2018	Profit $	Equity $
+/- 1% in interest rates (interest income)	4,220	4,220
	4,220	4,220

Year ended 30 June 2017	Profit $	Equity $
+/- 1% in interest rates (interest income)	3,925	3,925
	3,925	3,925

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 10 to 34 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 2018 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.

....	....
John Brannon	Kylie McRae
Director	Director

Signed at Fairy Meadow on 25 September 2018

Daley&Co chartered accountants | Integrated Financial Solutions

Independent Audit Report
to the members of Fairy Meadow Community Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Fairy Meadow Community Financial Services Limited ("the Company") which comprises the statement of balance sheet as at 30 June 2018, the statement of profit and loss and other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial report of the Company 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 2018 and of its financial performance for the year ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibilities of Directors 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 preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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CHARTERED ACCOUNTANTS AUSTRALIA + NEW ZEALAND

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As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Daley & Co.

Daley & Co
Chartered Accountants

Michael Mundt

Michael Mundt
Partner

Wollongong

25 September 2018

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