Fairy Meadow Community Financial Services Limited

ABN 16 104 140 641

2019 Annual Report

Fairy Meadow Community Bank Branch

Contents

Chairman's report

For year ending 30 June 2019

The financial year ended in June 2019 has again been one of challenge, change and opportunity. The comments below address our financial performance and other actions which the Board has taken this year.

Financial performance

Operating Profit for the year before sponsorships and donations was $116,138 (compared with $43,063 in 2018). This enabled us to more than double the amount spent on community and charitable causes to $26,576 during the year.

Net Profit (after tax) for the year ended 30 June 2019 was $66,307, representing a 124 percent increase on the previous year's result of $29,543. This substantial increase in our net profit provided the Board with the opportunity to declare a dividend in the amount of $0.05 per share fully franked.

These financial outcomes are very pleasing, as we continue our journey toward sustainable profitability, as they reflect significant improvement on last year's results. The results were driven by increased revenues and effective control of costs in all areas of the business. In this regard, Branch management should be commended for their ongoing efforts to ensure we operate an efficient business.

Personnel

During the year, Valerie Hussain resigned from the Board. Valerie has been a passionate and energetic supporter of community causes and local charities for many years. She brought that passion to our Board and Chaired the Community Investments Committee which manages our sponsorships, donations and other community contributions. Her contribution to the Board also extended to the insights she provided on a broad range of issues associated with our business. While we are the poorer for her departure from the Board, Valerie leaves with the best wishes of the Board and all those associated with the branch.

In June, the Board elected two new Directors to fill vacancies. We are extremely fortunate to have obtained the services of Rosanne Moore and Brenden Logue. Our new Directors have a wealth of business experience covering both the public and private sectors. Rosanne and Brenden are also experienced community engagement and marketing professionals and we look forward to their continuing contributions to our business as we seek to deliver our strategic goals.

Strategic Plan

In my report to shareholders last year, I discussed the company's Strategic Plan and indicated that I would report to shareholders our progress against the Plan. I am pleased to report that this plan was reviewed in February 2019 and while the strategic direction has not changed, we have reviewed our goals and set more challenging targets.

In summary our goals are:

- To increase lending activity each year
- To achieve a level of sustainable profitability which allows us to achieve our purpose and deliver:
  - An increase in our community and charitable contributions
  - Ongoing dividends to our shareholders
  - A healthy Balance Sheet with no accumulated losses.

This Strategic Plan is a five-year undertaking. We recognise that to achieve sustainable improvement there are no 'quick fixes'. Our Strategy requires financial investment and the commitment of all stakeholders. We have begun implementing some of the actions to support the achievement of these goals. In July we recruited a Mobile Relationships Manager, Laura Bailey who joins us with experience in similar roles from other companies in the banking sector. It will be Laura's role, along with our Branch management, to drive the 'increased lending' goal referred to above. The recruitment of a mobile lender is now a common feature of the banking sector and a financial investment which the Board considered carefully recognising that adding costs will, in the short term, adversely impact our financial results. We believe this necessary investment will assist us to grow our business and achieve sustainability.

As I stated last year, our multi-year strategy may be modified along the way as we have done this year, in order to respond to, or anticipate changes to the market. However, our commitment to improve returns to shareholders and communities will remain key objectives of our strategy. I will continue to report regularly to shareholders on our progress against our Strategic Plan initiatives.

Community contribution

On behalf of the Board I am delighted to report on our community investment for the financial year 2019. As stated above, we allocated funds of $26,576 to various charities and community activities and contributed to the Bendigo Community Enterprise Foundation™, which we will draw upon in subsequent years to support suitable projects within our community. Our expenditure this year on community activities compares favourably with the previous year's allocation of $12,006 and demonstrates that when the branch delivers improved financial performance we contribute more to our stakeholders.

Dividend

Among a number of successful outcomes this year, I am most pleased to report that for the first time in four years we have been able to declare a dividend for our shareholders. The dividend of $0.05 per share fully franked represents a five percent return on the original (par) value of shares in Fairy Meadow Community Financial Services Limited.

Finally, 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 extremely positive feedback from customers and this reflects the effort that our staff make to ensure our customers' experiences at the branch are pleasant and productive. I thank also our shareholders and our customers for their ongoing support and confidence and we will continue to work hard to justify that support. Lastly, I express my sincere appreciation to our volunteer Board of Directors. The aforementioned revised Strategy has required an even greater contribution from Directors and they continue to meet that challenge.

I extend to you on behalf of the Board, our best wishes for 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 2019

It has been another successful year for the Fairy Meadow Community Bank Branch. After opening in 2003 with a great vision we continue to provide much needed banking services to our greater Illawarra area.

Financially the 2019 year has been successful with our footings and overall revenues up 2.70% on the 2018 year. We have seen our profitability improve significantly compared with last year.

This was achieved through continued tight control of costs and improved margins. The improved margin position should be considered with caution however as the recent reductions in official cash rates have resulted in further tightening of our margins. We will continue our focus on a holistic proactive approach to the needs of our customers which will in turn provide us with an increased revenue stream.

Our staff are to be commended for their efforts throughout the year and I would like to thank them for their hard work, along with our focused and supportive Board and the Bendigo and Adelaide Bank Limited leadership team.

This year we welcomed two new members to our team; a new part-time Customer Service Officer, Marieanne Smith and appointed a Mobile Relationship Manager, Laura Bailey. The introduction of a Mobile Relationship Manager to our team is an exciting step for us as we now offer our customers and future customers flexible access to our services to help them manage their busy daily schedules.

We also farewelled Customer Service Officer Beth Hutchison who left us to pursue a new career direction.

We have also seen a change to our Bendigo and Adelaide Bank Limited leadership team with Anthony Gillett leaving to pursue opportunities outside of the organisation during the year. I thank Anthony for his support and guidance over the past year.

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

As we complete our 16th year of business it is worth reflecting on our achievement to fulfil our promise to ensure that our community was provided with a locally based full service Bank which is sustainable and profitable for our stakeholders.

Our customer base exceeds 3,000 customers (representing approximately 1% of the greater Wollongong population), this year we processed just under 22,000 financial transactions over our counter, opening well over 500 new banking accounts, directed more than $20,000 to local community groups and announced a 5 cent fully franked dividend.

We have seen significant transformation in the Financial Services sector of recent times with the advent and significant take up of digital banking platforms. We recognise that we must strive to remain focused on the future and remain sustainable in this new digital age.

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.

Fairy Meadow Community Bank Branch, the Bigger Better Bank.

Mark Tyson
Branch Manager

Directors' report

For the financial year ended 30 June 2019

The Directors present their report of the Company for the financial year ended 30 June 2019.

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	
John Brannon		20/02/2017	Consultant	Chairman
Kylie McRae		27/01/2015	Accountant	Treasurer
Natalie Burroughs		29/04/2014	Executive	Secretary
Anthony O'Connor		29/04/2014	Chief Executive Officer	
John Vohradsky		28/07/2015	Executive	
Scott Bridgement		28/07/2015	Executive	
Diana Foye		18/04/2017	Solicitor	
Kyrn Stevens	resigned	24/09/2019	Marketing Executive	
Valerie Hussain	resigned	28/02/2019	Retired Administrative Officer	

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
John Brannon	8	8
Kylie McRae	6	8
Natalie Burroughs	7	8
Valerie Hussain	3	4
Anthony O'Connor	6	8
John Vohradsky	6	8
Scott Bridgement	7	8
Diana Foye	6	8
Kyrn Stevens	5	8

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 $66,307 (2018 $29,543).

Dividends

No dividend was declared or paid for the year for the year ended 30 June 2018. A fully franked dividend of 5 cents per share has been declared for the year ended 30 June 2019.

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 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 2018	Net change in holdings	Balance at 30 June 2019
Directors			
Valerie Hussain - resigned 28/02/2019	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 24 September 2019

John Brannon
Director

Kylie McRae
Director

Auditor's independence declaration

DALEY
AUDIT

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 Audit

Daley Audit

Michael Mundt

Michael Mundt
Partner

Wollongong

24 September 2019

Wollongong
PO Box 333
Wollongong NSW 2520
02 4229 6477
wollongong@daley.com.au

Bowral
PO Box 1032
Bowral NSW 2576
02 4862 1082
bowral@daley.com.au

Sydney
PO Box 903
Sydney NSW 2001
02 8236 8177
sydney@daley.com.au

daley.com.au
ABN 43 152 844 291
Liability limited by a Scheme approved under Professional Standards Legislation.

CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

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 2019

	Note	2019 $	2018 $
Revenue	2	812,541	794,987
Expenses			
Employee benefits expense	3	(425,990)	(465,418)
Depreciation and amortisation	3	(31,004)	(37,612)
Administration and general costs		(112,393)	(116,721)
Finance costs	3	(15)	(16)
Bad and doubtful debts expense	3	938	(2,058)
Occupancy expenses		(105,283)	(108,748)
IT costs		(22,656)	(21,351)
Operating profit before charitable donations and sponsorships		**116,138**	**43,063**
Charitable donations and sponsorships		(26,576)	(12,006)
Profit / (loss) before income tax		**89,562**	**31,057**
Income tax expense	4	23,255	1,514
Profit / (loss) for the year		**66,307**	**29,543**
Other comprehensive income		-	-
Total comprehensive income / (loss) for the year		**66,307**	**29,543**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company (cents per share):			
- basic earnings per share		9.75	4.34

Fairy Meadow Community Financial Services Limited
ABN 16 104 140 641
Statement of Financial Position
as at 30 June 2019

	Note	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	5	325,128	113,909
Trade and other receivables	6	70,719	71,991
Financial assets	7	210,641	308,056
Current tax asset	4	-	2,557
Other assets	8	12,576	12,410
Total current assets		**619,065**	**508,922**
Non-current assets			
Property, plant and equipment	9	91,565	109,449
Intangible assets	10	57,130	4,331
Total non-current assets		**148,695**	**113,780**
Total assets		**767,760**	**622,703**
Liabilities			
Current liabilities			
Trade and other payables	11	51,441	36,884
Current tax liability	4	21,873	-
Provisions	12	66,422	40,853
Total current liabilities		**139,736**	**77,737**
Non-current liabilities			
Trade and other payables	11	47,318	-
Provisions	12	11,028	7,594
Total non-current liabilities		**58,346**	**7,594**
Total liabilities		**198,082**	**85,331**
Net assets		**569,679**	**537,372**
Equity			
Issued capital	13	680,000	680,000
Profit reserve	15	32,307	-
Accumulated losses		(142,628)	(142,628)
Total equity		**569,679**	**537,372**

Fairy Meadow Community Financial Services Limited
ABN 16 104 140 641
Statement of Changes in Equity
for the year ended 30 June 2019

	Note	Issued capital $	Retained earnings $	Profit reserves $	Total equity $
Balance at 1 July 2017		680,000	(172,170)	-	507,830
Profit for the year ended 30 June 2018		-	29,543	-	29,543
Other comprehensive income for the year		-	-	-	-
Total comprehensive income 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	(142,628)	-	537,372
Profit for the year ended 30 June 2019		-	66,307	-	66,307
Transfer to reserves			(66,307)		
Other comprehensive income for the year		-	-	66,307	66,307
Total comprehensive income for the year		**-**	**-**	**66,307**	**66,307**
Transactions with owners, in their capacity as owners					
Dividends paid or provided	23	-	-	(34,000)	(34,000)
Balance at 30 June 2019		680,000	(142,628)	32,307	569,679

Fairy Meadow Community Financial Services Limited
ABN 16 104 140 641
Statement of Cash Flows
for the year ended 30 June 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		890,699	863,335
Payments to suppliers and employees		(763,206)	(835,640)
Interest received		6,295	8,127
Income tax paid		(1,383)	(4,031)
Net cash provided by operating activities	14a	**132,406**	**31,791**
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		97,415	(10,422)
Purchase of intangible assets		(18,601)	-
Net cash flows from / (used in) investing activities		**78,814**	**(10,422)**
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Dividends paid		-	-
Net cash provided by / (used in) financing activities		-	-
Net increase / (decrease) in cash held		**211,220**	**21,370**
Cash and cash equivalents at beginning of financial year		113,909	92,539
Cash and cash equivalents at end of financial year	5	**325,128**	**113,909**

Notes to the financial statements

For year ended 30 June 2019

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 24 September 2019.

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.

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:

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

1. Summary of significant accounting policies (continued)

(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.

(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 Company 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.

1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

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.

(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.

1. Summary of significant accounting policies (continued)

(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.

(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) Financial instruments

Financial instruments are recognised initially on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

1. Summary of significant accounting policies (continued)

(i) Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Company classifies its financial assets as those to be measured at amortised cost. The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the balance sheet.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for financial assets measured at amortised cost.

When determining whether the credit risk of a financial assets has increased significant since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment and including forward looking information.

The Company uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Company uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Company in full, without recourse to the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Company in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

1. Summary of significant accounting policies (continued)

Trade receivables

Impairment of trade receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Company has determined the probability of non payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Company renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

(ii) Financial liabilities

The Company measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Company comprise trade payables and finance lease liabilities.

(iii) Accounting policies applied prior to 1 July 2018

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs.

Financial assets

Financial assets are divided into the following categories which are described in detail below:

- loans and receivables; and
- held to maturity investments.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

1. Summary of significant accounting policies (continued)

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Company's trade and most other receivables fall into this category of financial instruments.

Discounting is omitted where the effect of discounting is considered immaterial.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

In some circumstances, the Company renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Company does not necessarily consider the balance to be impaired, however assessment is made on a case by case basis.

Held to maturity investments

Held to maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held to maturity if it is the intention of the Company's management to hold them until maturity.

Held to maturity investments are subsequently measured at amortised cost using the effective interest method, with revenue recognised on an effective yield basis. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in profit or loss.

Financial liabilities

The Company's financial liabilities include borrowings, trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

Impairment of financial assets

At the end of the reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

1. Summary of significant accounting policies (continued)

Impairment on loans and receivables is reduced through the use of an allowance account, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

(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 Company 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 Company, 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

Change in Accounting Policy

Financial Instruments - Adoption of AASB 9

The Company has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2018.

As part of the adoption of AASB 9, the Company adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income. In the comparative year, this information was presented as part of other expenses.

1. Summary of significant accounting policies (continued)

AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9, this disclosures have been provided for the current year.

The key changes to the Company's accounting policy and the impact on these financial statements from applying AASB 9 are limited to the updating of the accounting policy for financial instruments as disclosed at note k.

Classification of financial assets

The financial assets of the Company have been reclassified into the following category on adoption of AASB 9 based on primarily the business model in which a financial asset is managed and its contractual cash flow characteristics: Measured at amortised cost.

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost, contract assets and fair value through other comprehensive income. This has had no impact on the recognition of credit loss (bad debt provisions).

Classification of financial assets and financial liabilities

The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at the date of initial application.

	Classification under AASB 139	Classification under AASB 9	Carrying amount under AASB 139	Carrying amount under AASB 9
Financial Assets				
Term Deposits	Held to Maturity	Amortised Cost	210,641	210,641

Revenue from Contracts with Customers - Adoption of AASB 15

The Company has adopted AASB 15 Revenue from Contracts with Customers for the first time in the current year with a date of initial application of 1 July 2018.

The key changes to the Company's accounting policies and the impact on these financial statements from applying AASB 15 are limited to the updating of the accounting policy for revenue as disclosed at note j.

For comparative year

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

1. Summary of significant accounting policies (continued)

For current year

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

Specific revenue streams

The Company recognises revenue from the following major source providing Community Bank ® branch services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

Provision of branch services

Revenue from the provision of branch services is recognised over the period in which the services are rendered. The contract for branch services are subject to a formal franchise agreement.

The agreement includes an enforceable right for the Company to receive payment for work performed to date based on the services provided based upon observable data and therefore the criteria for recognition of revenue over time is met.

The Company's payment terms are 30 days from the end of the month and accordingly there is no financing element to the services provided.

At the end of each month, the Company recognises a receivable as this represents the point in time at which the Company's right to consideration becomes unconditional as a Recipient Created Tax invoice (or equivalent) accompanies the services provided, as only the passage of time is required before payment is due.

Other income

Other income is recognised on an accruals basis when the Company is entitled to it.

(o) Comparative figures

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

(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.

1. Summary of significant accounting policies (continued)

(q) New accounting standards for application in future periods

New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided not to early adopt these Standards. The following table summarises those future requirements, and their impact on the Company where the standard is relevant:

Pronouncement	AASB 16 Leases
Nature of the Change in Accounting Policy	AASB 16 will cause the majority of leases of a Company to be brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low value assets which may remain off-balance sheet. The calculation of the lease liability will take into account appropriate discount rates, assumptions about lease term and increases in lease payments. A corresponding right to use asset will be recognised which will be amortised over the term of the lease. Rent expense will no longer be shown, the profit and loss impact of the leases will be through amortisation and interest charges.
Effective Date	30 June 2020
Expected Impact on the Financial Statements	Whilst the impact of AASB 16 has not yet been quantified, the Company currently has $428,727 worth of operating leases most of which we anticipate will be brought onto the statement of financial position (except for low value assets). Interest and amortisation expense will increase and rental expense will decrease. The Company is applying the modified retrospective approach and therefore will not restate comparatives. The low value exception will be used for all appropriate leases.

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:

Estimation of useful lives of assets

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.

2. Revenue	2019 $	2018 $
Revenue		
- services commissions	781,246	758,500
	781,246	758,500
Other revenue		
- interest received	6,295	8,127
- other revenue	25,000	28,360
	31,295	36,487
Total revenue	**812,541**	**794,987**

3. Expenses

Profit before income tax includes the following specific expenses:

	2019 $	2018 $
Employee benefits expense		
- wages and salaries	387,602	434,294
- superannuation costs	43,386	45,768
- other costs	(4,998)	(14,644)
	425,990	465,418
Depreciation and amortisation		
Depreciation		
- plant and equipment	6,987	12,451
- leasehold improvements	10,897	11,419
	17,884	23,870
Amortisation		
- franchise fees	13,120	13,743
Total depreciation and amortisation	31,004	37,612
Finance costs		
- Interest paid	15	16
Bad and doubtful debts expenses	(938)	2,058
Loss on disposal of property, plant and equipment	-	-
Auditor's remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	10,120	9,000
- Share registry services	-	570
	10,120	9,570

4. Income tax	2019 $	2018 $
Current tax expense / (income)	23,255	1,514
	23,255	1,514

a. 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:

	2019 $	2018 $
Prima facie tax on profit / (loss) before income tax at 27.5%	24,629	8,541
Add tax effect of:		
- Non-deductible expenses	(1,374)	(7,027)
Income tax attributable to the entity	**23,255**	**1,514**
The applicable weighted average effective tax rate is	25.97%	4.87%

b. Current tax liability
Current tax relates to the following:

Current tax liabilities / (assets)	2019 $	2018 $
Opening balance	(2,557)	(40)
2018 Income tax refund	3,914	
Income tax paid	(2,740)	(4,030)
Current tax	23,255	1,514
Under / (over) provision prior years	-	-
	21,873	**(2,557)**

5. Cash and cash equivalents

	2019 $	2018 $
Cash at bank and on hand	325,128	113,909
	325,128	**113,909**

6. Trade and other receivables

Current	2019 $	2018 $
Trade receivables	69,962	70,794
Other receivables	757	1,198
	70,719	**71,991**

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.

6. Trade and other receivables (continued)

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**
2018	**$**	**$**	**$**	**$**	**$**	**$**
Trade receivables	70,794	-	-	-	-	70,794
Other receivables	1,198	-	-	-	-	1,198
Total	**71,991**	-	-	-	-	**71,991**
2019						
Trade receivables	69,962	-	-	-	-	69,962
Other receivables	757	-	-	-	-	757
Total	**70,719**	-	-	-	-	**70,719**

	2019	**2018**
	$	**$**
7. Financial assets		
Amortised cost assets		
Term deposits	210,641	-
Held to maturity financial assets		
Term deposits	-	308,056
	210,641	308,056

The effective interest rate on short-term bank deposits was 2.3% (2018: 2.5%); these deposits have a maturity of 213 days.

8. Other assets		
Prepayments	12,576	12,410
	12,576	**12,410**

9. Property, plant and equipment	2019 $	2018 $
Leasehold improvements		
At cost	114,151	114,151
Less accumulated depreciation	(53,988)	(43,091)
	60,163	71,060
Fixtures and Fittings		
At cost	104,316	104,316
Less accumulated depreciation	(86,385)	(81,435)
	17,931	22,881
Plant and equipment		
At cost	91,126	93,492
Less accumulated depreciation	(77,655)	(77,984)
	13,471	15,508
Total property, plant and equipment	**91,565**	**109,449**
Movements in carrying amounts		
Leasehold improvements		
Balance at the beginning of the reporting period	71,060	82,479
Depreciation expense	(10,897)	(11,419)
Balance at the end of the reporting period	60,163	71,060
Fixtures and Fittings		
Balance at the beginning of the reporting period	22,881	30,501
Depreciation expense	(4,950)	(7,620)
Balance at the end of the reporting period	17,931	22,881
Plant and equipment		
Balance at the beginning of the reporting period	15,508	17,973
Additions		2,366
Depreciation expense	(2,037)	(4,831)
Balance at the end of the reporting period	13,471	15,508
Total property, plant and equipment		
Balance at the beginning of the reporting period	109,449	130,953
Additions	-	2,366
Depreciation expense	(17,884)	(23,870)
Balance at the end of the reporting period	**91,565**	**109,449**

10. Intangible assets

	2019 $	2018 $
Franchise fee		
At cost	65,919	68,713
Less accumulated amortisation	(8,789)	(64,382)
	57,130	4,331
Total intangible assets	**57,130**	**4,331**

Movements in carrying amounts

Franchise fee		
Balance at the beginning of the reporting period	4,331	18,074
Additions	65,919	-
Amortisation expense	(13,120)	(13,743)
Balance at the end of the reporting period	**57,130**	**4,331**

11. Trade and other payables

Current		
Unsecured liabilities:		
Trade creditors	7,275	7,786
Other creditors and accruals	44,167	29,098
	51,442	36,884
Non-current		
Unsecured liabilities		
Other creditors	47,318	-
Total trade and other payables	**98,760**	**36,884**

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

12. Provisions

Current		
Annual leave	20,856	25,743
Long service leave	11,566	15,110
Dividend	34,000	-
	66,422	40,853
Non-current		
Long service leave	11,028	7,594
Total provisions	**77,450**	**48,447**

13. Share capital

680,000 Ordinary shares fully paid	680,000	680,000
	680,000	**680,000**

13. Share capital (continued)	2019 $	2018 $
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 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.

14. Cash flow information	2019 $	2018 $
(a) Reconciliation of cash flow from operations with profit after income tax		
Profit / (loss) after income tax	66,307	29,543
Non-cash flows in profit		
- Depreciation	17,884	23,870
- Amortisation	13,120	13,743
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	1,272	1,485
- (increase) / decrease in prepayments and other assets	(166)	(1,159)
- Increase / (decrease) in trade and other payables	14,558	(18,530)
- Increase / (decrease) in current tax liability	24,429	(2,516)
- Increase / (decrease) in provisions	(4,998)	(14,644)
Net cash flows from operating activities	132,406	31,791

15. Profit reserve

This reserve records the net undistributed profit for the year which is available for distribution at a later time.

16. Earnings per share	2019 $	2018 $
Basic earnings per share (cents)	9.75	4.34
Earnings used in calculating basic and diluted earnings per share	66,307	29,543
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:

	2019 $	2018 $
Short-term employee benefits	117,266	114,651
Post-employment benefits	8,981	8,721
Other long-term benefits	(1,686)	2,844
Share-based payments	-	-
Total key management personnel compensation	124,561	126,216

(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)

(d) 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:

	2019	2018
Valerie Hussain - resigned 28/2/19	-	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.

(e) 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 (2018: 100%).

21. Commitments

	2019 $	2018 $
Operating lease commitments		

Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.

	2019 $	2018 $
Payable:		
- no later than 12 months	42,873	83,262
- between 12 months and five years	385,855	41,631
- greater than five years	-	-
Minimum lease payments	428,728	124,892

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
A fully franked dividend of $34,000 was declared on 25 June 2019, paid on 13 September 2019, and provided for at note 12.

Franking account	**2019**	**2018**
	$	**$**
The franking credits available for subsequent financial years at a tax rate of 27.5%	20,361	10,733

The above available balance is based in the dividend franking account balance at year-end adjusted for:

(a) Franking credits that will arise from the payment of the current tax liabilities;
(b) Franking debits that will arise from the payment of dividends recognised as a liability at the year end.

24. Fair value measurements

The carrying amounts of assets and liabilities recorded in the financial statements represent their fair values, as determined in accordance with the accounting policies disclosed 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 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	**2019 $**	**2018 $**
Financial assets			
Cash and cash equivalents	5	325,128	113,909
Trade and other receivables	6	70,719	71,991
Financial assets	7	210,641	308,056
Total financial assets		606,489	493,956
Financial liabilities			
Trade and other payables	11	98,759	36,884
Total financial liabilities		98,759	36,884

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 (2018: 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 2019	Weighted average interest rate	Total	Within 1 year	1 to 5 years	Over 5 years
	%	$	$	$	$
Financial assets					
Cash and cash equivalents	1%	325,128	325,128	-	-
Trade and other receivables	0%	70,719	70,719	-	-
Financial assets	3%	210,641	210,641	-	-
Total anticipated inflows		606,489	606,489	-	-
Financial liabilities					
Trade and other payables	0%	98,759	51,441	47,318	-
Total expected outflows		98,759	51,441	47,318	-
Net inflow / (outflow) on financial instruments		507,730	555,048	(47,318)	-

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	-	-

(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 2019	**Profit $**	**Equity $**
+/- 1% in interest rates (interest income)	5,358	5,358
	5,358	5,358

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

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 36 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 2019 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 24 September 2019

Independent audit report

DALEY
AUDIT

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 financial position as at 30 June 2019, the statement of profit or 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 2019 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.

Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is included in the Directors' report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

Wollongong
PO Box 333
Wollongong NSW 2520
02 4229 6477
wollongong@daley.com.au

Bowral
PO Box 1032
Bowral NSW 2576
02 4862 1082
bowral@daley.com.au

Sydney
PO Box 903
Sydney NSW 2001
02 8236 8177
sydney@daley.com.au

daley.com.au
ABN 43 152 844 291

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

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.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on page 4 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Fairy Meadow Community Financial Services Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards

Daley Audit

Daley Audit

Michael Mundt

Michael Mundt
Partner

Wollongong
24 September 2019

Liability limited by a Scheme approved under Professional Standards Legislation

Fairy Meadow Community Bank Branch
37-39 Princess Highway, Fairy Meadow NSW 2519
Phone: (02) 4284 8277 Fax: (02) 4284 7869

Franchisee: Fairy Meadow Community Financial Services Limited
37-39 Princess Highway, Fairy Meadow NSW 2519
Phone: (02) 4284 8277 Fax: (02) 4284 7869
ABN: 16 104 140 641

www.bendigobank.com.au/fairy-meadow
www.facebook.com/FairyMeadowCommunityBankBranch

(BNPAR19087) (10/19)