Annual Report 2020

Fairy Meadow Community Financial Services Limited

Community Bank
Fairy Meadow

ABN 16 104 140 641

Contents

Chairman's report

For year ending 30 June 2020

The past year has been extremely difficult, with a number of global challenges directly affecting the Australian economy, our local region, this business and every one of our lives. A global pandemic record low interest rates and the start of a recession have brought unprecedented challenges never before seen in this country.

The COVID-19 pandemic came from the other side of the world, but when it arrived in Australia it brought not only the obvious health risks for our population, but a catastrophic effect on our economy.

Our focus has been on the safety and health of our staff, our customers and the community. This has required us to make changes to the way we operate, the hours we are open and the services we offer.

Customer behaviour and banking practices have changed. Cash is no longer seen as the sacred item it once was, as consumers now prefer clean contactless transactions. The need to come into our branch to simply deposit and withdraw cash has reduced significantly.

Operating Profit for the year before sponsorships and donations was $6,149 (compared with $116,138 in 2019). This has been adjusted to a loss of $5,490 when charitable donations and sponsorships are accounted for. This net loss did not provide the Board with the opportunity to declare a dividend for the year ending 30 June 2020.

Although these financial outcomes are not what we planned, we continue our journey toward sustainable profitability, as we further transform and improve our operations for the future. The results were affected by decreased revenues but there was a positive effective control of costs across many areas of the business. In this regard, branch management should be commended for their ongoing efforts in these unprecedented times to ensure we operated in a safe and responsible way while increasing the efficiency of the business.

During the year, Kyrn Stevens resigned from the Board in September. As well as being a strong contributor across general issues, Kyrn served as the Chair of the Marketing and Business Development Committee.

In November, the Board elected two new Directors to fill vacancies. We were delighted to have obtained the services of Rosanne Burnett and Brendan Logue. Both Rosanne and Brendan have made significant contributions during their time on the Board, bringing a wealth of experience and professionalism.

Following the significant review of the Strategic Plan in 2019, we have developed robust plans and actions for achieving the growth targets and sustainability ambitions over the five-year life of the plan.

Although we have had a number of unprecedented challenges over the last year, we are committed to continuing our journey with the goals of increasing lending activity, achieving sustainable profitability, making community and charitable donations, achieving dividends for our shareholders and strengthening the Balance Sheet.

We will continue to adjust our multi-year strategy as we respond to or anticipate further changes in the market.

On behalf of the Board I am delighted to report on our community investment for the financial year 2020. We allocated funds of $11,636 to various charities and community activities

In closing, I would like to thank our dedicated team at Community Bank Fairy Meadow led by Mark Tyson our Branch Manager. The second half of the year was an incredibly challenging time for all, but the way our staff responded to the needs of our customers while creating a safe and professional environment is deeply appreciated. I would also like to thank our shareholders and our customers for their continued support and business. Lastly, I would like to acknowledge the commitment and energy of our volunteer Board of Directors. In particular, John Brannon who resided as Chair over the last year.

I wish you all the best as we all adjust to the new normal of life post COVID-19 and I look forward to the next year being a more prosperous and safer place.

John Vohradsky
Chairman

Manager's report

For year ending 30 June 2020

During the past year we have seen the RBA Cash Rate reduce by 0.75% with an additional 0.25% reduction in June 2019 moving the cash rate to its current historical low of 0.25%. This has seen a reduction in margins that form just over 60% of our overall revenues.

Despite this we have seen an increase in our revenues of 2.11% which is slightly lower than the 2.70% in the 2019 financial year. We have also experienced good footings growth of some $10.4 million to a total business size of $139.8 million.

This year we have continued to exercise tight control of costs and optimise the activities of our staff to ensure that our customers are the focus of our activities.

These activities include a more proactive customer calling program that places the customer at the centre of what we do day-to-day. This focus ensures that we are meeting the full personal financial goals of the customer by providing tailored and meaningful solutions in response to the unique situation of the customer.

This also serves to capture a greater share of not only the Fairy Meadow community but also the Greater Wollongong community.

With this heightened proactive approach, we will also ensure that we meet the challenge moving forward of remaining relevant in a rapidly evolving environment.

I would like to thank our staff for their tireless efforts including changes to their staffing rosters to meet the changes in business levels. These decisions were made due to the near 30% reduction in transactions during the height of COVID-19 here in NSW.

This year we sadly said farewell to two members of our team; Marieanne Smith and Lizzie Farley who both decided to pursue exciting careers outside of the Community Bank Fairy Meadow family.

This year we welcome Mr. Tony Bosevski as Bendigo and Adelaide Bank Limited's South Coast Regional Manager. Tony has made a great contribution by working very closely with our branch.

Here at Fairy Meadow we are now 17 years old and with the unknown future impacts of COVID-19 it is vitally important that we not only reflect on our past but also look to future opportunities. So, it is with great excitement I am pleased to announce that I have recently been appointed by our Board as the Business Development Manager for our organisation.

As we commence another year, we look forward to new challenges and the continued growth of our Community Bank. This can only be achieved by the support of you as shareholders, customers, partners and advocates.

Community Bank Fairy Meadow, the bigger better bank.

Mark Tyson
Branch Manager

Directors' report

The Directors present their report of the Company for the financial year ended 30 June 2020.

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	Company Director	Chairman
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	
Brenden Logue	appointed	26/11/2019	Operations Manager	
Rosanne Burnett	appointed	26/11/2019	Journalist	
Kylie McRae	resigned	31/07/2020	Accountant	Treasurer
Kyrn Stevens	resigned	24/09/2019	Marketing Executive	
Anthony Rodwell-Ball	appointed	27/07/2020	Company Director	Treasurer

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:

Director	Board Meetings Attended	Board Meetings Eligible to Attend
John Brannon	9	9
Natalie Burroughs	9	9
Anthony O'Connor	9	9
John Vohradsky	8	9
Scott Bridgement	5	9
Diana Foye	6	9
Brenden Logue	6	6
Rosanne Burnett	6	6
Kylie McRae	6	9
Kyrn Stevens	1	2

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 loss of the Company for the financial year after provision for income tax was $5,490 (2019 profit $66,307).

Dividends

No dividend was declared or paid for the year for the year ended 30 June 2020. 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 7 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

No Directors or key management personnel held any ordinary shares in the Company during the current or comparative financial year.

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 21 September 2020.

Anthony O'Connor	John Vohradsky
Director	Director

Auditor's independence declaration

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been no contraventions of:

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

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

Daley Audit

Daley Audit

Michael Mundt

Michael Mundt
Partner
98 Kembla Street
Wollongong NSW 2500

Dated: 21 September 2020

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 2020

	Note	2020 $	2019 $
Revenue	2	829,720	812,541
Expenses			
Employee benefits expense	3	(521,483)	(425,990)
Depreciation and amortisation	3	(29,074)	(31,004)
Administration and general costs		(123,230)	(112,393)
Finance costs	3	(14)	(15)
Bad and doubtful debts expense	3	(196)	938
Lease expenses	26	(106,299)	-
Property expenses		(20,742)	(105,283)
IT costs		(22,538)	(22,656)
Operating profit before charitable donations and sponsorships		**6,146**	**116,138**
Charitable donations and sponsorships		(11,636)	(26,576)
Profit / (loss) before income tax		**(5,490)**	**89,562**
Income tax expense	4	-	23,255
Profit / (loss) for the year		**(5,490)**	**66,307**
Other comprehensive income		-	-
Total comprehensive income / (loss) for the year		**(5,490)**	**66,307**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company (cents per share):			
- basic (loss)/ earnings per share		(0.81)	9.75

Fairy Meadow Community Financial Services Limited
ABN 16 104 140 641
Statement of Financial Position
as at 30 June 2020

	Note	2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents	5	292,476	325,128
Trade and other receivables	6	94,381	70,719
Financial assets	7	214,252	210,641
Other assets	8	12,149	12,576
Total current assets		**613,258**	**619,065**
Non-current assets			
Property, plant and equipment	9	77,300	91,565
Right of use asset	26	604,496	-
Intangible assets	10	43,946	57,130
Total non-current assets		**725,742**	**148,695**
Total assets		**1,339,000**	**767,760**
Liabilities			
Current liabilities			
Trade and other payables	11	50,700	51,441
Current tax liability	4	-	21,873
Lease liabilities	26	54,167	-
Provisions	12	50,152	66,422
Total current liabilities		**155,019**	**139,735**
Non-current liabilities			
Trade and other payables	11	31,544	47,318
Lease liabilities	26	527,822	-
Provisions	12	60,426	11,028
Total non-current liabilities		**619,792**	**58,346**
Total liabilities		**774,811**	**198,081**
Net assets		**564,189**	**569,679**
Equity			
Issued capital	13	680,000	680,000
Profit reserve	15	32,307	32,307
Accumulated losses		(148,118)	(142,628)
Total equity		**564,189**	**569,679**

Fairy Meadow Community Financial Services Limited
ABN 16 104 140 641
Statement of Changes in Equity
for the year ended 30 June 2020

	Note	Issued capital $	Retained earnings $	Profit reserves $	Total equity $
Balance at 1 July 2018		680,000	(142,628)	-	537,372
Profit for the year ended 30 June 2019		-	66,307	-	66,307
Transfer to reserves		-	(66,307)	66,307	-
Other comprehensive income for the year		-	-	-	-
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
Profit for the year ended 30 June 2020		-	(5,490)	-	(5,490)
Transfer to reserves					
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	**(5,490)**	**-**	**(5,490)**
Transactions with owners, in their capacity as owners					
Dividends paid or provided		-	-	-	-
Balance at 30 June 2020		680,000	(148,118)	32,307	564,189

Fairy Meadow Community Financial Services Limited
ABN 16 104 140 641
Statement of Cash Flows
for the year ended 30 June 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		843,004	890,699
Payments to suppliers and employees		(766,780)	(763,206)
Interest received		4,209	6,295
Income tax paid		(27,288)	(1,383)
Sundry income		40,824	-
Net cash provided by operating activities	14a	**93,969**	**132,406**
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,625)	-
Purchase of investments		(3,611)	97,415
Purchase of intangible assets		-	(18,601)
Net cash flows from / (used in) investing activities		**(5,236)**	**78,814**
Cash flows from financing activities			
Repayment of lease liabilities		(87,385)	-
Dividends paid		(34,000)	-
Net cash provided by / (used in) financing activities		**(121,385)**	**-**
Net increase / (decrease) in cash held		**(32,652)**	**211,220**
Cash and cash equivalents at beginning of financial year		325,128	113,908
Cash and cash equivalents at end of financial year	5	**292,476**	**325,128**

Notes to the financial statements

For year ended 30 June 2020

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 21 September 2020.

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.

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:

- 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.

(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.

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 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.

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 from contracts with customers
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

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of the Company have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

1. Summary of significant accounting policies (continued)

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.

Government COVID-19 stimulus income

Income received is recognised in the period in which it is incurred. This is generally consistent with the period the amounts became due.

Other income

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

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.

(l) Impairment of non-financial assets

At the end of each reporting period the Company determines whether there is an evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless for indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

1. Summary of significant accounting policies (continued)

(m) Issued capital

Ordinary shares are classified as equity.

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

(n) Dividends

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

(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.

(q) Leases

Accounting policy applied from 1 July 2019

At inception of a contract, the Company assesses whether a lease exists - i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Company has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Lessee accounting

The non-lease components included in the lease agreement have been separated and are recognised as an expense as incurred.

1. Summary of significant accounting policies (continued)

Lessee accounting (continuted)

At the lease commencement, the Company recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Company believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Company's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Company's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Accounting policy applied prior to 1 July 2019

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

(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.

1. Summary of significant accounting policies (continued)

(r) Critical accounting estimates and judgements (continued)

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.

Impairment of property, plant and equipment

The Company assesses impairment at the end of each reporting period by evaluating conditions specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date.

2. Revenue and other income

	2020 $	2019 $
Revenue from contracts with customers		
- services commissions	740,131	781,246
	740,131	781,246
Other income		
- Government subsidies	59,893	-
- interest received	4,209	6,295
- other income	25,488	25,000
	89,589	31,295
Total revenue	**829,720**	**812,541**

Disaggregation of revenue from contracts with customers

Revenue from contracts with customers has been disaggregated, the following table shows this breakdown:

	2020 $
Timing of revenue recognition	
- At a point in time	-
- Over time	740,131
Revenue from contracts with customers	740,131

3. Expenses

Profit before income tax includes the following specific expenses:

	2020	2019
Employee benefits expense		
- wages and salaries	448,017	387,602
- superannuation costs	47,507	43,386
- other costs	25,960	(4,998)
	521,483	425,990
Depreciation and amortisation		
Depreciation		
- plant and equipment	5,397	6,987
- leasehold improvements	10,493	10,897
	15,890	17,884
Amortisation		
- franchise fees	13,184	13,120
Total depreciation and amortisation	29,074	31,004
Finance costs		
- Interest paid	14	15
Bad and doubtful debts expenses	196	(938)
Auditor's remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	10,510	10,120

4. Income tax	2020 $	2019 $
Current tax expense / (income)	-	23,255
	-	**23,255**

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:

	2020 $	2019 $
Prima facie tax on profit / (loss) before income tax at 27.5%	(1,510)	24,629
Add tax effect of:		
- Non-deductible expenses	10,231	(1,374)
Less tax effect of:		
- Non-taxable income	(16,470)	-
Losses carried forward, not recognised [note 1 (r)]	7,750	-
Income tax attributable to the entity	**0**	**23,255**
The applicable weighted average effective tax rate is	0.00%	25.97%

b. Current tax liability
Current tax relates to the following:
Current tax liabilities / (assets)

	2020 $	2019 $
Opening balance	21,873	(2,557)
2018 Income tax refund	-	3,914
Income tax paid	(21,873)	(2,740)
Current tax	-	23,255
Under / (over) provision prior years	-	-
	-	**21,873**

5. Cash and cash equivalents

	2020 $	2019 $
Cash at bank and on hand	292,476	325,128
	292,476	**325,128**

6. Trade and other receivables

	2020 $	2019 $
Current		
Trade receivables	68,823	69,962
Other receivables	25,558	757
	94,381	**70,719**

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
2019	**$**	**$**	**$**	**$**	**$**	**$**
Trade receivables	69,962	-	-	-	-	69,962
Other receivables	757	-	-	-	-	757
Total	**70,719**	**-**	**-**	**-**	**-**	**70,719**
2020						
Trade receivables	68,823	-	-	-	-	68,823
Other receivables	25,558	-	-	-	-	25,558
Total	**94,381**	**-**	**-**	**-**	**-**	**94,381**

	2020	2019
	$	$
7. Financial assets		
Amortised cost assets		
Term deposits	214,252	210,641
	214,252	210,641

The effective interest rate on short-term bank deposits was 1.55% (2019: 2.3%); these deposits have a maturity of 213 days.

	2020	2019
8. Other assets		
Prepayments	12,149	12,576
	12,149	**12,576**

9. Property, plant and equipment	2020 $	2019 $
Leasehold improvements		
At cost	114,151	114,151
Less accumulated depreciation	(64,481)	(53,988)
	49,670	60,163
Fixtures and Fittings		
At cost	104,316	104,316
Less accumulated depreciation	(89,528)	(86,385)
	14,788	17,931
Plant and equipment		
At cost	92,751	91,126
Less accumulated depreciation	(79,909)	(77,655)
	12,842	13,471
Total property, plant and equipment	**77,300**	**91,565**

Movements in carrying amounts

	2020 $	2019 $
Leasehold improvements		
Balance at the beginning of the reporting period	60,163	71,060
Depreciation expense	(10,493)	(10,897)
Balance at the end of the reporting period	49,670	60,163
Fixtures and Fittings		
Balance at the beginning of the reporting period	17,931	22,881
Depreciation expense	(3,143)	(4,950)
Balance at the end of the reporting period	14,788	17,931
Plant and equipment		
Balance at the beginning of the reporting period	13,471	15,508
Additions	1,625	
Depreciation expense	(2,254)	(2,037)
Balance at the end of the reporting period	12,842	13,471
Total property, plant and equipment		
Balance at the beginning of the reporting period	91,565	109,449
Additions	1,625	-
Depreciation expense	(15,890)	(17,884)
Balance at the end of the reporting period	**77,300**	**91,565**

10. Intangible assets	2020 $	2019 $
Franchise fee		
At cost	65,919	65,919
Less accumulated amortisation	(21,973)	(8,789)
Total intangible assets	**43,946**	**57,130**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	57,130	4,331
Additions	-	65,919
Amortisation expense	(13,184)	(13,120)
Balance at the end of the reporting period	**43,946**	**57,130**

11. Trade and other payables

Current		
Unsecured liabilities:		
Trade creditors	6,811	7,275
Other creditors and accruals	43,889	44,167
	50,700	51,442
Non-current		
Unsecured liabilities		
Other creditors	31,544	47,318
Total trade and other payables	**82,244**	**98,760**

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

12. Provisions

Current		
Annual leave	36,828	20,856
Long service leave	13,324	11,566
Dividend	-	34,000
	50,152	66,422
Non-current		
Long service leave	19,007	11,028
Make good provision	41,419	-
	60,426	11,028
Total provisions	**110,578**	**77,450**

13. Share capital

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

13. Share capital (continued)

	2020 $	2019 $
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

	2020 $	2019 $
(a) Reconciliation of cash flow from operations with profit after income tax		
Profit / (loss) after income tax	(5,490)	66,307
Non-cash flows in profit		
- Depreciation	87,008	17,884
- Amortisation	48,363	13,120
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(23,661)	1,272
- (increase) / decrease in prepayments and other assets	427	(166)
- Increase / (decrease) in trade and other payables	(16,515)	14,558
- Increase / (decrease) in current tax liability	(21,873)	24,429
- Increase / (decrease) in provisions	25,710	(4,998)
Net cash flows from operating activities	93,968	132,406

15. Reserves

This reserve records the net undistributed profit from the year ending 30 June 2019 which is available for distribution at a later time.

16. Earnings per share	2020 $	2019 $
Basic (loss / earnings per share (cents)	(0.81)	9.75
Earnings used in calculating basic and diluted earnings per share	(5,490)	66,307
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:

	2020 $	2019 $
Short-term employee benefits	120,105	117,266
Post-employment benefits	9,117	8,981
Other long-term benefits	12,008	(1,686)
Share-based payments	-	-
Total key management personnel compensation	141,230	124,561

(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.

(d) Key management personnel shareholdings

No Directors or key management personnel held any ordinary shares in the Company during the current or comparative financial year.

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

(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 (2019: 100%).

21. Commitments

	2020 $	2019 $
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.		
Payable:		
- no later than 12 months	-	42,873
- between 12 months and five years	-	385,855
- greater than five years	-	-
Minimum lease payments	-	428,728

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.

Refer to note 26 for information on leases in 2020.

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. (2019: 5 cents per share)

23. Dividends paid or provided for on ordinary shares (continued)

Franking account	**2020** $	**2019** $
The franking credits available for subsequent financial years at a tax rate of 27.5%	26,047	20,361

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	2020 $	2019 $
Financial assets			
Cash and cash equivalents	5	292,476	325,128
Trade and other receivables	6	94,381	70,719
Financial assets	7	214,252	210,641
Total financial assets		601,109	606,489
Financial liabilities			
Trade and other payables check values	11	82,244	98,759
Total financial liabilities		82,244	98,759

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 (2019: 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 2020	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	1%	292,476	292,476	-	-
Trade and other receivables	0%	94,381	94,381	-	-
Financial assets	3%	214,252	214,252	-	-
Total anticipated inflows		601,109	601,109	-	-
Financial liabilities					
Trade and other payables	0%	82,244	50,700	31,544	-
Total expected outflows		82,244	50,700	31,544	-
Net inflow / (outflow) on financial instruments		518,865	550,409	(31,544)	-

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)	-

(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 2020	Profit $	Equity $
+/- 1% in interest rates (interest income)	5,067	5,067
	5,067	5,067

Year ended 30 June 2018	Profit $	Equity $
+/- 1% in interest rates (interest income)	5,358	5,358
	5,358	5,358

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.

26. Leases

The Company has applied AASB 16 using the modified retrospective (cumulative catch -up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

Company as a lessee
The Company has leases over its office premises. The Company has chosen not to apply AASB 16 to leases of intangible assets. Information relating to the leases in place and associated balances and transactions are provided below.

26. Leases (continued)

Terms and conditions of leases:

The property premises lease is for 60 months, with CPI increases each year, with options to extend for 5 years. The agreement includes a make-good clause to restore the leased premise to its former condition upon lease termination.

	Buildings $
Year end 30 June 2020	
Balance at beginning of year	-
Additions to right-of-use assets	675,614
Depreciation charge	(71,118)
Balance at end of year	604,496

Statement of Profit or Loss and Other Comprehensive Income

The amounts recognised in the statement of profit or loss and other comprehensive income relating to leases where the Company is a lessee are shown below:

	2020 $
Depreciation expense	(71,118)
Interest expense	(35,181)
	(106,299)

Statement of Cash Flows	
Total cash outflow for leases	87,385

Note 27 – Events after the end of the reporting period

The financial report was authorised for issue on 21 September 2020 by the Board of Directors.

As a result of the evolving nature of the COVID-19 outbreak and the rapidly evolving government policies of restrictive measures put in place to contain it, as at the date of these financial statements, the Company is not in a position to reasonably estimate the financial effects of the COVID-19 outbreak on the future financial performance and financial position of the Company. Other than the current disclosures, there has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial periods.

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 8 to 35 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 2020 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.

Anthony O'Connor Director	John Vohradsky Director

Signed at Fairy Meadow on 21 September 2020

Independent audit report

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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 2020, 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 2020 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 2020, 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.

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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 2020.

In our opinion, the Remuneration Report of Fairy Meadow Community Financial Services Limited, for the year ended 30 June 2020, 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
21 September 2020

Liability limited by a scheme approved under Professional Standards Legislation

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/FairyMeadowCommunityBankBranch

Bendigo Bank