Annual Report 2014

Pine Rivers Community Finance Limited

ABN 14 098 199 476

Samford **Community Bank**® Branch
Brendale **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2014

It is with great pleasure I present this 13th Annual Report of Pine Rivers Community Finance Limited to shareholders.

The Brendale and Samford **Community Bank**® branches have had a successful year with continued growth in both customer numbers and overall banking business. During the year, the value of the banking business (loans and deposits) has increased to $180 million held by more than 3,000 customers. The growth rate of 13% over the year (or 12% pa compounding over the last three years) is well in excess of the banking industry average.

We are extremely proud of the fact that the company has made community contributions of approximately $80,000 into thirty-two local community projects and organisations.

Our staff, led by our Managers Matthew Beswick (Brendale) and Bronwyn Fitzpatrick (Samford), have continued to provide a comprehensive range of competitive banking products and services in a friendly and professional manner.

Although we have experienced strong growth in business volumes, underlying operating revenue has not increased commensurately. Lower margins have been a result of both competition and pricing in the industry, and the full year impact of changes to revenue sharing arrangements under our franchise agreement with Bendigo and Adelaide Bank. Operating costs were well managed, increasing 2.6% (excluding abnormal or one-off items) during the year.

In May 2014, the Samford **Community Bank**® Branch and external ATM was relocated to a new site on the Corner of Main Street and Station Street, Samford Village. Our overall operating costs for the year were $74,127 higher as a result of abnormal or one-off items relating to this relocation. The Board is confident that the relocation will make the company stronger overall for many years to come, with benefits from the move including improved branding and presence, increased space (for staff, storage and customer meetings), and significant ATM cost savings.

The company's financial position, business achievements and confidence of sustained profitability has enabled shareholder dividends to be sustained at 5.5 cents per share. The dividend this year has been unfranked as the income tax liability we incurred for the year was only a nominal amount. Over the last three financial years, aggregate dividends of 16 cents per share have been declared and paid.

The Board of the company has remained extremely stable during the last 12 months, unchanged from the year preceding. Since the end of year, we have recently welcomed Gail Brown onto the Board. 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 our company that are supporting a strong, successful, connected and resilient community.

Our capacity to contribute back into the Brendale, Samford and broader Pine Rivers community is not a result of philanthropy but as a result of a profitable banking business. Accordingly, I take this opportunity to sincerely thank all of our customers for their ongoing support and commitment to bank with us.

Jason Delisser
Chairman

Managers' report

For year ending 30 June 2014

We are pleased to report to the Board, shareholders and customers on a strong years business result at both Brendale and Samford **Community Bank**® branches for the financial year ending 30 June 2014.

Through the support from both our existing and new customers, our banking business has increased $21.3 million during the 12-month period. The increase in loans and deposits is a reflection of the fact that approximately 150 new customers (net) have commenced a relationship with the **Community Bank**® branch. Over the next 12 months, our total loans and deposits are expected to pass beyond the $200 million milestone.

Our new customer momentum is in part related to our community engagement activities, including our half-yearly grants programme that commenced in the first half of 2012. We have had great pleasure in working closely with our community partners to deliver mutually beneficial results. Some of the community highlights over the last 12 months have included:

- Providing significant funding to local schools and education facilities at Undurba State School, Samford State School, Bray Park State High, Lawnton State School and Pine Rivers Special School
- Continuing the half yearly Youth Defensive Driving Programme at Lakeside Park
- Supporting local sporting clubs to improve services and facilities available to their members, including Samford Stags Rugby League, Samford Valley Target Archers, Northside Wizards Basketball, ACE Netball Club, Samford Netball Club, Samford Swimming Club, Samford Tennis Club and South Pine Striders
- Providing funds for early learning facilities, including Goodstart Early Learning (Bray Park), Samford Community Kindergarten and Pine Rivers Kindergarten
- Sponsoring horses that are used by people with disabilities
- Helping improve facilities for volunteer fire fighting organisations at Closeburn and Samford
- Support the Arts Alliance of Pine Rivers with their annual festival
- Assisting the Pine Rivers Care Network to build a storage shed for food and donated items
- Ongoing support for the Albany Creek Excelsior Football Club.

We take great pleasure in maintaining close relationships with our community partners, and being able to provide much needed financial support that can make a positive difference within our community.

Over the next 12 months, our business priorities are to (i) further expand our number of customer relationships across both Brendale and Samford branches, (ii) grow our lending business (specifically including housing loans) above system rates, and (iii) establish full transaction and account relationships with each of our new customers. To achieve these priorities, the key messages that we intend to communicate more explicitly to all of our stakeholders and non-customers include:

- How the **Community Bank**® branches make a positive contribution within both Samford and the broader Pine Rivers community
- The financial support provided within our community is a direct result of individuals, families and business owners supporting the **Community Bank**® branches as customers
- Bendigo and Adelaide Bank is Australia's fifth largest bank providing all of the products and services you would expect from a major bank
- The Bank's customer service is independently rated higher than any of the major banks, as all of our team pride ourselves on personal service and relationships

Managers' report (continued)

We would like to extend our thanks to the contribution and commitment made by all of our enthusiastic, hardworking and customer focussed staff that provide an enjoyable environment for both ourselves and our customers. We have also welcomed Marion Smith to the team during the year.

Finally, we would like to thank our loyal customers, shareholders and community partners for their continued support of the **Community Bank®** branch. We look forward to working with you in the years to come.

Matthew Beswick
Branch Manager
Brendale Community Bank® Branch

Bronwyn Fitzpatrick
Branch Manager
Samford Community Bank® Branch

Directors' report

For the financial year ended 30 June 2014

Your Directors present their report of the company for the financial year ended 30 June 2014. The information in the preceding operating and financial review forms part of this Directors' report for the financial year ended 30 June 2014 and is to be read in conjunction with the following information:

Directors

The following persons were Directors of Pine Rivers Community Finance Limited during or since the end of the financial year up to the date of this report:

Name and position held	Qualifications	Experience and other Directorships
Robert Millar Deputy Chairman (Non-Executive Director) Board Member since October 2007.	Diploma Australian Institute of Company Directors (AICD); Fellow of AICD Fellow Financial Services Institute of Australia.	Over 30 years experience in banking industry; Councillor Moreton Bay Regional Council since 2000 (Chairman of Corporate Services, Chairman of Audit Committee); Member Local Government Mutual Liability Pool Board since 2008; Member Local Government Workcover Board since 2009.
Paul Outen Treasurer (Non-Executive Director) Board Member since October 2010.	Bachelor of Business; Member of the Association of Chartered Accountants.	Owner of First Class Accounts; Committee Member and Treasurer of Colesburn Rural Fire Brigade. Company Secretary from May 2011 to December 2012. Treasurer since December 2012.
Jason Delisser Chairman (Non-Executive Director) Board Member since October 2010.	Bachelor of Commerce, Bachelor of Laws, Graduate Diploma in Applied Finance & Investment, MBA, Graduate Diploma of Financial Planning.	Director F3 Financial Services Pty Ltd; Over 19 years banking and financial services experience. Treasurer to November 2012. Chairman since November 2012.
John Goddard Secretary (Non-Executive Director) Board Member since July 2011		40 years banking experience; retired Chief Operating Officer of Bendigo Bank of QLD; Non-executive Chairman of Cooper Property Group; The Eidos Institute and SE Qld Community Telco. Mr Goddard has a diverse range of strategic consulting clientele and is a past Director of Careflight Qld, Powerlink Qld, The Qld and Torres Strait Islander Foundation, The Australian Finance Conference and Opera Foundation Australia. Company Secretary since December 2012.

Directors (continued)

Name and position held	Qualifications	Experience and other Directorships
Michael Clahsen Non-Executive Director Board Member since April 2012.		Over 30 years experience in software industry; 16 years at ASX listed Technology One Pty Ltd and owner of Majestri Pty Ltd; Board member and volunteer of BrAshA-T Limited since 2007; Former committee member and president of Samford Sporting Association (Samford Ranges Football Club 2004-2010)
Kenneth Armstrong Non-Executive Director Board Member since March 2013.		Major, retired, British Army RA. Retired Managing Director of a major military procurement organisation in the Middle East (15 years in Oman) and inaugural president of the Arts Alliance of Pine Rivers (now a local Arts Council). Past president of the Rotary Club of Albany Creek and remaining as a Board member. Currently managing Director of Armex Pty Ltd.
Anthony Spencer Freeman Non-Executive Director (Appointed 26 September 2013)	Bachelor of Business Studies, Justice of the Peace (Qualified)	Management and general management roles in consumer product marketing fields. Member of Rotary for 22 years and Samford Chamber of Commerce.

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

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

Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank**® services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Review of operations

The profit of the company for the financial year after provision for income tax was $19,587 (2013 profit: $64,790), which is a 70% decrease as compared with the previous year.

The net assets of the company have decreased to $777,613 (2013: $818,637).

Dividends

	Year ended 30 June 2014	
	Cents per share	$
Dividends paid in the year (final dividend 2013):	5.5	60,611
Dividends declared in the year (final dividend 2014):	5.5	60,611

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to reporting date

No matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company, in future financial years.

Remuneration report

Remuneration policy

There has been no remuneration policy developed as Director positions are held on a voluntary basis and Directors are not remunerated for their services.

Remuneration benefits and payments

Other than detailed below, 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.

Indemnifying Officers or Auditor

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.

Directors' meetings

The number of Directors' meetings held during the year were 11. Attendances by each Director during the year were as follows:

Director	Board meetings #	Marketing committee #	Finance audit, governance committee #	Governance & staffing committee #
Robert Millar	8 (11)	N/A	N/A	5 (5)
Paul Outen	10 (11)	N/A	7 (8)	N/A
Jason Delisser	10 (11)	N/A	N/A	N/A
John Goddard	8 (11)	N/A	6 (8)	5 (5)
Michael Clahsen	8 (9)	6 (7)	N/A	N/A

Directors' meetings (continued)

Director	Board meetings #	Marketing committee #	Finance audit, governance committee #	Governance & staffing committee #
Kenneth Armstrong	8 (11)	N/A	7 (8)	4 (5)
Anthony Spencer Freeman	8 (8)	5 (7)	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.

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation. However, the Board believes that the company has adequate systems in place for the management of its environment requirements and is not aware of any breach of these environmental requirements as they apply to the company.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Company Secretary

Paul Outen has been the Company Secretary of Pine Rivers Community Finance Limited since May 2011 and resigned December 2012. The role is now undertaken by John Goddard who has been a Company Director since July 2011.

Non audit services

The Board of Directors, in accordance with advice from the Finance and Audit Committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external Auditor's independence for the following reasons:

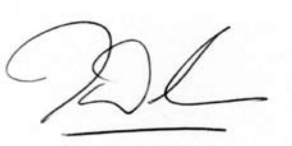
- all non audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Directors' report (continued)

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 10 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Samford on 14 October 2014.



Jason Delisser
Director

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants
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14th October 2014

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

Dear Directors

To the Directors of Pine Rivers Community Finance Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2014 there has been no contraventions of:

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

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

Kathie Teasdale
Partner
Richmond Sinnott & Delahunty

Financial statements

Statement of profit or loss and Other Comprehensive Income for the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue	2	1,317,867	1,342,061
Employee benefits expense	3	(696,091)	(689,150)
Depreciation and amortisation expense	3	(102,306)	(50,928)
Finance costs	3	(1)	(2)
Bad and doubtful debts expense	3	(1,126)	(1,579)
Rental expense		(155,174)	(120,827)
Other expenses	3	(260,753)	(250,239)
Operating profit before charitable donations & sponsorships		**102,416**	**229,336**
Charitable donations and sponsorships		(80,207)	(143,995)
Profit before income tax expense		**22,209**	**85,341**
Tax expense	4	2,622	20,551
Profit for the year		**19,587**	**64,790**
Other comprehensive income		-	-
Total comprehensive income		**19,587**	**64,790**
Profit attributable to members of the company		19,587	64,790
Total comprehensive income attributable to members of the company		**19,587**	**64,790**
Earnings per share (cents per share)			
- basic for profit for the year	22	1.78	5.88

The accompanying notes form part of these financial statements.

Statement of financial position
as at 30 June 2014

	Note	2014 $	2013 $
Assets			
Current assets			
Cash and cash equivalents	6	435,786	571,587
Trade and other receivables	7	159,345	146,913
Current tax receivable	15	23,390	19,604
Total current assets		**618,521**	**738,104**
Non-current assets			
Property, plant and equipment	8	336,544	190,250
Intangible assets	9	35,040	58,594
Total non-current assets		**371,584**	**248,844**
Total assets		**990,105**	**986,948**
Liabilities			
Current liabilities			
Trade and other payables	10	151,881	107,700
Provisions	11	60,611	60,611
Total current liabilities		**212,492**	**168,311**
Total liabilities		**212,492**	**168,311**
Net assets		**777,613**	**818,637**
Equity			
Issued capital	12	916,808	916,808
Accumulated losses	13	(139,195)	(98,171)
Total equity		**777,613**	**818,637**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2014

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2012		**916,808**	**(47,250)**	**869,558**
Total comprehensive income for the year		-	64,790	64,790
Transactions with owners, in their capacity as owners				
Dividends paid or provided	23	-	(115,711)	(115,711)
Balance at 30 June 2013		**916,808**	**(98,171)**	**818,637**
Balance at 1 July 2013		**916,808**	**(98,171)**	**818,637**
Total comprehensive income for the year		-	19,587	19,587
Transactions with owners, in their capacity as owners				
Dividends paid or provided	23	-	(60,611)	(60,611)
Balance at 30 June 2014		**916,808**	**(139,195)**	**777,613**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		1,415,946	1,423,678
Payments to suppliers and employees		(1,279,165)	(1,356,590)
Borrowing Costs		(1)	(2)
Interest received		19,484	35,616
Income tax paid		(6,408)	(59,306)
Net cash provided by operating activities	**14**	**149,856**	**43,396**
Cash flows from investing activities			
Purchase of property, plant & equipment		(225,046)	(18,380)
Net cash flows used in investing activities		**(225,046)**	**(18,380)**
Cash flows from financing activities			
Dividends paid		(60,611)	(55,100)
Net cash used in financing activities		**(60,611)**	**(55,100)**
Net decrease in cash held		**(135,801)**	**(30,084)**
Cash and cash equivalents at beginning of financial year		571,587	601,671
Cash and cash equivalents at end of financial year	**6**	**435,786**	**571,587**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2014

These financial statements and notes represent those of Pine Rivers Community Financial Services Limited.

Pine Rivers Community Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 14 October 2014.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

<u>Economic dependency</u>

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branches at Pine Rivers.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**® branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**® branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**® branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank**® branch;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency (continued)

- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

(b) Income tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can 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.

(c) Fair value of assets and liabilities

The company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an assets or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closes equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

Note 1. Summary of significant accounting policies (continued)

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

The fair value of the liabilities and the entity's own equity instruments may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted, and where significant, are detailed in the respective note to the financial statements.

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses related to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on either a straight-line basis, or diminishing value basis, over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of asset	Depreciation rate
Leasehold improvements	2.5%
Plant & equipment	2.5% - 40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An assets' carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Note 1. Summary of significant accounting policies (continued)

(e) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset - but not the legal ownership - are transferred to entities in the company, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

(f) Impairment of assets

At each reporting period, the company assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(g) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(h) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the Statement of Profit or Loss and Other Comprehensive Income.

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

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.

Note 1. Summary of significant accounting policies (continued)

(j) Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

Interest, dividend and fee revenue is recognised when earned.

All revenue is stated net of the amount of goods and services tax (GST).

(k) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

(l) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(m) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

This Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impractical at this stage to provide a reasonable estimate of such impact.

(ii) AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the company's financial statements.

(iii) AASB 2013-3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the company's financial statements.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(n) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which is probable that the outflow of economic benefits will result and the outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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.

(o) 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.

(p) Comparative figures

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

(q) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset or the provision for income tax liability. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment

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

Note 1. Summary of significant accounting policies (continued)

(r) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

A financial asset (or group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency on interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial asset is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Note 1. Summary of significant accounting policies (continued)

(r) Financial instruments (continued)

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

	2014 $	2013 $

Note 2. Revenue and other income

	2014 $	2013 $
Revenue		
- services commissions	297,871	331,513
- profit share	999,512	973,248
	1,297,383	**1,304,761**
Other revenue		
- interest received	19,484	35,616
- other revenue	1,000	1,684
	20,484	**37,300**
Total revenue	**1,317,867**	**1,342,061**

Note 3. Expenses

	2014 $	2013 $
Employee benefits expense		
- wages and salaries	521,429	496,564
- superannuation costs	51,860	48,083
- workers compensation	4,270	5,142
- payroll tax	29,927	28,186
- other costs	88,605	111,175
	696,091	**689,150**
Depreciation of non-current assets:		
- plant and equipment	31,616	25,380
- leasehold improvements	47,136	1,994
Amortisation of non-current assets:		
- intangible assets	23,554	23,554
	102,306	**50,928**

	2014 $	2013 $
Note 3. Expenses (continued)		
Finance costs:		
- Interest paid	1	2
Bad debts:	1,126	1,579
Other expenses		
- accounting	22,386	19,249
- advertising and promotion	9,461	17,109
- marketing	9,396	3,129
- insurance	18,221	18,890
- printing - stationery	13,553	18,318
- telephone	11,383	11,247
- IT equipment lease	22,271	23,151
- IT running costs	18,624	18,952
- IT support costs	18,163	17,702
- other costs	117,295	102,492
	260,753	**250,239**

Note 4. Tax expense

	2014 $	2013 $
a. The components of tax expense comprise		
- current tax expense	2,622	20,551
- deferred tax expense relating to the origination and reversal of temporary differences	-	-
- adjustments for under/(over)-provision of current income tax of previous years	-	-
	2,622	**20,551**
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 30% (2013: 30%)	6,662	25,602

	2014 $	2013 $

Note 4. Tax expense (continued)

Add tax effect of:

	2014 $	2013 $
- Prior year over/(under) provision for tax	-	-
- Deductible Expenses	(34,732)	(17,324)
- Non-deductible expenses	30,692	12,273
Current income tax expense	**2,622**	**20,551**
Income tax attributable to the entity	**2,622**	**20,551**
The applicable weighted average effective tax rate is	11.81%	24.08%

The applicable income tax rate is the Australian Federal tax rate of 30% (2013: 30%) applicable to Australian resident companies.

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

	2014 $	2013 $
- Audit or review of the financial report	5,100	4,150
- Share registry services	2,583	3,822
	7,683	**7,972**

Note 6. Cash and cash equivalents

	2014 $	2013 $
Cash at bank and on hand	142,107	21,482
Short-term bank deposits	293,679	550,105
	435,786	**571,587**

The effective interest rate on short-term bank deposits was 3.35% (2013: 4.15%); these deposits have an average maturity of 38 days.

Note 7. Trade and other receivables

Current

	2014 $	2013 $
Trade debtors	125,356	124,357
Other assets	7,100	11,145
GST receivable	22,994	4,941
Prepayments	3,895	6,470
	159,345	**146,913**

Note 7. Trade and other receivables (continued)

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
2014						
Trade receivables	125,356	-	-	-	-	125,356
Other receivables	7,100	-	-	-	-	7,100
Total	**132,456**	**-**	**-**	**-**	**-**	**132,456**
2013						
Trade receivables	124,357	-	-	-	-	124,357
Other receivables	11,145	-	-	-	-	11,145
Total	**135,502**	**-**	**-**	**-**	**-**	**135,502**

Note 8. Property, plant and equipment

	2014 $	2013 $
Leasehold improvements		
At cost	195,068	79,757
Less accumulated depreciation	(8,836)	(13,133)
	186,232	**66,624**
Plant and equipment		
At cost	338,879	333,146
Less accumulated depreciation	(188,567)	(209,520)
	150,312	**123,626**
Total written down amount	**336,544**	**190,250**

	2014 $	2013 $

Note 8. Property, plant and equipment (continued)

Movements in carrying amounts

Leasehold improvements		
Balance at the beginning of the reporting period	66,624	68,618
Additions	166,744	-
Disposals	-	-
Depreciation expense	(47,136)	(1,994)
Balance at the end of the reporting period	**186,232**	**66,624**
Plant and equipment		
Balance at the beginning of the reporting period	123,626	130,626
Additions	58,302	18,380
Disposals	-	-
Depreciation expense	(31,616)	(25,380)
Balance at the end of the reporting period	**150,312**	**123,626**

Note 9. Intangible assets

Franchise fee		
At cost	167,768	167,767
Less accumulated amortisation	(132,728)	(109,173)
	35,040	**58,594**
Total Intangible assets	**35,040**	**58,594**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	58,594	82,148
Additions	-	-
Disposals	-	-
Amortisation expense	(23,554)	(23,554)
Balance at the end of the reporting period	**35,040**	**58,594**

	2014 $	2013 $

Note 10. Trade and other payables

Current

	2014 $	2013 $
Unsecured liabilities:		
Trade creditors	88,814	92,468
Grants payable	41,576	-
Accrued Expenses	10,703	10,172
Unclaimed Dividends	5,788	4,217
Other creditors and accruals	5,000	843
	151,881	**107,700**

Note 11. Provisions

(a) Dividends

	2014 $	2013 $
Dividends Payable	**60,611**	**60,611**

(b) Employee entitlements

All staff requirements are provided by permanently seconded employees of Bendigo and Adelaide Bank Limited.

Note 12. Share capital

	2014 $	2013 $
1,102,010 Ordinary shares fully paid #	960,308	960,308
Less: Equity raising costs	(43,500)	(43,500)
	916,808	**916,808**

544,708 fully paid shares were issued on 24 June 2002 at $1 each. 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 each pursuant to the prospectus dated 25 June 2009.

	2014 $	2013 $
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	1,102,010	1,102,010
Shares issued during the year	-	-
At the end of the reporting period	**1,102,010**	**1,102,010**

Note 12. Share capital (continued)

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board of Directors 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 2014 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

	2014 $	2013 $
Note 13. Accumulated losses		
Balance at the beginning of the reporting period	(98,171)	(47,250)
Dividends paid	-	(55,100)
Dividends payable	(60,611)	(60,611)
Profit after income tax	19,587	64,790
Balance at the end of the reporting period	**(139,195)**	**(98,171)**

	2014 $	2013 $

Note 14. Statement of cash flows

Reconciliation of profit after tax to net cash provided from/(used in) operating activities

	2014 $	2013 $
Profit after income tax	19,587	64,790
Non cash items		
- Depreciation	78,752	27,374
- Amortisation	23,554	23,554
Changes in assets and liabilities		
- (Increase) decrease in receivables	(12,432)	(19,264)
- Increase (decrease) in income tax payable	(3,786)	(36,144)
- Increase (decrease) in payables	44,181	(14,304)
- Increase (decrease) in provisions	-	-
Net cash flows from/(used in) operating activities	**149,856**	**46,006**

Note 15. Tax

Tax assets

	2014 $	2013 $
Current income tax receivable	**23,390**	**19,604**

Note 16. Leases

Operating lease commitments

	2014 $	2013 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- no later than 12 months	125,626	84,661
- between 12 months and 5 years	338,656	178,464
- greater than 5 years	-	33,820
	464,282	**296,945**

The two property leases are non-cancellable leases with varying terms (5 years and 2 years), with rent payable monthly in advance. The leases also have varying extension options (1 5-year term and 2 1-year terms).

Note 17. Related party transactions

The company's main related parties are as follows:

(a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company is considered key management personnel.

No Director of the company receives remuneration for services as a company Director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

(d) Key management personnel shareholdings

The number of ordinary shares in Pine Rivers Community Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	2014	2013
Robert Millar	3,501	3,501
Paul Outen	-	-
Jason Delisser	3,200	3,200
John Goddard	-	-
Michael Clahsen	12,000	12,000
Kenneth Armstrong	-	-
Anthony Spencer Freeman	500	500

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

(e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

Note 18. Events after the reporting period

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

Note 19. Contingent liabilities and assets

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

Note 20. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in two geographic area being Brendale and Samford, Queensland. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2013: 100%).

Note 21. Company details

The registered office and principle place of business is: Shop 4, Brendale 7-Day Shopping Centre,
Kremzow Road,
Brendale QLD 4500

	2014 $	2013 $

Note 22. 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 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:

	2014 $	2013 $
Profit after income tax expense	**19,587**	**64,790**
Weighted average number of ordinary shares for basic and diluted earnings per share	**1,102,010**	**1,102,010**

Note 23. Dividends paid or provided for on ordinary shares

	2014 $	2013 $
(a) Dividends paid during the year		
2013 Final		
Fully franked dividend - Nil cents per share (2013: 5 cents per share)	**-**	**55,100**
(b) Dividends provided for during the year		
Current year final		
Unfranked dividend - 5.5 cents per share (2013: Fully franked 5.5 cents per share)	**60,611**	**60,611**

	2014 $	2013 $

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

(c) Franking credit balance

	2014 $	2013 $
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year.	35,697	5
- Franking credits that will arise from the payment / (refund) of income tax payable as at the end of the financial year.	(17,205)	35,692
	18,492	**35,697**

The rate at which dividends have been franked is 30% (2013: 30%).

Note 24. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 as detailed in the accounting policies are as follows:

	Note	2014 $	2013 $
Financial assets			
Cash and cash equivalents	6	435,786	571,587
Trade and other receivables	7	132,456	135,502
Total financial assets		**568,242**	**707,089**
Financial liabilities			
Trade and other payables	10	151,881	107,700
Total financial liabilities		**151,881**	**107,700**

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(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.

Note 24. Financial risk management (continued)

(a) Credit risk (continued)

Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the statement of financial position.

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 Limited.

None of the assets of the company are past due (2013: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited and therefore credit risk is considered minimal.

	2014 $	2013 $
Cash and cash equivalents:		
A rated	**435,786**	**571,587**

(b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Note 24. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis:

30 June 2014	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due					
Trade and other payables	10	151,881	151,881	-	-
Total expected outflows		**151,881**	**151,881**	**-**	**-**
Financial assets - realisable					
Cash & cash equivalents	6	435,786	435,786	-	-
Trade and other receivables	7	132,456	132,456	-	-
Total anticipated inflows		**568,242**	**568,242**	**-**	**-**
Net (outflow)inflow on financial instruments		**416,361**	**416,361**	**-**	**-**

30 June 2013	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due					
Trade and other payables	10	107,700	107,700	-	-
Total expected outflows		**107,700**	**107,700**	**-**	**-**
Financial assets - realisable					
Cash & cash equivalents	6	571,587	571,587	-	-
Trade and other receivables	7	135,502	135,502	-	-
Total anticipated inflows		**707,089**	**707,089**	**-**	**-**
Net inflow on					
financial instruments		**599,389**	**599,389**	**-**	**-**

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

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

Note 24. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit $	Equity $
Year ended 30 June 2014		
+/- 1% in interest rates (interest income)	5,716	5,716
	5,716	**5,716**
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	5,716	5,716
	5,716	**5,716**

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

Directors' declaration

In accordance with a resolution of the Directors of Pine Rivers Community Finance Limited, the Directors of the company declare that:

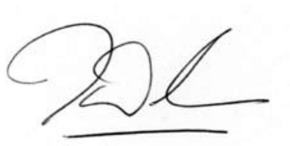
1 the financial statements and notes, as set out on pages 11 to 35 are in accordance with the Corporations Act 2001 and:

(i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and

(ii) give a true and fair view of the company's financial position as at 30 June 2014 and of the performance for the year ended on that date;

2 in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This resolution is made in accordance with a resolution of the Board of Directors.



Jason Delisser
Director

Signed at Samford on 14 October 2014.

Independent audit report

Richmond Sinnott & Delahunty
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PINE RIVERS COMMUNITY FINANCE LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Pine Rivers Community Finance Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Richmond Sinnott Delahunty Pty Ltd
ABN 60 616 244 309

Partners: Kathie Teasdale, Philip Delahunty, Cara Hall

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Pine Rivers Community Finance Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of Pine Rivers Community Finance Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

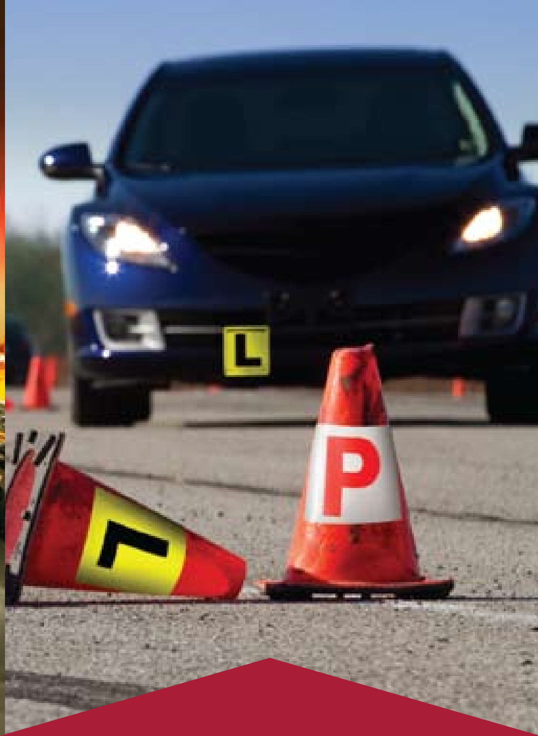
(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

KATHIE TEASDALE
Partner

Dated at Bendigo, 14th October 2014



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