

Pine Rivers Community
Finance Limited

ABN 14 098 199 476

annual report 2011

Brendale and Samford **Community Bank**[®] branches

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Chairman's report

For year ending 30 June 2011

It is with a sense of pride that I present this 10th Annual Report of Pine Rivers Community Finance Company Limited (PRCFL) to shareholders.

During this last financial year we have had one Director retire – Gerrie Bowden and welcomed three new Directors to the Company Board – Jason Delisser, Paul Outen and John Goddard.

Since opening Brendale branch on 14 February 2002 we have opened a second branch in Samford on 8 August 2009 and in the last four years Pine Rivers Community Finance Limited has approved dividend payments:

- 2007/08 7 cents per share unfranked.
- 2008/09 4 cents per share unfranked.
- 2010/11 5 cents per share fully franked.

There are some shares available for purchase if interested please contact the Company Secretary on 0413 161 396.

We are pleased to announce contributions made this year to the following community projects and organisations:

- Moreton Bay 100 bike ride
- Samford bowls club
- Flood appeal
- Samford rangers club
- Relay for Life
- Shave for a Cure
- St Pauls Anglican School
- Bray Park High School
- Careflight
- Wantima Golf Club

A Community Forum was held in the Samford area to establish how best our funds could support the local community's needs. Of the ten prioritised needs we have been able to supply specialised tables to the Farmers Hall in Samford; a lift project is currently underway for elderly and disabled access to the local hall; and we have conducted a driver education for young drivers, whilst other projects are still in progress.

I personally would like to thank each and every Board member for giving their time and support. All Directors are volunteers dedicated to achieving the aims and goals of PRCFL supporting our local communities.

I thank and acknowledge our staff at Brendale and Samford branches for their enthusiasm in upholding our community ethos. Congratulations are extended to our Brendale branch for once again achieving Quest Newspapers Business Achievers Award for Professional Services for six consecutive years.

Most importantly I wish to thank you, the shareholders, for your continued support and commitment. We look forward to our continued growth and to celebrating the tenth anniversary of the opening of our first branch on 14 June 2012.



Julie Brooks
Chairman

Manager's report

For year ending 30 June 2011

With effects of the global financial crisis still prevalent, a declining local housing market and an ultra competitive banking sector, the 2010/2011 financial year represented one of the most challenging periods ever faced by our **Community Bank**[®] branches.

It is with this setting that I am very pleased and proud to report that both Brendale and Samford **Community Bank**[®] branches have continued to excel.

Brendale **Community Bank**[®] Branch increased its total assets by almost \$11 million with footings now in excess of \$107 million. Despite a change to the profit share model, the branch also produced record profit for the second successive year with a focus on diversifying our revenue stream a contributing factor.

Importantly, Brendale's achievements were not limited to fiscal success. For a record sixth year in succession, Brendale **Community Bank**[®] Branch won the highly contested and rigorously critiqued Pine Rivers Press and North Lakes Times Business Achievers Award for Professional Services in 2011.

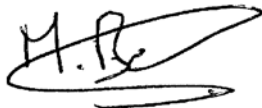
Samford **Community Bank**[®] Branch also delivered another successful year with total assets increasing by \$7 million and footings now more than \$21 million. In addition, Samford was awarded Bendigo Bank's Branch of the Month Award for Brisbane Region in both September 2010 and March 2011.

Samford's customer numbers also rose by an excellent 52% from last year with a further 249 people doing their banking business with Samford **Community Bank**[®] Branch.

It is without question that the commitment by staff at both Brendale and Samford branches to offer an unrivalled personalised banking experience, coupled with ongoing support of the local community, is the primary contributor to the group growing this year's footings by an exceptional 16% to \$128.6 million.

During the financial year Gregg Marks and Julie Truscott joined Brendale and Samford branches respectively as Customer Service Officers and have become integral members of already outstanding teams. I would also like to thank Danny Burton our Business Banking Manager for his ongoing contribution and support.

Lastly, my appreciation also extends to our new and existing community partners, customers, shareholders and Directors to all of whom these results pay tribute.



Matthew Beswick
Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2011

As **Community Bank**[®] shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about organising and strengthening community.

Together, we have reached new heights and achieved many great successes, all of which has been underpinned by our commitment and dedication to the communities we're a part of.

Together we're making extraordinary progress, with more than \$58.25 million returned to support community groups and endeavours since the network was established in 1998.

The returns grow exponentially each year, with \$469 thousand returned within the first five years, \$8.15 million within the first eight and \$22.58 million by the end of the first decade of operation. Based on this, we can predict the community returns should top \$100 million within the next three years, which equates to new community facilities, better health care, increased transport services and generally speaking, more prosperous communities.

Together, we haven't just returned \$58.25 million; there is also the flow on economic impact to consider. Bendigo and Adelaide Bank is in the process of establishing an evidential basis that captures the complete picture and the economic outcomes these initiatives generate. However, the tangible outcomes are obvious. We see it in tenanted shops, increased consumer traffic, retained local capital and new jobs but we know that there are broader elements of community strength beyond the economic indicators, which demonstrate the power of our community models.

It is now evident that branches go through a clear maturity phase, building customer support, generating surpluses and establishing a sustainable income stream. This enables Boards to focus less on generating business and more on the community's aspirations. Bendigo is facilitating this through Director engagement and education, community consultations and other community solutions (Community Enterprise Foundation[™], Community Sector Banking, Community Telco, Generation Green[™] and Community Enterprises) that will provide Boards with further development options.

In Bendigo, your **Community Bank**[®] Board has a committed and successful partner. Our past efforts and continued commitment to be Australia's leading customer-connected bank, that is relevant, connected and valued, is starting to attract attention and reap rewards.

In January, a Roy Morgan survey into customer satisfaction saw Bendigo Bank achieve an industry leading score among Australian retail banks. This was the first time Bendigo Bank has led the overall results since August 2009.

In May, Fitch Ratings upgraded Bendigo and Adelaide Banks Long-Term Issuer Default Rating (IDR) to A- from BBB+. This announcement saw us become the first Australian bank – and one of the very few banks globally – to receive an upgrade since the Global Financial Crisis.

Standard & Poor's revised credit rating soon followed seeing Bendigo and Adelaide Bank shift from BBB+ stable, to BBB+ positive. These announcements reflect the hard and diligent work by all our staff, our sound risk management practices, low-risk funding and balance sheet structure, sound capital ratios and a sustained improvement in profitability.

The strength of our business model – based on our commitment to our customers and the communities that we operate in – is being recognised by all three ratings agencies.

Bendigo and Adelaide Bank Ltd report continued

Over the past year the bank has also added more than 700 additional ATMs through a network sharing agreement with Suncorp Bank, which further enhances our customers' convenience and expands our footprint across the country. In addition to this a further 16 **Community Bank**[®] branches were opened.

The bank has also had a renewed focus on business banking and re-launched our wealth management services through Bendigo Wealth, which oversees the Adelaide Bank, Leveraged Equities, Sandhurst Trustees and financial planning offering.

The **Community Bank**[®] model is unique and successful, it's one of our major points of difference and it enables us to connect with more than 550,000 customers, in excess of 270 communities and make a difference in the lives of countless people.

We are very proud of the model we have developed and we're very thankful for the opportunity to partner with communities to help build their balance sheets.

We thank you all for the part you play in driving this success.



Russell Jenkins
Executive Customer and Community

Directors' report

For the financial year ended 30 June 2011

Your Directors submit the financial report of the Company for the financial year ended 30 June 2011.

Directors

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

Julie Brooks	Director - Chairman (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.
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 the 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 November, 2008 to May 2011.
Paul Matthew Outen	Director (Non executive) (Appointed 25 October 2010) #
Qualifications	Bachelor of Business, Member of the Association of Chartered Certified Accountants
Experience	Board Member since October 2010; Owner of First Class Accounts; Committee Member and Secretary of Closeburn Rural Fire Brigade
Special Responsibilities	Company Secretary since May 2011.
Thomas Joseph Coogan	Director - Treasurer (Non-executive)
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.

Directors' report continued

Directors (continued)

Gregory Michael Symington	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.
Anthony Robert C. Beasley	Director (Non executive) (Resigned 1 August 2011)
Qualifications	Bachelor of Learning Design; Bachelor of Applied Science (Science & Technology)
Experience	Board member since November 2009; Director of Astra Group Services Pty Ltd
Alix Monica Fortescue	Director (Non executive)
Qualifications	Diploma of Education
Experience	Board member since March, 2010; Member of the Brendale Steering Committee;
Jason Peter Delisser	Director (Non executive) (Appointed 25 October 2010)
Qualifications	Bachelor of Commerce, Bachelor of Laws, Graduate Diploma in Applied Finance & Investment, MBA, Graduate Diploma of Financial Planning
Experience	Board Member since October 2010; Director F3 Financial Services Pty Ltd; 16 years financial services experience.
John Alexander Goddard	Director (Non executive) (Appointed 6 June 2011)
Qualifications	Past Director or trustee of various public companies and non profit organisations
Experience	Board Member since June 2011; 40 years banking experience; retired Chief Operating Officer of Bendigo Bank of Qld; Non executive Chairman of Cooper Property Group and Trust Capital Group; Director of The Eidos Institute; Trustee of the Ipswich Arts Foundation;
Geertje Jose Bowden	Director (Non executive) (Resigned 4 October 2010)
Qualifications	Bachelor of Behavioural Science
Experience	Board member since March 2006; Director and owner of Moreton Bay Regional Real Estate.
Terence Philip Hogan	Director (Non executive) (Resigned 6 September 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)

Indicates Company Secretary

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.

Directors' report continued

Principal activities

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

- providing **Community Bank**[®] 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.

Review of operations

The profit/(loss) of the Company for the financial year after provision for income tax was \$91,356 (2010: (\$23,867)).

Dividends

\$

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

- Final ordinary dividend of 5 cents per share payable on 30 September 2011	55,101
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Significant changes in the state of affairs

There were no significant change in the state of affairs of the Company occurred during the financial year.

Significant events after the balance date

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There are no other 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.

Remuneration report

No 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.

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.

Directors' report continued

Indemnification and insurance of Directors and Officers (continued)

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#
Julie Brooks	10 (11)	N/A	N/A
Robert Ian Millar	11 (11)	N/A	10 (10)
Peter Anthony Carrigan	10 (11)	N/A	10 (10)
Paul Matthew Outen (appointed 25 October 2010)	8 (8)	N/A	6 (6)
Thomas Joseph Coogan	6 (11)	N/A	8 (10)
Gregory Michael Symington	10 (11)	N/A	8 (10)
Anthony Robert C. Beasley (resigned 1 August 2011)	3 (8)	3 (6)	N/A
Alix Monica Fortescue	11 (11)	3 (4)	N/A
Jason Peter Delisser (appointed 25 October 2010)	8 (8)	4 (4)	1 (2)
John Alexander Goddard (appointed 6 June 2011)	1 (1)	N/A	N/A
Geertje Jose Bowden (resigned 4 October 2010)	3 (4)	2 (2)	N/A
Terence Philip Hogan (resigned 6 September 2010)	0 (0)	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:

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

Directors' report continued

Auditor Independence Declaration

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



19 September 2011

The Directors
Pine Rivers Community Finance Limited
PO Box 7081
BRENDALE QLD 4500

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Pine Rivers Community Finance Limited for the year ended 30 June 2011, 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

Signed in accordance with a resolution of the Board of Directors on 19 September 2011.



Julie Brooks, Chairman



Thomas Joseph Coogan, Treasurer

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Revenue from continuing operations	2	1,108,974	953,827
Employee benefits expense	3	(541,573)	(585,862)
Charitable donations and sponsorship		(15,478)	(23,237)
Depreciation and amortisation expense	3	(60,028)	(61,880)
Finance costs	3	(2,849)	(117)
Occupancy expenses		(115,457)	(102,624)
Other expenses		(237,766)	(230,918)
Profit/(loss) before income tax expense		135,823	(50,811)
Income tax benefit / (expense)	4	(44,467)	26,944
Profit/(loss) after income tax expense		91,356	(23,867)
Other comprehensive income		-	-
Total comprehensive income		91,356	(23,867)
Earnings per share (cents per share)			
- basic for profit/(loss) for the year	23	8.29	(2.43)
- diluted for profit/(loss) for the year	23	8.29	(2.43)

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position as at 30 June 2011

	Note	2011 \$	2010 \$
Current assets			
Cash and cash equivalents	6	548,243	362,326
Trade and other receivables	7	101,228	90,282
Other assets	8	8,788	15,705
Total current assets		658,259	468,313
Non-current assets			
Property, plant and equipment	9	221,937	256,639
Income tax assets	4	6,019	40,208
Intangible assets	10	46,664	68,992
Total non-current assets		274,620	365,839
Total assets		932,879	834,152
Current liabilities			
Trade and other payables	11	130,072	122,832
Short-term provisions	12	55,101	-
Loans and borrowings	13	1,432	1,301
Total current liabilities		186,605	124,133
Total liabilities		186,605	124,133
Net assets		746,274	710,019
Equity			
Issued capital	14	916,808	916,808
Accumulated losses	15	(170,534)	(206,789)
Total equity		746,274	710,019

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Cash receipts in the course of operations		1,196,087	1,024,385
Cash payments in the course of operations		(1,011,239)	(1,029,145)
Interest received		17,063	6,147
Borrowing costs		(2,849)	(117)
Income tax paid		(10,278)	-
Net cash flows provided by operating activities	16b	188,784	1,270
Cash flows from investing activities			
Payments for property, plant and equipment		(2,998)	(170,144)
Payments for intangible assets		-	(60,000)
Refund of deposit		-	100
Net cash flows used in investing activities		(2,998)	(230,044)
Cash flows from financing activities			
Equity raising costs		-	(20,000)
Dividends paid		-	(24,843)
Proceeds from equity raising		-	415,600
Proceeds from borrowings		131	115
Net cash flows provided by/(used in) financing activities		131	370,872
Net increase in cash held		185,917	142,098
Cash and cash equivalents at start of year		362,326	220,228
Cash and cash equivalents at end of year	16a	548,243	362,326

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Share capital			
Balance at start of year		916,808	521,208
Proceeds from equity raising		-	415,600
Equity raising costs		-	(20,000)
Balance at end of year		916,808	916,808
Retained earnings / (accumulated losses)			
Balance at start of year		(206,789)	(182,922)
Profit / (loss) after income tax expense		91,356	(23,867)
Dividends paid or provided for	24	(55,101)	-
Balance at end of year		(170,534)	(206,789)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

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 2011 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank**[®] 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 19 September 2011.

(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. These changes are not expected to have a material impact on the Company's financial statements.

(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 2010 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.

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.

Notes to the financial statements continued

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

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:

Class of asset	Depreciation rate
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.

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.

Notes to the financial statements continued

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

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.

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.

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.

Notes to the financial statements continued

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

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.

Comparative figures

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

	2011	2010
	\$	\$

Note 2. Revenue from continuing operations

Operating activities:

- profit share	772,354	632,486
- services commissions	318,477	290,832
- other revenue	1,080	24,362
	1,091,911	947,680

Non-operating activities:

- interest received	17,063	6,147
	1,108,974	953,827

Note 3. Expenses

Employee benefits expense

- wages and salaries	401,313	417,708
- superannuation costs	41,484	40,184
- workers' compensation costs	1,846	1,387
- other costs	96,930	126,583
	541,573	585,862

Depreciation of non-current assets:

- plant and equipment	35,706	38,504
- leasehold improvements	1,994	1,902

Notes to the financial statements continued

	2011 \$	2010 \$
Note 3. Expenses (continued)		
Amortisation of non-current assets:		
- intangibles	22,328	21,474
	60,028	61,880
Finance costs:		
- interest paid	2,849	117
Bad debts	1,200	2,813

Note 4. Income tax expense

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

Prima facie tax on profit/(loss) before income tax at 30% (2010: 30%)	40,747	(15,243)
Add tax effect of:		
- Non-deductible expenses	6,908	20,356
Less tax effect of:		
- Deductible expenses	(3,188)	(37,479)
Current income tax (benefit) / expense	44,467	(32,366)
Under provision for tax in prior years	-	5,422
Income tax (benefit) / expense	44,467	(26,944)
Income tax assets:		
Income tax refundable	6,019	40,208

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	3,900
- Accounting work for prospectus	-	2,500
- Share registry services & other professional advice	1,600	4,692
	5,500	11,092

Notes to the financial statements continued

	2011 \$	2010 \$
Note 6. Cash and cash equivalents		
Term deposit	410,000	-
Cash at bank and in hand	138,243	362,326
	548,243	362,326

Note 7. Trade and other receivables

Trade debtors	101,128	90,182
Deposit refundable	100	100
	101,228	90,282

Note 8. Other assets

Prepayments	8,788	15,705
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Note 9. Property, plant and equipment

Leasehold improvements

At cost	79,757	79,757
Less accumulated depreciation	(9,145)	(7,151)
	70,612	72,606

Plant and equipment

At cost	306,175	303,177
Less accumulated depreciation	(154,850)	(119,144)
	151,325	184,033

Total written down amount

	221,937	256,639
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Movements in carrying amounts

Leasehold improvements

Carrying amount at beginning of year	72,606	23,075
Additions	-	51,433
Depreciation expense	(1,994)	(1,902)
Carrying amount at end of year	70,612	72,606

Notes to the financial statements continued

	2011	2010
	\$	\$
Note 9. Property, plant and equipment (continued)		
Plant and equipment		
Carrying amount at beginning of year	184,033	103,826
Additions	2,998	118,711
Depreciation expense	(35,706)	(38,504)
Carrying amount at end of year	151,325	184,033

Note 10. Intangible assets

Franchise fee		
At cost	110,000	110,000
Less accumulated amortisation	(63,583)	(41,583)
	46,417	68,417
Borrowing expenses		
At cost	1,644	1,644
Less accumulated amortisation	(1,397)	(1,069)
	247	575
	46,664	68,992

Note 11. Trade and other payables

Current		
Trade creditors	104,002	85,440
Accrued expenses	12,878	29,868
GST payable	5,228	3,472
Unclaimed dividends	2,341	2,614
Other	5,623	1,438
	130,072	122,832

Notes to the financial statements continued

	2011 \$	2010 \$
Note 12. Short-term provisions		
Dividends provided for	55,101	-
Employee benefits	-	-
	55,101	-

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

Note 13. Loans and borrowings

Current

Bank loan	1,432	1,301
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Note 14. Issued capital

1,102,010 (2010: 1,102,010) Ordinary shares each fully paid #	960,308	960,308
Equity raising costs	(43,500)	(43,500)
	916,808	916,808

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	(206,789)	(182,922)
Profit/(loss) after income tax	91,356	(23,867)
Dividends provided for or paid	(55,101)	-
Balance at the end of the financial year	(170,534)	(206,789)

Notes to the financial statements continued

	2011 \$	2010 \$
Note 16. Statement of cash flows		
(a) Cash and cash equivalents		
Cash assets	548,343	362,326
(b) Reconciliation of profit / (loss) after tax to net cash from operating activities		
Profit / (loss) after income tax	91,356	(23,867)
Non cash items		
- Depreciation	37,700	40,406
- Amortisation	22,328	21,474
Changes in assets and liabilities		
- (Increase) decrease in receivables / other assets	(4,029)	(15,706)
- (Increase) decrease in deferred income tax asset	34,189	(26,944)
- Increase (decrease) in payables	7,240	5,907
Net cash flows from operating activities	188,784	1,270

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	90,623	88,763
- Later than 1 year, but not later than 5 years	140,772	139,329
	231,395	228,092

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 2010 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

Directors' shareholdings	2011	2010
The following fully paid ordinary shares were held by the relevant Directors personally or by controlled associated entities:		
Julie Brooks	3,501	3,501
Robert Ian Millar	3,500	3,500
Peter Anthony Carrigan	1,200	1,200
Paul Matthew Outen (appointed 25 October 2010)	-	N/A
Thomas Joseph Coogan	-	-
Gregory Michael Symington	2,500	2,500
Anthony Robert C. Beasley (resigned 1 August 2011)	-	-
Alix Monica Fortescue	2,400	2,400
Jason Peter Delisser (appointed 25 October 2010)	3,200	N/A
John Alexander Goddard (appointed 6 June 2011)	-	N/A
Geertje Jose Bowden (resigned 4 October 2010)	3,200	3,200
Terence Philip Hogan (resigned 6 September 2010)	N/A	500

Jason Peter Delisser acquired an additional 1,200 fully paid shares in the Company on 28 February, 2011 increasing his shareholding in the Company from 2,000 fully paid shares held prior to becoming a Director to the balance held at June 30, 2011 of 3,200. Apart from this acquisition, there were no other movements in Director shareholdings during the year. Each share held is fully paid.

Note 19. Subsequent events

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Note 20. Contingent liabilities and assets

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

Notes to the financial statements continued

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
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2011	2010
\$	\$

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:

Profit / (loss) after income tax expense	91,356	(23,867)
Weighted average number of ordinary shares for basic and diluted earnings per share	1,102,010	980,177

Notes to the financial statements continued

	2011 \$	2010 \$
Note 24. Dividends paid or provided for on ordinary shares		
(a) Dividends paid during the year		
(i) Previous year final		
Unfranked dividends - Nil (2010: 4 cents per share)	-	27,457
	-	27,457
(b) Dividends proposed		
(i) Recognised as a liability		
Unfranked dividends - 5 cents per share (2010: Nil cents per share)	55,101	-
	55,101	-

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	
	2011 \$	2010 \$
Cash assets	548,243	362,326
Receivables	101,228	90,282
	649,471	452,608

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

None of the assets of the Company are past due (2010: 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.

Notes to the financial statements continued

Note 25. Financial risk management (continued)

(a) Credit Risk (continued)

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 \$
30 June 2011					
Trade and other payables	130,072	(130,072)	(130,072)	-	-
Loans and borrowings	1,432	(1,432)	(1,432)	-	-
	131,504	(131,504)	(131,504)	-	-
30 June 2010					
Trade and other payables	122,832	(122,832)	(122,832)	-	-
Loans and borrowings	1,301	(1,301)	(1,301)	-	-
	124,133	(124,133)	(124,133)	-	-

(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.

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.

Notes to the financial statements continued

Note 25. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis

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

	Carrying amount	
	2011	2010
	\$	\$
Fixed rate instruments		
Financial assets	410,000	-
Financial liabilities	-	-
	410,000	-
Variable rate instruments		
Financial assets	138,243	362,326
Financial liabilities	(1,432)	(1,301)
	136,811	361,025

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 2010 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.

(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.

Notes to the financial statements continued

Note 25. Financial risk management (continued)

(e) Capital management (continued)

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 2011 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

The Directors of the Company declare that:

- (a) the financial statements and notes as set out on pages 5 to 20 are in accordance with the Corporations Act 2001 and:
 - (i) complying with Accounting Standards in Australia, International Financial Reporting Standards and Corporations Regulations 2001; and
 - (ii) give a true and fair view of the Company's financial position as at 30 June 2011 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 19 September 2011.



Julie Brooks, Chairman



Thomas Joseph Coogan, Treasurer

Independent audit report



**Richmond
Sinnott &
Delahunty**

Chartered Accountants

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

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 2011.

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.

Partners: Kenneth J Richmond • Warren J Sinnott • Philip P Delahunty • Brett A Andrews
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ABN 60 616 244 309

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Independent audit report continued

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 2011 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: 23 September 2011

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Phone: (07) 3881 0720 Fax: (07) 3889 6645

Samford **Community Bank**[®] Branch
Shop 10, Samford Country Centre,
19 Main Street, Samford QLD 4520
Phone: (07) 3289 6710

Franchisee: Pine Rivers Community Finance Limited
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ABN: 14 098 199 476

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