

# annual report 2010

Pine Rivers  
Community Finance Limited  
ABN 14 098 199 476

Brendale & Samford **Community Bank**<sup>®</sup> Branches

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# Chairwoman's report

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For year ending 30 June 2010

Welcome to the 2010 Annual Report. This year it gives me a great deal of pleasure as Chairwoman to write the letter of introduction to the Annual Report, having been personally involved since the Steering Committee was set up in January 2001.

I would like to take this opportunity to thank the Board members for their focus and time given as volunteers to support our local community.

Since the last AGM, we have had our long standing Chairman, David Ffrench retire and one of our earliest supporter Gerrie Bowden retire. I would like to thank them both for their dedication and energy provided in making our community a better place and in particular, assisting with the main focus of Board activity in the building up of our new branch in Samford.

The financial reports contained in this report will confirm your **Community Bank**<sup>®</sup> Company is travelling well. The Board of Directors are proud of our branches' achievements for the financial year ending June 2010 considering the world economics of the previous financial year. From the business point of view, our combined branch deposits and loans at year's end totalled some \$109 million and are continuing to grow.

We are accepted within the Pine Rivers community as a bank that can be trusted, a bank that delivers and a bank that prides itself on its personal customer service. This was made evident on Saturday 10 July 2010 when we won for the fifth year in a row, the Professional Services category of the Pine Rivers Press Business Achievers Award. It is an outstanding achievement that has placed us in the Silver Hall Of Fame. This achievement was made possible with staff who are committed to the concept and the integrity of the **Community Bank**<sup>®</sup> philosophy.

To our staff, congratulations and thank you for your outstanding contribution to our success this year.

As you are aware from the prospectus for Samford and the bonus share issue to the pre-existing shareholders, the Board has decided not to pay a dividend during the first year of operation of the new branch. In accordance with the prospectus this will be reviewed in the coming year.

We have honoured our obligation and commitment to the community with sponsorships to sporting clubs, neighbourhood and educational bodies and individual community projects and will continue to seek community input to assist the Board in determining what our community wants the profits from your **Community Bank**<sup>®</sup> branch to support.

## Chairwoman's report continued

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Of particular note is that the highly successful outcomes achieved for local communities around Australia with the assistance of their local **Community Bank**<sup>®</sup> Companies, is because those branches have a majority of shareholders banking with them. We hope to replicate this in Pine Rivers Community Finance Limited branches in the coming year, and in doing so, with your support, we look forward to a fruitful year growing your **Community Bank**<sup>®</sup> Company and sponsoring worthwhile projects and causes within our community.

Yours sincerely,

A handwritten signature in black ink that reads "Julie Brooks". The signature is written in a cursive, flowing style.

**Julie Brooks**  
**Chairwoman**

# Brendale Manager's report

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For year ending 30 June 2010

It gives me great pleasure in presenting my inaugural annual report to the Board and shareholders for the 2009/2010 financial year.

Notwithstanding the ongoing challenges resulting from the global financial crisis and a climate of rising interest rates, the branch has experienced some significant staff changeovers in recent years.

The Brendale **Community Bank**<sup>®</sup> Branch management team of myself as Branch Manager and Janette McGregor - Customer Relationship Manager, and our friendly staff are as committed as ever in delivering continued success and superior service.

Therefore, it is with pleasure that I note some significant achievements both fiscally and service oriented that have resulted in another successful year of trade for the Brendale **Community Bank**<sup>®</sup> Branch.

The Brendale **Community Bank**<sup>®</sup> Branch increased its total assets by over \$9 million with footings now placed at over \$95 million. In addition, the branch had significant improvement in general and lending risk insurances and these areas are a continued focus for increasing future revenue.

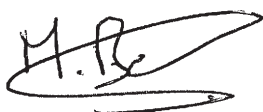
As you may be aware, the Pine Rivers Press conduct the annual Business Achievers Awards which involves a stringent series of selection criteria including customer nominations, a business plan assessment and a mystery customer service survey. I am very proud to announce that for the fifth consecutive year Brendale **Community Bank**<sup>®</sup> Branch won this prestigious award in the 'Professional Services' category and we are now a 'Silver' Hall of Fame inductee.

Given the aforementioned staff turnover, I believe this to be a truly exceptional achievement which acknowledges the team's commitment and diligence in delivering exceptional customer service coupled with a genuine passion toward supporting our community.

Working with, and engaging the community, is fundamental to our vision and purpose of operation and remains our standout point of difference in a very competitive market. In this regard we have expanded our relationships and have provided financial support to many community organisations in the last year and will continue to do so in the year ahead in accordance with our **Community Bank**<sup>®</sup> Company charter.

Lastly, I would like to thank all of our existing and new customers, the Board and Bendigo and Adelaide Bank Ltd, the Brendale staff and you our valued shareholders.

Without the support of all of our key stakeholders our success would not be possible.



**Matthew Beswick**  
**Branch Manager**

Brendale **Community Bank**<sup>®</sup> Branch

# Samford Manager's report

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For year ending 30 June 2010

At the end of our first full year of trading as Samford **Community Bank**<sup>®</sup> Branch, it is with great pleasure that I am able to report the following results.

## **Business growth**

We set out this financial year with some very ambitious growth targets.

When these targets were established for the new financial year, there was no indication of the extent of the global financial crisis that affected the Australian economy over this last financial year. However Samford **Community Bank**<sup>®</sup> Branch can report that we grew our 'funds under management' (business) by \$14 million in the financial year.

Previously there has been a reliance on home lending in recent years and with the known volatility of that market, we maintained a greater focus on small to medium business lending, as well as ensuring that branch staff remained focused on additional services and products that the bank offers. This process is about educating our customer base that Bendigo and Adelaide Bank Ltd is more than just a home loan bank and that it does offer a wide range of solutions at a local level including financial planning and insurance needs.

For the current financial year we have budgeted on very similar growth levels and we already see this growth tracking well.

## **Human resources**

This financial year brought about some changes in our team, particularly in the sales and service areas, and with this it is all the more pleasing that we achieved the results as stated above and have a capable, dynamic and dedicated team to meet our ongoing needs and objectives.

## **Community engagement**

Community engagement remains an ongoing focus for the entire team this year. The Samford **Community Bank**<sup>®</sup> Branch is proud of its wide and varied contribution to community groups in the wider Samford area and our financials reflect and attest to this.

Let's not forget also that our engagement with community gives our Company a far more positive conversation to be having with those looking to do business with us.

Some of our major support this year has gone to:-

- Samford Show Society
- Samford Stags Football Club
- Samford Bowls Club
- Samford Rangers
- Samford State School P&C
- A Day for Ethan.

Community engagement will continue to be a key driver in everything we do and we will see the above list expand in the coming years.

## Manager's report continued

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### Summary

I would personally like to thank our Chairwoman Julie Brooks, the Board of Directors and my staff for their support and confidence in my ability to manage our business over the past year. I applaud their vision and proactive approach to decision making which makes the role all the more enjoyable.

The past financial year has not been without its challenges, however our **Community Bank**<sup>®</sup> Branch has met these challenges well and we are committed to serving and being part of our local community.



**Chrissy Wilkinson**

**Branch Manager**

Samford **Community Bank**<sup>®</sup> Branch

# Directors' report

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For the financial year ended 30 June 2010

Your Directors submit the financial report of the Company for the financial year ended 30 June 2010.

## Directors

The names and details of the Company's Directors who held office during or since the end of the financial year are:

- David Graeme Ffrench** Chairman (Non-executive) (Resigned 7/12/2009)  
Qualifications: Nil  
Experience: Board member from November 2003 to December 2009; Chairman of Board since November 2005; Managing Director of Southern Express Couriers Pty Ltd.  
Special Responsibilities: Company Secretary until November, 2008.
- Thomas Joseph Coogan** Director - Treasurer (Non-executive) (Appointed 3 November 2008)  
Qualifications: Bachelor of Business; Fellow of the Institute of Chartered Accountants in Australia  
Experience: Board member since November, 2008; Director of Coogans Pty Ltd since 1989.  
Special Responsibilities: Treasurer since November, 2008.
- Geertje Jose Bowden** Director (Non executive)  
Qualifications: Bachelor of Behavioural Science  
Experience: Board member since March 2006;  
Director and owner of Moreton Bay Regional Real Estate.
- Robert Ian Millar** Director - Deputy Chairman (Non executive)  
Qualifications: Diploma Australian Institute of Company Directors (AICD); Fellow of AICD, Fellow Financial Services Institute of Australia.  
Experience: Board member since October 2007; over 30 years experience in banking industry. Councillor Moreton Bay Regional Council since 2000 ( Chairman of Corporate Services, Member of Audit Committee); Member Local Government Mutual Liability Pool Board since 2008; Member of Local Government Workcover Board since 2009.
- Peter Anthony Carrigan** Director (Non executive) #  
Qualifications: Bachelor of Laws  
Experience: Board member since May, 2008; Business owner since June 1994.  
Special Responsibilities: Company Secretary since November, 2008.



## Directors' report continued

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<b>Julie Brooks</b>	Chairperson (Non executive) Qualifications: Certificate III in Disability Services Experience: Board member since October 2001; Member of the Brendale Steering Committee; Member of the Management Committee of Pine Rivers Neighbourhood Assn Inc., Life member of Pine Rivers Neighbourhood Assn Inc. Special Responsibilities: Minutes Secretary since August 2001 until March 2010.
<b>Terence Philip Hogan</b>	Director (Non executive) (Appointed 16/11/2009) (Resigned 6/9/2010) Qualifications: Bachelor of Arts (Honours) Experience: Board member from November 2009 to September 2010; Former Director General, Qld Dept of Natural resources, Mines and Energy (6 years)
<b>Anthony Robert C. Beasley</b>	Director (Non executive) (Appointed 16/11/2009) Qualifications: Bachelor of Learning Design; Bachelor of Applied Science (Science & Technology) Experience: Board member since November 2009; Director of Astra Group Services Pty Ltd
<b>Catherine Isabel Matson</b>	Director (Non executive) (Appointed 1/2/2010) (Resigned 7/6/2010) Qualifications: MBA, Diploma Training and Management, Diploma Small Business Management Experience: Board member from February 2010 to June 2010; Director, Client Development of business analyst Company Alito Pty Ltd.
<b>Gregory Michael Symington</b>	Director (Non executive) Qualifications: Bachelor of Engineering (Computer Systems); Diploma of Project Management; Member of Australian Institute of Project Managers. Experience: Board member since October 2006; 4 years banking experience in E-Channels.
<b>Alix Monica Fortescue</b>	Director (Non executive) (Appointed 29/3/2010) Qualifications: Diploma of Education Experience: Board member since March, 2010; Member of the Brendale Steering Committee; Chair of Management Committee of Calala Drive Hall Special Responsibilities: Minutes Secretary since April, 2010.

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

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

# Indicates Company Secretary.

# Directors' report continued

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## Principal activities

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

- providing **Community Bank**<sup>®</sup> services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Ltd.

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

## Operating results

for the financial year after provision for income tax was \$23,867 (2009: Profit \$91,961).

## Dividends

\$

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Dividends paid or declared for payment during the financial year are as follows:

- Final ordinary dividend of \$0.04 per share paid on 7 October 2009	27,457
<hr/>	
- No final ordinary dividend has been recommended by the Directors to be paid out of profits for the year ended 30 June 2010.	

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## Significant changes in the state of affairs

The following significant change in the state of affairs of the Company occurred during the financial year:

- The Company commenced trading at its second branch in Samford in August, 2009.

## Significant events after the balance date

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

## Likely developments

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

## Directors' benefits

Hollingworth Spence Lawyers received \$Nil in 2010 (2009: \$2,200) in respect of legal services provided to the Company. Peter Anthony Carrigan is associated with that firm.

No other Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

# Directors' report continued

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## Indemnification and insurance of Directors and Officers

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an Auditor of the Company or a related body corporate.

## Directors' meetings

The number of Directors' meetings attended during the year were:

Director	Board meetings#	Marketing committee#	Finance, audit, governance committee#
David Graeme Ffrench	5 (6)	4 (4)	1 (1)
Julie Brooks	10 (11)	N/A	N/A
Thomas Joseph Coogan	9 (11)	N/A	8 (8)
Terence Philip Hogan	1 (2)	N/A	N/A
Geertje Jose Bowden	7 (11)	7 (9)	N/A
Anthony Robert C. Beasley	4 (6)	5 (5)	N/A
Robert Ian Millar	10 (11)	N/A	8 (8)
Gregory Michael Symington	10 (11)	N/A	3 (3)
Peter Anthony Carrigan	11 (11)	N/A	8 (8)
Catherine Isabel Matson	3 (4)	2 (2)	N/A
Alix Monica Fortescue	2 (3)	N/A	N/A

# The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

N/A - not a member of that Committee.

## Corporate governance

The Company has implemented various corporate governance practices, which include:

- Director approval of operating budgets and monitoring of progress against these budgets;
- Ongoing Director training; and
- Monthly Director meetings to discuss performance and strategic plans.

# Directors' report continued

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## **Auditor Independence Declaration**

The Directors received the following declaration from the Auditor of the Company:

### **Richmond Sinnott & Delahunty** Chartered Accountants



Partners:  
Kenneth J Richmond  
Warren J Sinnott  
Philip P Delahunty  
Brett A Andrews

## **Auditor's Independence Declaration**

In relation to our audit of the financial report of Pine Rivers Community Finance Limited for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the Auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



**Warren Sinnott**  
**Partner**

Richmond Sinnott & Delahunty

28 September 2010

Signed in accordance with a resolution of the Board of Directors on 28 September 2010.



**Julie Brooks**  
**Chairperson**



**Thomas Joseph Coogan**  
**Treasurer**

# Financial statements

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## Statement of comprehensive income For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenue from ordinary activities	2	953,827	747,777
Employee benefits expense	3	(585,862)	(324,374)
Charitable donations and sponsorship		(23,237)	(18,072)
Depreciation and amortisation expense	3	(61,880)	(27,458)
Finance costs	3	(117)	(443)
Occupancy expenses		(102,624)	(63,536)
Administration and other expenses from ordinary activities		(230,918)	(179,203)
<b>Profit before income tax expense</b>		<b>(50,811)</b>	<b>134,691</b>
Income tax (benefit) / expense	4	26,944	(42,730)
<b>Profit after income tax expense</b>		<b>(23,867)</b>	<b>91,961</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>(23,867)</b>	<b>91,961</b>
<b>Earnings per share (cents per share)</b>			
- basic for profit for the year	23	(2.43)	15.61
- diluted for profit for the year	23	(2.43)	15.61

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of financial position As at 30 June 2010

	Note	2010 \$	2009 \$
<b>Current assets</b>			
Cash and cash equivalents	6	362,326	220,228
Trade and other receivables	7	90,282	74,434
Other assets	8	15,705	15,947
<b>Total current assets</b>		<b>468,313</b>	<b>310,609</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	256,639	126,901
Deferred tax assets	4	40,208	13,264
Intangible assets	10	68,992	30,466
<b>Total non-current assets</b>		<b>365,839</b>	<b>170,631</b>
<b>Total assets</b>		<b>834,152</b>	<b>481,240</b>
<b>Current liabilities</b>			
Trade and other payables	11	122,832	114,311
Short-term provisions	12	-	27,457
Loans and borrowings	13	1,301	1,186
<b>Total current liabilities</b>		<b>124,133</b>	<b>142,954</b>
<b>Total liabilities</b>		<b>124,133</b>	<b>142,954</b>
<b>Net assets</b>		<b>710,019</b>	<b>338,286</b>
<b>Equity</b>			
Issued capital	14	916,808	521,208
Accumulated losses	15	(206,789)	(182,922)
<b>Total equity</b>		<b>710,019</b>	<b>338,286</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of cash flows For the year ended 30 June 2010

	Note	2010 \$	2009 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		1,024,385	799,695
Cash payments in the course of operations		(1,029,145)	(646,492)
Interest received		6,147	6,053
Borrowing costs		(117)	(443)
<b>Net cash flows provided by/(used in) operating activities</b>	<b>16b</b>	<b>1,270</b>	<b>158,813</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(170,144)	(5,293)
Payments for intangible assets		(60,000)	-
Refund of deposit		100	-
<b>Net cash flows used in investing activities</b>		<b>(230,044)</b>	<b>(5,293)</b>
<b>Cash flows from financing activities</b>			
Equity raising costs		(20,000)	(23,500)
Dividends paid		(24,843)	(40,040)
Proceeds from equity raising		415,600	-
Proceeds from borrowings		115	-
Repayment of borrowings		-	(407)
<b>Net cash flows provided by/(used in) financing activities</b>		<b>370,872</b>	<b>(63,947)</b>
<b>Net increase in cash held</b>		<b>142,098</b>	<b>89,573</b>
Cash and cash equivalents at start of year		220,228	130,655
<b>Cash and cash equivalents at end of year</b>	<b>16a</b>	<b>362,326</b>	<b>220,228</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of changes in equity For the year ended June 2010

	Note	2010 \$	2009 \$
<b>Share capital</b>			
Balance at start of year		521,208	544,708
Proceeds from equity raising		415,600	-
Equity raising costs		(20,000)	(23,500)
<b>Balance at end of year</b>		<b>916,808</b>	<b>521,208</b>
<b>Retained earnings / (accumulated losses)</b>			
Balance at start of year		(182,922)	(207,386)
Profit / (loss) after income tax expense		(23,867)	91,961
Dividends paid or provided for	24	-	(67,497)
<b>Balance at end of year</b>		<b>(206,789)</b>	<b>(182,922)</b>

The accompanying notes form part of these financial statements.



# Notes to the financial statements

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For year ended 30 June 2010

## Note 1. Basis of preparation of the financial report

### **(a) Basis of preparation**

Pine Rivers Community Finance Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank**<sup>®</sup> services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 28 September 2010.

### **(b) Statement of compliance**

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

### **(c) Significant accounting policies**

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2009 financial statements.

#### **Income tax**

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

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

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

# Notes to the financial statements continued

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## Note 1. Basis of preparation of the financial report (continued)

### **Income tax (continued)**

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

### **Property, plant and equipment**

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated over the estimated useful life of the asset as follows:

<b>Class of asset</b>	<b>Depreciation rate</b>
Plant & equipment	2.5-40%
Office furniture & equipment	7.1-37.5%
Furniture & fittings	5-20%

### Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

### **Recoverable amount of assets**

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

### **Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

# Notes to the financial statements continued

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## Note 1. Basis of preparation of the financial report (continued)

### **Goods and services tax (continued)**

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### **Employee benefits**

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the reporting date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

The Company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

At reporting date, the Company had no employees. All employee services are provided by permanently seconded employees of Bendigo and Adelaide Bank Ltd.

### **Intangibles**

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

### **Cash**

Cash on hand and in banks are stated at nominal value.

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

### **Comparative figures**

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

### **Revenue**

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

### **Receivables and payables**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

# Notes to the financial statements continued

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## Note 1. Basis of preparation of the financial report (continued)

### Loans and borrowings

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

### Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

### Share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

	2010	2009
	\$	\$

## Note 2. Revenue from ordinary activities

### Operating activities:

- profit share	632,486	491,740
- services commissions	290,832	232,901
- other revenue	24,362	17,083
<b>Total revenue from operating activities</b>	<b>947,680</b>	<b>741,724</b>

### Non-operating activities:

- interest received	6,147	6,053
<b>Total revenue from ordinary activities</b>	<b>953,827</b>	<b>747,777</b>

## Notes to the financial statements continued

	2010 \$	2009 \$
<b>Note 3. Expenses</b>		
<b>Employee benefits expense</b>		
- wages and salaries	417,708	279,688
- superannuation costs	40,184	27,236
- workers' compensation costs	1,387	664
- other costs	126,583	16,786
	<b>585,862</b>	<b>324,374</b>
<b>Depreciation of non-current assets:</b>		
- plant and equipment	38,504	16,421
- leasehold improvements	1,902	708
<b>Amortisation of non-current assets:</b>		
- intangibles	21,474	10,329
	<b>61,880</b>	<b>27,458</b>
<b>Finance costs:</b>		
- interest paid	<b>117</b>	<b>443</b>
Bad debts	2,813	2,970

## Note 4. Income tax expense

The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:

Prima facie tax on profit before income tax at 30% (2009: 30%)	(15,243)	40,407
Add tax effect of:		
- Non-deductible expenses	20,356	2,323
Less tax effect of:		
- Deductible expenses	(37,479)	-
<b>Current income tax expense (benefit)</b>	<b>(32,366)</b>	<b>42,730</b>
Under provision for tax in prior years	5,422	-
<b>Income tax (benefit) / expense</b>	<b>(26,944)</b>	<b>42,730</b>

## Notes to the financial statements continued

	2010 \$	2009 \$
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Note 4. Income tax expense (continued)

### Deferred tax assets

**Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.**

<b>40,208</b>	<b>13,264</b>
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### Note 5. Auditors' remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:

- Audit or review of the financial report of the Company	3,900	3,650
- Accounting work for prospectus	2,500	-
- Share registry services & other professional advice	4,692	8,701
	<b>11,092</b>	<b>12,351</b>

### Note 6. Cash and cash equivalents

<b>Cash at bank and in hand</b>	<b>362,326</b>	<b>220,228</b>
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### Note 7. Trade and other receivables

Trade debtors	90,182	74,234
Deposit refundable	100	200
	<b>90,282</b>	<b>74,434</b>

### Note 8. Other assets

<b>Prepayments</b>	<b>15,705</b>	<b>15,947</b>
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## Notes to the financial statements continued

	2010 \$	2009 \$
<b>Note 9. Property, plant and equipment</b>		
<b>Leasehold improvements</b>		
At cost	79,757	28,324
Less accumulated depreciation	(7,151)	(5,249)
	<b>72,606</b>	<b>23,075</b>
<b>Plant and equipment</b>		
At cost	303,177	194,289
Less accumulated depreciation	(119,144)	(90,463)
	<b>184,033</b>	<b>103,826</b>
<b>Total written down amount</b>	<b>256,639</b>	<b>126,901</b>
<b>Movements in carrying amounts</b>		
<b>Leasehold improvements</b>		
Carrying amount at beginning of year	23,075	23,783
Additions	51,433	-
Depreciation expense	(1,902)	(708)
<b>Carrying amount at end of year</b>	<b>72,606</b>	<b>23,075</b>
<b>Plant and equipment</b>		
Carrying amount at beginning of year	103,826	114,954
Additions	118,711	5,293
Depreciation expense	(38,504)	(16,421)
<b>Carrying amount at end of year</b>	<b>184,033</b>	<b>103,826</b>
<b>Note 10. Intangible assets</b>		
<b>Franchise fee</b>		
At cost	110,000	50,000
Less accumulated amortisation	(41,583)	(20,438)
	<b>68,417</b>	<b>29,562</b>

## Notes to the financial statements continued

	2010 \$	2009 \$
Note 10. Intangible assets (continued)		
<b>Borrowing expenses</b>		
At cost	1,644	1,644
Less accumulated amortisation	(1,069)	(740)
	<b>575</b>	<b>904</b>
	<b>68,992</b>	<b>30,466</b>

### Note 11. Trade and other payables

#### Current

Trade creditors	85,440	43,739
Accrued expenses	29,868	48,145
PAYG withholding payable	-	6,526
GST payable	3,472	10,254
Unclaimed dividends	2,614	-
Other	1,438	5,647
	<b>122,832</b>	<b>114,311</b>

### Note 12. Short-term provisions

Dividends provided for	-	27,457
Employee benefits	-	-
	-	<b>27,457</b>

All staffing requirements are provided by permanently seconded employees of Bendigo and Adelaide Bank Ltd.

### Note 13. Loans and borrowings

#### Current

<b>Bank loan</b>	<b>1,301</b>	<b>1,186</b>
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## Notes to the financial statements continued

	2010 \$	2009 \$
<b>Note 14. Issued capital</b>		
1,102,010 (2009: 686,410) Ordinary Shares each fully paid #	960,308	544,708
Equity raising costs	(43,500)	(23,500)
	<b>916,808</b>	<b>521,208</b>

# 27,300 bonus shares were issued on a one for one basis on 8 July 2002 to certain shareholders for no consideration.

114,402 bonus shares were issued on a one for five basis on 8 May 2009 for no consideration.

415,600 fully paid shares were issued on 16 October 2009 at \$1.00 each pursuant to the prospectus dated 25 June 2009.

### Note 15. Accumulated losses

Balance at the beginning of the financial year	(182,922)	(207,386)
Profit (loss) after income tax	(23,867)	91,961
Dividends provided for or paid	-	(67,497)
<b>Balance at the end of the financial year</b>	<b>(206,789)</b>	<b>(182,922)</b>

### Note 16. Statement of cash flows

#### (a) Cash and cash equivalents

<b>Cash assets</b>	<b>362,326</b>	<b>220,228</b>
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#### (b) Reconciliation of profit / (loss) after tax to net cash from operating activities

Profit / (loss) after income tax	(23,867)	91,961
Non cash items		
- Depreciation	40,406	17,129
- Amortisation	21,474	10,329

## Notes to the financial statements continued

	2010 \$	2009 \$
Note 16. Statement of cash flows (continued)		
Changes in assets and liabilities		
- (Increase) decrease in receivables	(15,706)	(15,419)
- (Increase) decrease in deferred income tax asset	(26,944)	42,730
- Increase (decrease) in payables	5,907	23,304
- Increase (decrease) in provisions	-	(11,221)
<b>Net cash flows from operating activities</b>	<b>1,270</b>	<b>158,813</b>

## Note 17. Capital and leasing commitments

### Operating lease commitments

Operating leases contracted for but not capitalised in the financial statements

Payable:

- Not later than 1 year	88,763	70,294
- Later than 1 year, but not later than 5 years	139,329	199,420
	<b>228,092</b>	<b>269,714</b>

The Brendale branch property lease has a five year term and an option to renew for a further ten year term with rent payable monthly in advance. The lease allows for sub-letting. The Company entered into a lease for the Samford branch in March 2009 for a five year term with an option to renew for a further five year term.

## Notes to the financial statements continued

### Note 18. Director and related party disclosures

<b>Directors' shareholdings</b>	<b>2010</b>	<b>2009</b>
The following fully paid ordinary shares were held by the relevant Directors personally or by controlled associated entities:		
David Graeme Ffrench	7,400	2,400
Julie Brooks	3,501	3,001
Thomas Joseph Coogan	-	-
Terence Philip Hogan	500	-
Geertje Jose Bowden	3,200	1,200
Anthony Robert C. Beasley	-	-
Robert Ian Millar	3,500	-
Gregory Michael Symington	2,500	-
Peter Anthony Carrigan	1,200	1,200
Catherine Isabel Matson	1,000	-
Alix Monica Fortescue	2,400	2,400

Apart from the below changes, there were no other movements in Directors' shareholdings during the year.

# Shares were allotted on 16 October 2009 to the following Directors or their controlled associated entities in the capital raising pursuant to the prospectus dated 25 June 2009.

David Graeme Ffrench	5,000
Julie Brooks	500
Terence Philip Hogan	500
Geertje Jose Bowden	2,000
Robert Ian Millar	3,500
Gregory Michael Symington	2,500
Catherine Isabel Matson	1,000

### Note 19. Subsequent events

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

## Notes to the financial statements continued

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### Note 20. Contingent liabilities

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

### Note 21. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients.

The economic entity operates in one geographic area being Brendale, Queensland.

### Note 22. Corporate information

Pine Rivers Community Finance Ltd is a Company limited by shares incorporated in Australia.

The registered office of the Company is:  
Shop 4 Brendale 7-Day Shopping Centre,  
Kremzow Road,  
Brendale QLD 4500

The principal place of business is:  
Shop 4 Brendale 7-Day Shopping Centre,  
Kremzow Road,  
Brendale QLD 4500.

**2010**

**\$**

**2009**

**\$**

### Note 23. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

<b>Profit / (loss) after income tax expense</b>	<b>(23,867)</b>	<b>91,961</b>
<b>Weighted average number of ordinary shares for basic and diluted earnings per share</b>	<b>980,177</b>	<b>588,933</b>

## Notes to the financial statements continued

	2010 \$	2009 \$
<b>Note 24. Dividends paid or provided for on ordinary shares</b>		
<b>(a) Dividends paid during the year</b>		
(i) Previous year final		
Unfranked dividends - 4 cents per share (2009: 7 cents per share)	27,457	40,040
	<b>27,457</b>	<b>40,040</b>
<b>(b) Dividends proposed</b>		
(i) Not recognised as a liability		
Unfranked dividends - Nil (2009: Nil)	-	-
(ii) Recognised as a liability		
Unfranked dividends - Nil (2009: 4 cents per share)	-	27,457
	-	<b>27,457</b>

## Note 25. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is assisted in the area of risk management by an internal audit function.

### (a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2010 \$	2009 \$
Cash assets	362,326	220,228
Receivables	90,282	74,434
	<b>452,608</b>	<b>294,662</b>

## Notes to the financial statements continued

### Note 25. Financial risk management (continued)

#### (a) Credit risk (continued)

The Company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables is due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2009: 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 Ltd.

#### (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 following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$
<b>30 June 2010</b>					
Trade and other payables	122,832	(122,832)	(122,832)	-	-
Loans and borrowings	1,301	(1,301)	(1,301)	-	-
	<b>124,133</b>	<b>(124,133)</b>	<b>(124,133)</b>	-	-
<b>30 June 2009</b>					
Trade and other payables	114,311	(114,311)	(114,311)	-	-
Loans and borrowings	1,186	(1,186)	(1,186)	-	-
	<b>115,497</b>	<b>(115,497)</b>	<b>(115,497)</b>	-	-

#### (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.

# Notes to the financial statements continued

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Note 25. Financial risk management (continued)

## (c) Market risk (continued)

### Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

### Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount	
	2010	2009
	\$	\$
<b>Fixed rate instruments</b>		
Financial assets	-	-
Financial liabilities	-	-
	-	-
<b>Variable rate instruments</b>		
Financial assets	362,326	220,228
Financial liabilities	(1,301)	(1,186)
	<b>361,025</b>	<b>219,042</b>

### **Fair value sensitivity analysis for fixed rate instruments**

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

### **Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2009 there was also no impact. As at both dates this assumes all other variables remain constant.

## (d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The Company does not have any unrecognised financial instruments at year end.

## Notes to the financial statements continued

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Note 25. Financial risk management (continued)

### **(e) Capital management**

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

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

- (i) the Distribution Limit is the greater of:
  - (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
  - (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and
- (ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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 for the year ended 30 June 2010 can be seen in the Statement of Comprehensive Income.

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



# Directors' declaration

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The Directors of the Company declare that:

- (a) the financial statements and notes as set out on pages 12 to 31 are in accordance with the Corporations Act 2001 and:
  - (i) comply with Accounting Standards; and
  - (ii) give a true and fair view of the Company's financial position as at 30 June 2010 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
- (b) In the Director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors dated 28 September 2010.



**Julie Brooks**  
**Chairperson**



**Thomas Joseph Coogan**  
**Treasurer**

# Independent audit report

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## **Richmond Sinnott & Delahunty** Chartered Accountants



### ***INDEPENDENT AUDIT REPORT TO THE MEMBERS OF PINE RIVERS COMMUNITY FINANCE LIMITED***

Partners:  
Kenneth J Richmond  
Warren J Sinnott  
Philip P Delahunty  
Brett A Andrews

#### ***SCOPE***

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Pine Rivers Community Finance Limited, for the year ended 30 June 2010.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### ***Audit approach***

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

## Independent audit report continued

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### **INDEPENDENCE**

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

### **AUDIT OPINION**

In our opinion, the financial report of Pine Rivers Community Finance Limited is in accordance with:

- (a) the Corporations Act 2001 including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

*Richmond Sinnott & Delahunty*

**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants

*W. J. Sinnott*

**W. J. SINNOTT**  
Partner  
Bendigo

Date: 28 September 2010





Brendale **Community Bank**<sup>®</sup> Branch  
Shop 4, Brendale 7 Day Shopping Centre, Kremzow Road,  
Brendale QLD 4500  
Phone: (07) 3881 0720

Samford **Community Bank**<sup>®</sup> Branch  
Shop 10, Samford Country Centre, 19 Main Street,  
Samford QLD 4520  
Phone: (07) 3289 6710

Franchisee: Pine Rivers Community Finance Limited  
Shop 4, Brendale 7 Day Shopping Centre, Kremzow Road,  
Brendale QLD 4500  
Phone: (07) 3881 0720  
ABN: 14 098 199 476

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Bendigo and Adelaide Bank Limited,  
The Bendigo Centre, Bendigo VIC 3550  
ABN 11 068 049 178. AFSL 237879.  
(KKQAR10007) (07/10)