annual report | 2009

Pinewood Community
Financial Services Limited
ABN 26 099 420 050

Pinewood **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2009

What a Year! Pinewood **Community Bank®** Branch in the past year achieved a growth in business of $32.6 million which took our total business assets to in excess of $100 million. An outstanding result against difficult economic times. However, due to plummeting interest rates and tightening margins the resultant net profit was well below our expected budget.

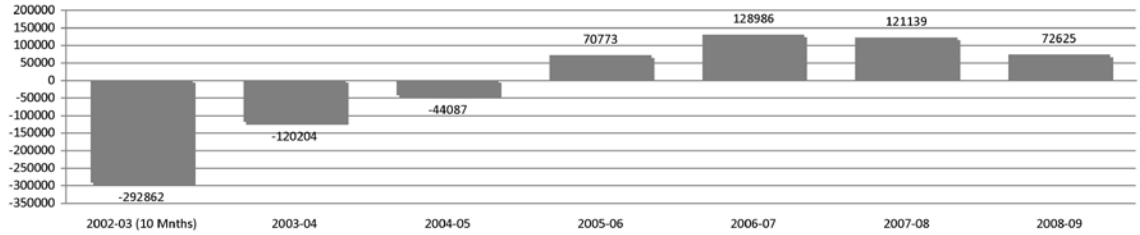
The achievements are commendable and are largely due to the dedicated efforts of our Manager, staff and the Board. Our Directors have stuck to the task through difficult conditions to ensure all requirements are met to achieve positive outcomes. The Board is confident that our branch will deliver further growth in business and profits to our shareholders, customers and community.

The many groups and organisations that we support in the City of Monash recognise and appreciate the benefit of our **Community Bank®** branch.

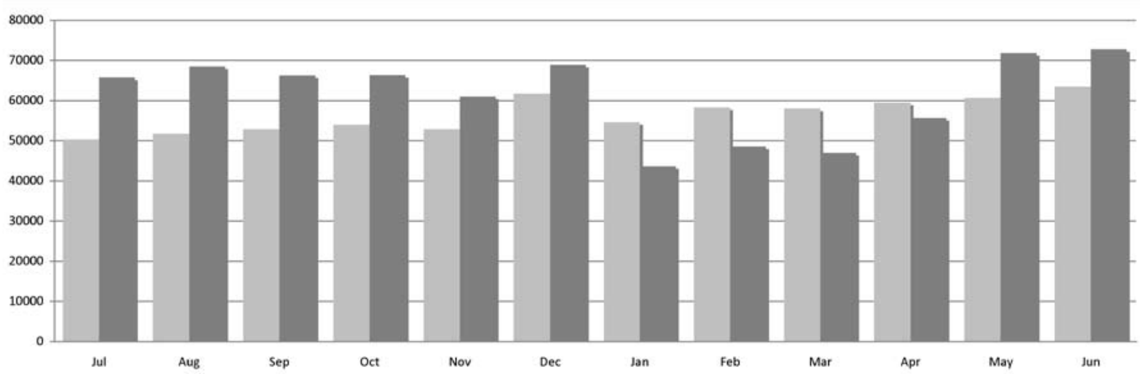
The Board & I look forward to ongoing success laid upon sound foundations. My thanks go to our Manager, Merv Ericson, and dedicated team in continuing a great tradition of friendly and efficient service.

John Sgroi
Chairman

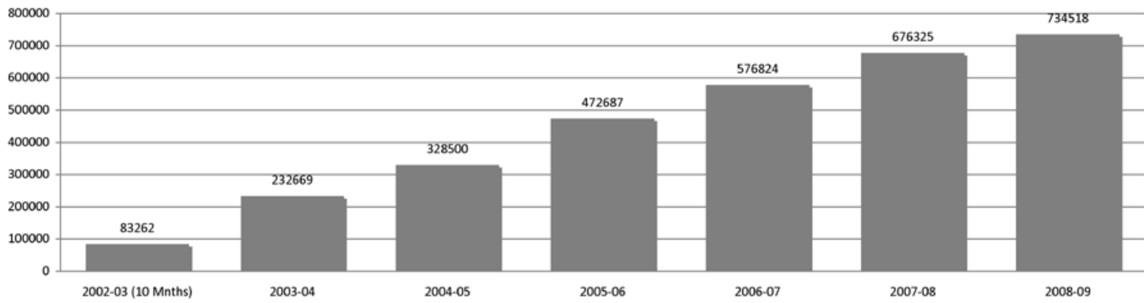
Pinewood Community Financial Services Ltd - Pre-tax results - years ended June 2003-2009



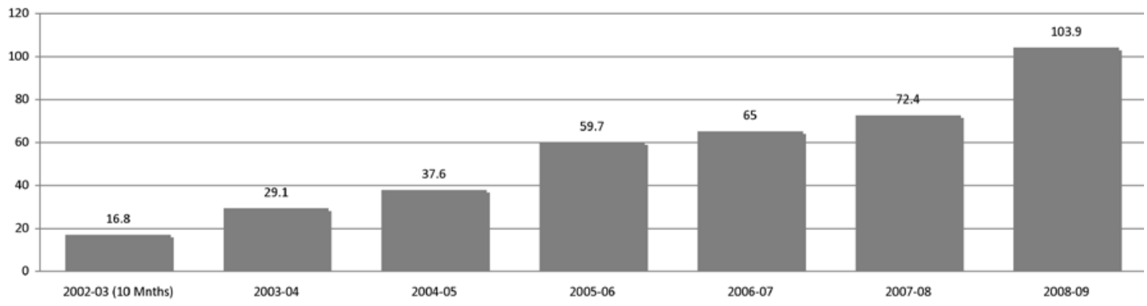
Pinewood Community Financial Services Ltd - Revenues by month - years end June 2008-2009



Pinewood Community Financial Services Ltd - revenues years ended



Pinawood Community Financial Servlces Ltd - buslness growth ($m) years ended



Manager's report

For year ending 30 June 2009

It again gives me a great deal of pleasure in recording my report for the 2008/2009 year.

For the year ended 30 June 2009, we have recorded phenomenal business growth and have comfortably exceeded our annual targets for both deposit and lending business.

In fact, in November 2008 we exceeded the coveted $100 million figure in total business assets ie. deposits and loans. This is a feat achieved by only a handful of **Community Bank®** branches Australia-wide.

However, we were not immune to the pressures on our business margins but these have stabilised towards the end of the financial year.

Whilst some financial analysts are still forecasting difficult financial times ahead, I am confident Pinewood **Community Bank®** Branch is well placed to handle the future conditions due to:

- Our committed and trained staff with most having now recorded in excess of five years with the Bank,
- Our own local Board of Directors who also are very experienced. With over 50% having been involved with the Bank since formation and the more recent members bringing new and valuable skills to the group.
- The ever increasing brand awareness and reputation of Bendigo and Adelaide Bank Ltd. Recent market research has reflected that the public believe Bendigo and Adelaide Bank Ltd and it's **Community Bank®** branch network lead the way in supporting both customers and communities. This reputation I'm sure will result in more and more customers moving their banking business to us in the future.
- Finally, the ongoing and increasing support of our existing customers, community groups and our shareholder base, as reflected in our business growth statistics.

To ensure the continued success of the Bank, I urge and invite you to see what we can offer you, if you are not already holding 100% of your banking facilities with Pinewood **Community Bank®** Branch.

Merv Ericson
Branch Manager

Directors' report

For year ending 30 June 2009

Your Directors submit the financial report of the Company for the financial year ended 30 June 2009.

Directors

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

Hector John Gilbert
Treasurer
Occupation: Retired business consultant
Information: Past senior finance executive in the transport industry for 22 years and the clothing industry for 16 years.

Leigh Ernest Hanna
Resigned Director 26 May 2009
Occupation: Retired petroleum marketing analyst
Information: Former leader in scout movement. Neighbourhood Watch founding member in Pinewood and resident 45 years.

Tindaro Armando Li-Donni
Director
Occupation: Hairdresser
Information: Proprietor of hairdressing salon in Pinewood for 17 years.

Cathryn Joy Zenkis
Resigned Director 25 November 2008
Occupation: Careers Consultant
Information: Consultant for a Melbourne based Association providing career services.

John Francis Baker
Director
Occupation: IT Continuity and Risk Analyst
Information: Managing businesses for over 40 years and member of Business Continuity Institute.

Harry William David Priest
Director
Occupation: Retired Newsagent in Pinewood
Information: Past proprietor of Pinewood newsagency and 20 years in furniture manufacturing industry.

John Michael Sgroi
Chairman
Occupation: Pharmacist in Pinewood
Information: Pharmacist in Pinewood for 20 years, community pharmacist for 40 years and Rotarian with an active interest in the community.

Dominic Stambe
Director
Occupation: Pharmacist in Pinewood
Information: Pharmacist in Pinewood for 20 years.

Clifton Thomas Warren
Director
Occupation: Management Consultant
Information: Managing Director of a management consulting business in Mount Waverley.

Matthew John Baker
Appointed Director 25 November 2008
Occupation: Managing Director of a Company
Information: Company owned for over 15 years supporting local and international communities.

Directors' report continued

Damien Luke Schulze

Appointed Director 23 June 2009

Occupation: Director of IT recruitment Company

Information: Practising lawyer for over 10 years until recently moved into the IT industry.

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

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

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 Ltd.

There has been no significant change in the nature of these activities during the year.

The profit of the Company for the financial year after provision for income tax was $65,570 (2008: $82,020)

Dividends

	Year ended 30 June 2009	
	Cents per share	**$**
Final dividends recommended	6	$31,938
Dividends paid in the year:		
As recommended in the prior year report	6	$31,938

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report or the financial report.

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

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

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 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.

The Company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company) that may arise from their position as Directors or Managers of the Company except where the liability arises out of conduct involving the lack of good faith.

Dividends (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.

Directors' meetings

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

Number of meetings held: 11

Number of meetings attended:

Hector Gilbert	11	John Sgroi	10
Leigh Hanna	7	Dominic Stambe	10
Tindaro Li-Donni	9	Clifton Warren	10
Cathryn Zenkis	6	John Baker	7
David Priest	11	Damien Schulze	4
Matthew Baker	7		

Company Secretary

Cathryn Joy Zenkis resigned as Secretary on 27 January 2009 and Matthew John Baker was appointed Company Secretary of Pinewood Community Financial Services on 27 January 2009.

Corporate governance

The Company has implemented various corporate governance practises, 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.

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

Auditor independence declaration

In relation to our audit of the financial report of Pinewood Community Financial Services Limited for the financial year ended 30 June 2009, 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.

Peter R. Bowman
Weber Bowman & Co Pty Ltd
Chartered Accountants

9 Centreway
Mount Waverley VIC 3149

24 August 2009

Signed in accordance with a resolution of the Board of Directors at Mount Waverley on 24 August 2009.

John Michael Sgroi	**Hector John Gilbert**
Director	**Director**

Financial statements

Income statement
For year ending 30 June 2009

	Note	2009 $	2008 $
Revenue			
Revenues from ordinary activities	2	734,518	676,325
Expenses			
Salaries & employee benefits expense	3	374,715	322,532
Depreciation and amortisation expense	3	23,753	23,651
Borrowing costs expense	3	14	2
Administration costs		176,133	120,780
IT expenses		22,571	21,013
Occupancy expenses		54,374	55,529
Other expenses from ordinary activities		10,333	11,679
Profit before income tax expense		**72,625**	**121,139**
Income tax expense	4	7,055	39,119
Profit after income tax expense		**65,570**	**82,020**

Earnings per share (cents per share)			
- basic for profit for the year	22	12	15
- diluted for profit for the year	22	12	15
- dividends paid per share	22	6	5

The accompanying notes form part of these financial statements.

Balance sheet
As at 30 June 2009

	Note	2009 $	2008 $
Current assets			
Cash assets	6	238,798	181,584
Other	7	17,135	13,898
Receivables	8	68,231	59,614
Income tax refundable	4	7,043	-
Total current assets		**331,207**	**255,096**
Non-current assets			
Deferred income tax	4	19,843	21,757
Property, plant and equipment	9	114,486	124,393
Intangible assets	10	33,024	44,032
Total non-current assets		**167,353**	**190,182**
Total assets		**498,560**	**445,278**
Current liabilities			
Payables	11	26,657	15,030
Provisions	12	47,084	39,061
Total current liabilities		**73,741**	**54,091**
Total liabilities		**73,741**	**54,091**
Net assets		**424,819**	**391,187**
Equity			
Share capital	13	532,300	532,300
Retained earnings/(accumulated losses)	14	(107,481)	(141,113)
Total equity		**424,819**	**391,187**

The accompanying notes form part of these financial statements.

Statement of cash flows
As at 30 June 2009

	Note	2009 $	2008 $
Cash flows from operating activities			
Cash receipts in the course of operations		719,061	670,233
Cash payments in the course of operations		(637,527)	(598,934)
Interest paid		(14)	(2)
Interest received		10,470	3,387
Net cash flows from/(used in) operating activities	**15b**	**91,990**	**74,684**
Cash flows from investing activities			
Payment for intangible assets		-	(55,041)
Payments for property, plant and equipment		(2,838)	(18,637)
Net cash flows from/(used in) investing activities		**(2,838)**	**(73,678)**
Cash flows from financing activities			
Dividends paid		(31,938)	(26,615)
Net cash flows (used in) financing activities		**(31,938)**	**(26,615)**
Net increase/(decrease) in cash held		**57,214**	**(25,609)**
Add: opening cash brought forward		181,584	207,193
Closing cash carried forward	**15a**	**238,798**	**181,584**

The accompanying notes form part of these financial statements.

Statement of changes in equity
As at 30 June 2009

	Note	2009 $	2008 $
Share capital			
Ordinary shares			
Balance at start of year		532,300	532,300
Issue of share capital		-	-
share issue costs		-	-
Balance at end of year		**532,300**	**532,300**
Retained earnings/(accumulated losses)			
Balance at start of year		(141,113)	(196,518)
Profit/(loss) after income tax expense		65,570	82,020
Dividends paid		(31,938)	(26,615)
Balance at end of year		**(107,481)**	**(141,113)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2009

Note 1. Basis of preparation of the financial report

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2008 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet 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 balance sheet 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.

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 using the diminishing value method, over the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Leasehold improvements	5 - 6.67%
Furniture and fittings	3.75 - 50%

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 balance sheet. Cash flows are included in the cash flow statement 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 of employee benefits for 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 balance 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.

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 cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Comparative figures

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

Revenue

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

Receivables and payables

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

Interest bearing liabilities

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

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

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.

Contributed 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.

	2009 $	2008 $

Note 2. Revenue from ordinary activities

	2009 $	2008 $
Operating activities		
- services commissions	723,308	669,527
Total revenue from operating activities	**723,308**	**669,527**
Non-operating activities:		
- interest received	11,210	6,798
Total revenue from ordinary activities	**734,518**	**676,325**

Note 3. Expenses

	2009 $	2008 $
Employee benefits expense		
- wages and salaries	298,169	251,454
- superannuation costs	48,709	39,463
- workers' compensation costs	988	1,036
- other costs	26,848	30,579
	374,714	**322,532**

Notes to the financial statements continued

	2009 $	2008 $

Note 3. Expenses (continued)

Depreciation of non-current assets:		
- plant and equipment	8,011	8,495
- leasehold improvements	4,734	4,147
Amortisation of non-current assets:		
- intangibles	11,008	11,009
	23,753	**23,651**
Finance Costs:		
- Interest paid	14	2
Rental expense on operating lease:	35,000	36,387

Note 4. Income tax expense

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

Profit before income tax expense	72,625	121,139
Prima facie tax on profit before income tax at 30%	21,788	36,342
Add tax effect of:		
- Non-deductible expenses	1,021	1,166
- Timing differences	4,092	1,611
- (Decrease)/increase in income tax losses	(21,757)	(39,119)
Current income tax expense	**5,144**	**-**
Origination and reversal of temporary differences	1,911	39,119
Income tax expense	**7,055**	**39,119**
Tax liabilities		
Current tax payable/ (refundable)	**(7,043)**	**-**
Deferred income tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**19,843**	**21,757**

	2009 $	2008 $

Note 5. Auditors' remuneration

Amounts received or due and receivable by Weber Bowman & Co Pty Ltd for:		
- Audit or review of the financial report of the Company	4,000	3,850
- Other services in relation to the Company	6,810	5,020
	10,810	**8,870**

Note 6. Cash assets

Cash at bank and on hand	**238,798**	**181,584**

Note 7. Other assets

Prepayments	**17,135**	**13,898**

Note 8. Receivables

Receivables	67,491	56,203
Accrued interest	740	3,411
	68,231	**59,614**

Note 9. Property, plant and equipment

Leasehold improvements		
At cost	74,499	73,249
Less accumulated depreciation	28,762	24,028
	45,737	**49,221**
Furniture and fittings		
At cost	132,992	131,404
Less accumulated depreciation	64,243	56,232
	68,749	**75,172**
Total written down amount	**114,486**	**124,393**

	2009 $	2008 $

Note 9. Property, plant and equipment (continued)

Movements in carrying amounts

Leasehold improvements		
Carrying amount at beginning of year	49,221	41,278
Additions	1,250	12,090
Disposals	-	-
Depreciation expense	4,734	4,147
Carrying amount at end of year	**45,737**	**49,221**
Furniture & fittings		
Carrying amount at beginning of year	75,172	77,119
Additions	1,588	6,548
Disposals	-	-
Depreciation expense	8,011	8,495
Carrying amount at end of year	**68,749**	**75,172**

Note 10. Intangible assets

Franchise fee

At cost	55,041	55,041
Less accumulated amortisation	22,017	11,009
	33,024	**44,032**
Preliminary expenses		
At cost	15,012	15,012
Less accumulated amortisation	15,012	15,012
	-	**-**
	33,024	**44,032**

Notes to the financial statements continued

	2009 $	2008 $

Note 11. Payables

Accrued expenses	18,032	7,051
Other payables	8,625	7,979
	26,657	**15,030**

Note 12. Provisions

Employee benefits	**47,084**	**39,061**
Number of employees at year end	**6**	**6**

Note 13. Share capital

532,300 Ordinary shares fully paid of $1 each	**532,300**	**532,300**

Note 14. Retained earnings / (accumulated losses)

Balance at the beginning of the financial year	(141,113)	(196,518)
Profit/(loss) after income tax expense	65,570	82,020
Dividends	(31,938)	(26,615)
Balance at the end of the financial year	**(107,481)**	**(141,113)**

Note 15. Cash flow statement

(a) Reconciliation of cash

Cash assets	**238,798**	**181,584**

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

Profit/(loss) after income tax	65,570	82,020
Non cash items		
- Depreciation	12,745	12,642
- Amortisation	11,008	11,009

	2009 $	2008 $

Note 15. Cash flow statement (continued)

Changes in assets and liabilities

	2009 $	2008 $
- Decrease/(increase) in prepayments	(3,237)	(8,309)
- (Increase)/decrease in receivables	(8,617)	(59,614)
- Decrease/(increase) in deferred income tax	(5,133)	39,119
- Increase (decrease) in payables	11,627	(14,196)
- Increase (decrease) in employee benefits	8,027	12,013
Net cash flows from/(used in) operating activities	**91,990**	**74,684**

Note 16. Director and related party disclosures

The names of Directors who have held office during the financial year are:

Hector Gilbert

John Baker

Tindaro Li-Donni

John Sgroi

David Priest

Dominic Stambe

Clifton Warren

Cathryn Zenkis (Resigned 25/11/2008)

Leigh Hanna (Resigned 26/05/2009)

Matthew Baker (Appointed 25/11/2008)

Damien Schulze (Appointed 23/06/2009)

No Director or related entity has entered into a material contract with the Company. Directors' fees were approved at the last AGM and are now paid to Directors.

Directors' shareholdings	**2009**	**2008**
Hector Gilbert	1,000	1,000
Leigh Hanna	1,000	1,000
Tindaro Li-Donni	10,000	10,000
John Sgroi	10,000	10,000
Dominic Stambe	10,000	10,000
David Priest	5,000	5,000
	37,000	**37,000**

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

Notes to the financial statements continued

Note 16. Director and related party disclosures (continued)

Directors' fees	2009	2008
Hector Gilbert	2,575	-
John Baker	1,025	-
Tindaro Li-Donni	1,175	-
John Sgroi	2,500	-
David Priest	1,658	-
Dominic Stambe	1,250	-
Clifton Warren	2,500	-
Cathryn Zenkis	1,471	-
Leigh Hanna	1,692	-
Matthew Baker	1,576	-
Damien Schulze	-	-
	17,422	**-**

Note 17. Subsequent events

A dividend of 6 cents per share was proposed at the July 2009 Board meeting.

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

Note 18. Contingent liabilities

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

Note 19. 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 Mount Waverley, Victoria.

Note 20. Corporate information

The registered office and principal place of business is 65 Centreway, Mount Waverley, Victoria.

	2009 $	2008 $

Note 21. Dividends paid or provided for on ordinary shares

(a) Dividends proposed and not recognised as a liability		
Nothing proposed for in current financial year (2008: 6 cents per share)	-	31,938
(b) Dividends paid during the year		
Previous year final		
Unfranked dividends of 6 cents per share	31,938	26,615
(c) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
• Franking account balance as at the end of the financial year at 30%	-	-
• Franking credits that will arise from the payment of income tax payable as at the end of the financial year	5,144	-
• Franking debits that will arise from the payment of dividends as at the end of the financial year	-	-

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/(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	**65,570**	**82,020**
Weighted average number of ordinary shares for basic and diluted earnings per share	**532,300**	**532,300**

Note 23. 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.

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

	Carrying amount	
	2009	**2008**
	$	**$**
Cash assets	238,798	181,584
Receivables	68,231	59,614
	307,029	**241,198**

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

None of the assets of the Company are past due (2008: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

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

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

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

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

	Carrying amount $	Contractual cash flows $	1 year or less $
30 June 2009			
Payables	**26,657**	**(26,657)**	**(26,657)**
30 June 2008			
Payables	**15,030**	**(15,030)**	**(15,030)**

(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.

Sensitivity analysis

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

	Carrying amount	
	2009 $	**2008 $**
Fixed rate instruments		
Financial assets	154,820	91,926
	154,820	**91,926**
Variable rate instruments		
Financial assets	83,878	89,557
	83,878	**89,557**

Note 23. Financial risk management (continued)

(c) Market risk (continued)

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 2008 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 Balance Sheet. 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 Balance Sheet.

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 2009 can be seen in the Income Statement.

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

Directors' declaration

In accordance with a resolution of the Directors of Pinewood Community Financial Services Limited, we state that:

In the opinion of the Directors:

(a) the financial statements and notes of the Company are 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 2009 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2009.

John Michael Sgroi	**Hector John Gilbert**
Director	**Director**

Signed on 24 August 2009.

Independent audit report

Independent audit report to the members of Pinewood Community Financial Services Limited

Report on the financial report

We have audited the accompanying financial report of Pinewood Community Financial Services Limited (the Company), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Directors' declaration.

Directors' responsibility for the financial report

The Directors of the Company are responsible for preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 the Directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Audit 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 entity's preparation and fair presentation 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 accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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, provided to the Directors of Pinewood Community Financial Services Limited on 24 August 2009, would be in the same terms if provided to the Directors as at the date of this auditor's report.

Independent audit report continued

Auditor's opinion

In our opinion:

a. the financial report of Pinewood Community Financial Services 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 2009 and of their performance for the year ended on that date: and

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

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

Weber Bowman & Co Pty Ltd
Chartered Accountants

Peter R Bowman
Director

24 August 2009

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