

annual report 2010



Pinewood Community
Financial Services Limited
ABN 26 099 420 050

Pinewood **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2010

I would like to thank John Sgroi, the past Chairman, for the many years of hard work during the initial stages of the business development. A great deal of time and commitment to the Company was required to correctly establish the branch at Pinewood and during this time John has been able to gather around him a group of likewise committed Directors to help him during those formative years. At that time it was very important to maintain solvency and it required a conservative and detailed approach overcoming the many issues arising from time to time.

It must be noted that the Directors are here on a community service basis and as such are not paid for their time and expertise. Some out of pocket expenses are covered, but essentially the Directors are working for free to build the Company for the shareholders and the community.

The Board now consists of 11 people with a wide range of business experience and diverse interests. The Directors have decided to become members of the Australian Institute of Company Directors giving them access to the latest trends and teachings. The AICD has a charter of conduct and responsibility that we will all be bound by.

The Company at this time is very successful and aligns with the growth patterns of similar businesses. When I joined the Board over three years ago, the funds under management were close to \$60 million. Today this has grown to over \$120 million proving that the **Community Bank**[®] model is working well.

There are now 263 **Community Bank**[®] branches throughout Australia and the number continues to grow at the rate of about 20 new branches per year. The result of this is that over \$40 million has been returned to their local communities by way of gifts and sponsorships to clubs and associations. Some community Companies have focussed their efforts on a single need such as a local hospital, and others, like Pinewood, on a wide variety of sporting, welfare, community service, health, education and teaching groups.

Of course none of this activity would be possible without the dedication of the Pinewood **Community Bank**[®] Branch staff and the expert leadership by the Branch Manager Merv Ericson. In a recent staff performance appraisal covering leadership, effectiveness and financial goals, Merv received the highest grade possible while achieving 200 percent of his personal goals. All of the staff received similar appraisals. We are very fortunate to have such a likable and effective team.

The Board has decided to reach for continued growth and endeavour to reach and maintain dividends around 10% per annum. The decision was also made to reduce the risk of having only one senior sales person, so the appointment of a Business Relationship Manager took place in August to develop new business. We have been fortunate to be able to appoint Peter McCaulay, previously the Branch Manager of the Glen Waverley branch of Bendigo Bank, to the position and hence gain his Bendigo Bank process experience along with all of his established financial authority to sign new business.

To increase the branch's area of influence, an office has been set up in the Monash Business Incubator. This has immediately brought us into contact with not only the 35 businesses operating on location, but also to the over

Chairman's report continued

100 associates using the Incubator facilities. The incubator runs many business courses and gives us the ability to make contact with the larger business community in the area.

The general thrust of the Board is to build shareholder value while maintaining a conservative approach to the handling of funds. To this end the Board intends to register on the Bendigo Stock Exchange to enable a market value for shares to be established and facilitate the selling and purchase of shares. This will also assist with valuing shares for gifting, bequeathing, asset realisation and for general financial purposes.

I would also like to take this opportunity to thank the shareholders for their innovation in investing in the **Community Bank**[®] model and their patience in waiting some time for financial return for their investment. The Board intends to make your investment worthwhile and you can be assured that the available profits will be intelligently returned to support the local community. To date we have returned to the community over \$220,000, \$130,000 of that over the last year.

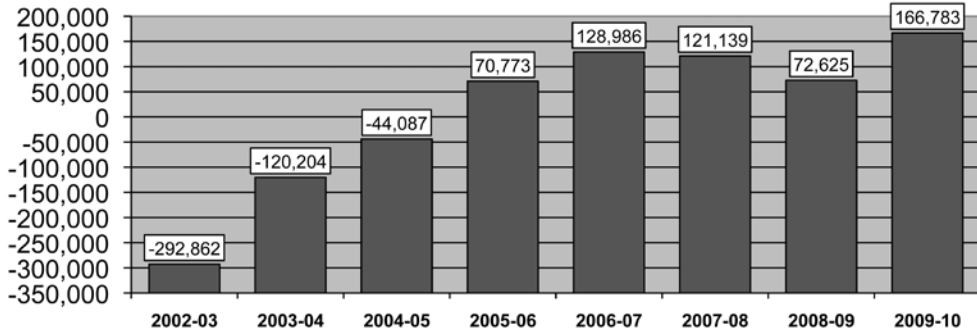
Bendigo Bank currently has about 2% of the banking market. Imagine what we can return to the community and shareholders by doubling our market share to 4%. I look forward to continued growth and sustainable community support.



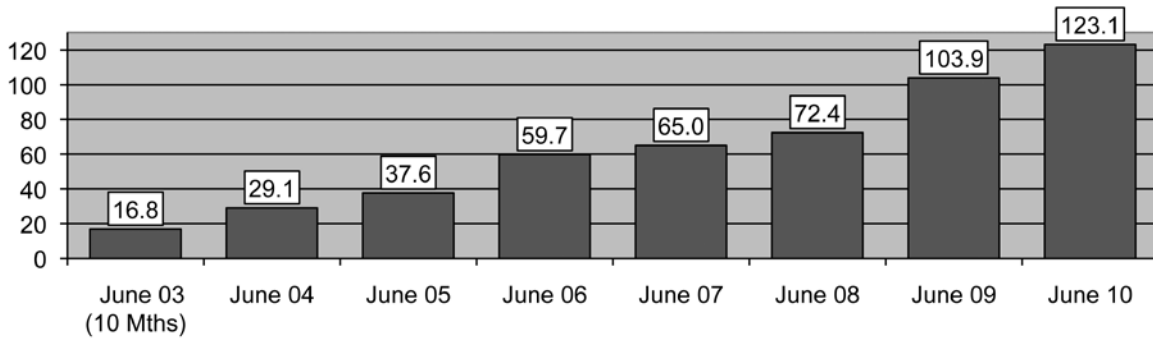
John Baker MAICD
Chairman

Chairman's report continued

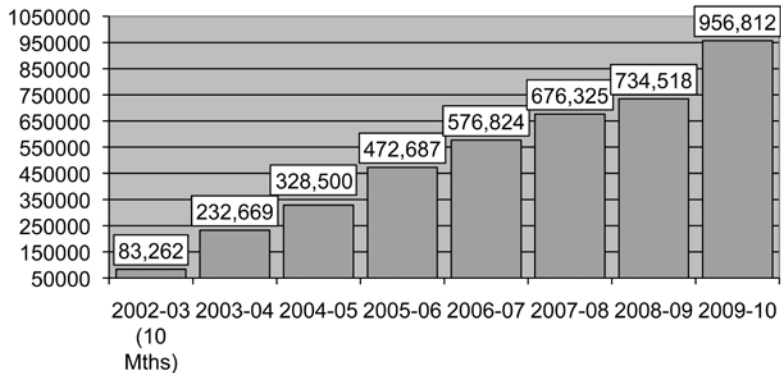
Pinewood Community Financial Services Ltd - Pre-Tax Results Years Ended June 2003 - 2010



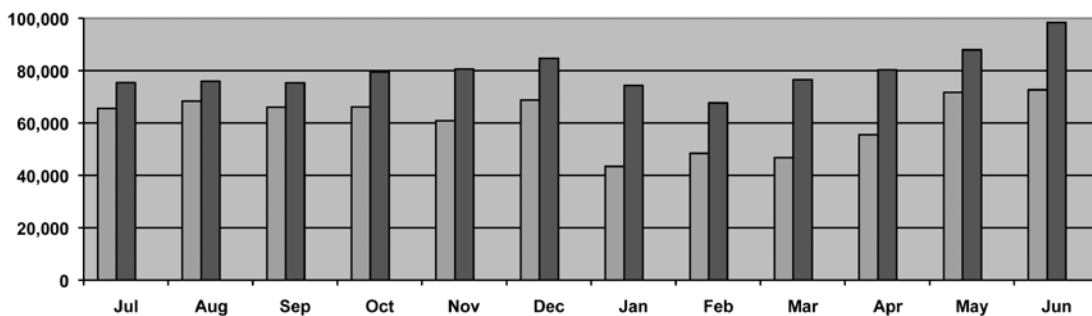
Pinewood Community Financial Services Ltd - Business Totals (\$m) Years Ended June '03 - June '10



Pinewood Community Financial Services Ltd - Revenues - Years Ended June 2003 - 2010



Pinewood Community Financial Services Ltd - Revenues by Month - Years Ended June 2009/10



Manager's report

For year ending 30 June 2010

As usual, it gives me a great deal of pleasure to submit my annual Manager's Report, in this our 8th year of operations.

This year's report is significantly special from my perspective, as in late 2009 I encountered a serious health problem, necessitating some delicate surgery and two months absence to recuperate. Notwithstanding my absence, the staff performed admirably, not only to cover my absence but to also continue the strong performance of the branch throughout the year.

I would like to take this opportunity to thank Sarah, Paul, Cathy, Nola and Julie for their unstinting efforts throughout the year. In addition, I would also like to acknowledge the Board of Directors and the Bendigo and Adelaide Bank Ltd staff for their incredible support throughout the year.

The 2009/2010 trading year was always going to be a difficult one, as the economy recovered from the global economic crisis; albeit not as critical for Australia as some countries. Our business growth continued throughout the year, in the face of extreme competition in the market. Our total business growth represented 227% of our budgeted growth and total business as at 30 June 2010 stood at \$123 million

Despite the industry wide pressure on margins, our profitability reached an all time high. Given the size of our business, the Board agreed to appoint an additional staff member; a new Business Relationship Manager (Peter Macaulay) commenced with us on 2 August 2010.

Notwithstanding the continued tough market conditions, the Board, staff and I are looking forward to the challenges of the ensuing year.



Merv Ericson
Branch Manager

Directors' report

For the financial year ended 30 June 2010

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

Directors

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

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.

Carolyn Taylor

Appointed Director 19 May 2010

Occupation: Accountant

Information: Operates her own accounting practise for the past 15 years.

Tindaro Armando Li-Donni

Director

Occupation: Hairdresser

Information: Proprietor of hairdressing salon in Pinewood for 18 years.

Lexia Page Elsum

Appointed Director 12 May 2010

Occupation: Operations Manager

Information: Administration manager with experience in governance and compliance.

John Francis Baker

Director

Occupation: IT Continuity and Risk Analyst

Information: Managing businesses for over 40 years and member of Business Continuity Institute.

Damien Luke Schulze

Director

Occupation: Director of IT recruitment Company

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

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 21 years, community pharmacist for 41 years and Rotarian with an active interest in the community.

Dominic Stambe

Director

Occupation: Pharmacist in Pinewood

Information: Pharmacist in Pinewood for 21 years.

Clifton Thomas Warren

Resigned Director 27 January 2010

Occupation: Management Consultant

Information: Managing Director of a management consulting business in Mount Waverley.

Matthew John Baker

Director

Occupation: Managing Director of a Company

Information: Company owned for over 16 years supporting local and international communities

Directors' report continued

Directors (continued)

Directors were in office for the 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 Ltd.

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

Operating results

Operations have continued to perform in line with expectations. The profit after income tax expense for the Company for the financial year was \$115,137 (2009: \$65,570).

Dividends	Year Ended 30 June 2010	
	Cents	\$
Final dividends recommended	8	\$42,584
Dividends paid in the year:		
As recommended in the prior year report	6	\$31,938

Significant changes in the state of affairs

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.

Significant events after the balance date

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

Likely developments

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

Directors' benefits

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.

Directors' report continued

Indemnification and insurance of Directors and Officers

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

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

Directors' meetings

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

Director	Board meetings attended	Meetings eligible to attend
Hector Gilbert	9	11
Lexia Elsum	3	4
Tindaro Li-Donni	7	11
Carolyn Taylor	3	4
David Priest	9	11
Matthew Baker	11	11
John Sgroi	9	11
Dominic Stambe	10	11
Clifton Warren	5	6
John Baker	11	11
Damien Schulze	9	11

Company Secretary

Matthew John Baker has been the Company Secretary of Pinewood Community Financial Services Ltd since 27 January 2009. Matthew's qualifications and experience include owning and operating his own small business.

Directors' report continued

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.

Auditors Independence Declaration

A copy of the Auditor's independence declaration under section 307C of the corporations act is set out on page 10.

Remuneration policy

Directors are paid an annual fee of \$1,750 (Office bearers) otherwise \$500 and an additional fee of \$75 per board meeting attended as follows:

	2010 \$	2009 \$
Hector Gilbert	2,425	2,575
John Baker	1,325	1,025
Tindaro Li-Donni	1,025	1,175
John Sgroi	2,425	2,500
David Priest	2,425	1,658
Dominic Stambe	1,250	1,250
Clifton Warren (resigned 27 January 2010)	1,250	2,500
Matthew Baker	2,575	1,576
Damien Schulze	1,642	-
Lexia Elsum (appointed 12 May 2010)	392	-
Carolyn Taylor (appointed 19 May 2010)	392	-

Directors' fees were approved at the last AGM and are now paid to Directors.

The Branch Manager, Merv Ericson, is not considered to be a key management personnel as he does not plan, direct and control the activities of the entity. Accordingly his remuneration is not required to be disclosed. These functions are carried out by the Board of Directors.

Signed in accordance with a resolution of the Board of Directors at Mount Waverley on 17 September 2010.



John Francis Baker
Director



Hector John Gilbert
Director

Auditor's independence declaration

PINEWOOD COMMUNITY FINANCIAL SERVICES LIMITED
ABN 26 099 420 050

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF PINEWOOD COMMUNITY FINANCIAL SERVICES LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Name of Firm: Mills Partners

Mt Waverley VIC 3149



Name of Partner: Mark Jacobs

Dated: 16 September 2010

Financial statements

Statement of comprehensive income For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenue			
Revenues from ordinary activities	2	956,812	734,518
Expenses			
Administration costs		253,588	176,133
IT expenses		32,160	22,571
Occupancy costs		61,981	54,374
Employee benefits expense	3	406,740	374,715
Depreciation and amortisation expense	3	25,200	23,753
Finance costs	3	15	14
Other expenses from ordinary activities		10,345	10,333
Profit before income tax expense		166,783	72,625
Income tax expense	4	51,646	7,055
Profit after income tax expense		115,137	65,570
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		115,137	65,570
Profit attributable to members of the entity		115,137	65,570
Total comprehensive income attributable to members of the entity		115,137	65,570
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	22	22	12
- diluted for profit / (loss) for the year	22	22	12

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position As at 30 June 2010

	Note	2010 \$	2009 \$
Current assets			
Cash and cash equivalents	6	379,395	238,798
Receivables	8	95,971	68,231
Income tax refundable	4	-	7,043
Other assets	7	12,073	17,135
Total current assets		487,439	331,207
Non-current assets			
Property, plant and equipment	9	113,968	114,486
Deferred income tax (dta)	4	27,377	20,065
Intangible assets	10	22,016	33,024
Total non-current assets		163,361	167,575
Total assets		650,800	498,782
Current liabilities			
Payables	11	74,548	51,470
Provisions	12	30,061	22,271
Current tax payable	4	36,224	-
Total current liabilities		140,833	73,741
Non-current liabilities			
Deferred income tax (dtl)	4	1,949	222
Total liabilities		142,782	73,963
Net assets		508,018	424,819
Equity			
Share capital	13	532,300	532,300
Retained earnings/(accumulated losses)		(24,282)	(107,481)
Total equity		508,018	424,819

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Cash flows from operating activities			
Cash receipts in the course of operations		1,006,055	719,061
Cash payments in the course of operations		(840,304)	(637,527)
Interest paid		(15)	(14)
Interest received		6,939	10,470
Income tax paid		13,534	
Net cash flows from/(used in) operating activities	15b	186,209	91,990
Cash flows from investing activities			
Payments for property, plant and equipment		(13,674)	(2,838)
Net cash flows from/(used in) investing activities		(13,674)	(2,838)
Cash flows from financing activities			
Dividends paid		(31,938)	(31,938)
Net cash flows (used in) financing activities		(31,938)	(31,938)
Net increase/(decrease) in cash held		140,597	57,214
Cash and cash equivalents at start of year		238,798	181,584
Cash and cash equivalents at end of year	15a	379,395	238,798

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity For the year ended 30 June 2010

	Issued capital \$	Retained earnings \$	Total equity \$
Balance at start of year 1 July 2008	532,300	(141,113)	391,187
Profit attributable to members of the entity for the year		65,570	65,570
Total other comprehensive income for the year		-	-
Issue of share capital	-		-
Dividends paid		(31,938)	(31,938)
Balance at end of year 30 June 2009	532,300	(107,481)	424,819
Profit attributable to members of the entity for the year		115,137	115,137
Total other comprehensive income for the year		-	-
Issue of share capital	-		-
Dividends paid		(31,938)	(31,938)
Balance at end of year 30 June 2010	532,300	(24,282)	508,018

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

Pinewood Community Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank**[®] services.

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

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

The financial statements were authorised for issue by the Directors on 17 September 2010.

(b) Statement of compliance

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

(c) Significant accounting policies

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

Income tax

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

Notes to the financial statements continued

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

Income tax (continued)

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

Property, plant and equipment

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

Depreciation is calculated using the diminishing value method for furniture and fittings and the prime cost method for leasehold improvements, 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 Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

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

Notes to the financial statements continued

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

Employee benefits

The provision 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.

Loans and borrowings

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

Provisions

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

Notes to the financial statements continued

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

Provisions (continued)

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

Share capital

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

	2010	2009
	\$	\$

Note 2. Revenue from ordinary activities

Operating activities

- services commissions	944,116	723,308
Total revenue from operating activities	944,116	723,308

Non-operating activities:

- interest received	12,696	11,210
Total revenue from non-operating activities	12,696	11,210
Total revenue from ordinary activities	956,812	734,518

Note 3. Expenses

Employee benefits expense

- wages and salaries	302,257	298,169
- superannuation costs	58,587	48,709
- workers' compensation costs	1,254	988
- other costs	44,642	26,848
	406,740	374,714

Depreciation of non-current assets:

- plant and equipment	9,482	8,011
- leasehold improvements	4,710	4,734

Notes to the financial statements continued

	2010 \$	2009 \$
Note 3. Expenses (continued)		
Amortisation of non-current assets:		
- intangibles	11,008	11,008
	25,200	23,753
Finance costs:		
- Interest paid	15	14
Rental expenses on operating lease	40,773	35,000

Note 4. Income tax expense

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

Prima facie tax on profit before income tax at 30%	50,035	21,788
Add tax effect of:		
- Non-deductible expenses	1,796	1,021
- Temporary differences	4,971	4,092
- (Decrease)/increase in income tax losses	-	(21,757)
Current income tax expense	56,802	5,144
Origination and reversal of temporary differences	(5,156)	1,911
Deferred income tax expense		
Income tax expense	51,646	7,055
Tax liabilities		
Current tax payable/ (refundable)	36,224	(7,043)
Deferred income tax asset		
Deferred income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable	27,377	20,065
Deferred tax liability	1,949	222

Notes to the financial statements continued

	2010 \$	2009 \$
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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
- Other services in relation to the Company	-	6,810
	-	10,810

Mills Partners Chartered Accountants

- Audit or review of the financial report of the Company	5,400	-
- Other services in relation to the Company	-	-
	5,400	-

Note 6. Cash and cash equivalents

Cash at bank and on hand	379,395	238,798
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Note 7. Other assets

Prepayments	12,073	17,135
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Note 8. Receivables

Receivables	89,474	67,491
Accrued Interest	6,497	740
	95,971	68,231

Note 9. Property, plant and equipment

Leasehold improvements

At cost	74,499	74,499
Less accumulated depreciation	33,472	28,762
	41,027	45,737

Notes to the financial statements continued

	2010 \$	2009 \$
Note 9. Property, plant and equipment (continued)		
Furniture and fittings		
At cost	146,666	132,992
Less accumulated depreciation	73,725	64,243
	72,941	68,749
Total written down amount	113,968	114,486
Movements in carrying amounts		
Leasehold improvements		
Carrying amount at beginning of year	45,737	49,221
Additions	-	1,250
Disposals	-	-
Depreciation expense	4,710	4,734
Carrying amount at end of year	41,027	45,737
Furniture & fittings		
Carrying amount at beginning of year	68,749	75,172
Additions	13,674	1,588
Disposals	-	-
Depreciation expense	9,482	8,011
Carrying amount at end of year	72,941	68,749

Note 10. Intangible assets

Franchise fee		
At cost	55,041	55,041
Less accumulated amortisation	33,025	22,017
	22,016	33,024
Preliminary expenses		
At cost	-	15,012
Less accumulated amortisation	-	15,012
	-	-
	22,016	33,024

Notes to the financial statements continued

	2010	2009
	\$	\$
Note 11. Payables		
Accrued expenses	28,295	18,032
Employee benefits-annual leave	34,982	24,813
Other payables	11,271	8,625
	74,548	51,470

Note 12. Provisions

Employee benefits-long service leave	30,061	22,271
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
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Note 14. Operating lease commitments

Non-cancellable operating lease contracted for but not capitalised in the financial statements:

Payable-minimum lease payments:

-not later than 12 months	41,526	35,000
-between 12 months and five years	45,434	72,917
	86,960	107,917

The property lease is a non-cancellable lease with a 5 year term, with rent payable monthly in advance.

The rental agreement allows for an annual increase by CPI. An option exists to renew the lease at the end of the 5 year term for an additional term of 5 years.

Notes to the financial statements continued

	2010 \$	2009 \$
Note 15. Statement of cash flows		
(a) Cash and cash equivalents		
Cash assets	379,395	238,798
(b) Reconciliation of profit/(loss) after tax to net cash provided from/(used in) operating activities		
Profit/(loss) after income tax	115,137	65,570
Non cash items		
- Depreciation	14,192	12,745
- Amortisation	11,008	11,008
Changes in assets and liabilities		
- Decrease/(increase) in prepayments	5,063	(3,237)
- (Increase)/decrease in receivables	(27,740)	(8,617)
- Increase/(decrease) in income tax payable	43,267	
- Decrease/(increase) in deferred income tax	(5,582)	(5,133)
- Increase/(decrease) in payables	12,910	11,627
- Increase/(decrease) in employee benefits	17,954	8,027
Net cash flows from/(used in) operating activities	186,209	91,990

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 (resigned 27 January 2010), Matthew Baker, Damien Schulze, Lexia Elsum (appointed 12 May 2010), and Carolyn Taylor (appointed 19 May 2010).

Fees paid to Directors are disclosed in the Remuneration Report.

The Company incurred marketing costs of \$12,894 which were paid to Galaxy Design Pty Ltd of which Director Matthew John Baker has a beneficial interest. These transactions were on normal commercial terms and no more favourable than those available to other parties.

No Director or related entity has entered into a material contract with the Company.

Notes to the financial statements continued

Note 16. Director and related party disclosures (continued)

Directors' shareholdings	2010	2009
Hector Gilbert	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
	36,000	36,000

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

Note 17. Subsequent events

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 is: 65 Centreway
Mount Waverley VIC 3149

The principal place of business is: 65 Centreway
Mount Waverley VIC 3149.

Notes to the financial statements continued

	2010 \$	2009 \$
Note 21. Dividends paid or provided for on ordinary shares		
(a) Dividends proposed and not recognised as a liability		
Fully franked dividend at 8 cents per share (2009: nil)	42,584	-
(b) Dividends paid during the year		
Previous year final		
Unfranked dividends of 6 cents per share (2009: 6 cents per share)	31,938	31,938
(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%	25,721	-
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	36,224	-
- Franking debits that will arise from the payment of dividends as at the end of the financial year	-	-
- Franking credits that will arise from the payment of dividends recognised as receivables at the reporting date	-	-
- Franking credits that the entity may be prevented from distributing in the subsequent year	-	-
	61,945	-

The tax rate at which dividends have been franked is 30% (2009: 30%).

Dividends proposed will be franked at a rate of 30% (2009: 30%).

Notes to the financial statements continued

	2010 \$	2009 \$
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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	115,137	65,570
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 Statement of financial position and notes to the financial statements.

The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2010 \$	2009 \$
Cash assets	379,395	238,798
Receivables	95,971	68,231
	475,366	307,029

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(a) Credit risk (continued)

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 (2009: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

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

(b) Liquidity risk

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

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

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

	Carrying amount	Contractual cash flows	1 year or less
<hr/>			
30 June 2010			
<hr/>			
Payables	39,566	(39,566)	(39,566)
<hr/>			
30 June 2009			
<hr/>			
Payables	26,657	(26,657)	(26,657)
<hr/>			

(c) Market risk

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

Interest rate risk

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

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis

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

	Carrying amount	
	2010	2009
	\$	\$
Fixed rate instruments		
Financial assets	282,358	154,820
	282,358	154,820
Variable rate instruments		
Financial assets	96,937	83,878
	96,937	83,878

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the 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 Statement of Financial Position.

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(e) Capital management (continued)

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

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship.

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 2010 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards, which, as stated in accounting policy 1 to the financial statements, constitutes explicit and unreserved compliance with international financial reporting standards (IFRS); 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; and
- (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 2010.



John Francis Baker
Director



Hector John Gilbert
Director

Signed on 17 September 2010.

Independent audit report

Pinewood Community Financial Services Limited
ABN 26 099 420 050

INDEPENDENT AUDITOR'S 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 which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 the 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 the 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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conduct 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 judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those 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 the entity'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.

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 16 September 2010, would be in the same terms if provided to the directors as at the date of this auditor's report.

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 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors Report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Pinewood Community Financial Services Limited for the year ended 30 June 2010, complies with s300A of the Corporations Act 2001.

MILLS PARTNERS
Chartered Accountants

MARK JACOBS
Partner

Dated: 17 September 2010

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(BMPAR10082) (10/10)