Pinewood Community
Financial Services Limited

ABN 26 099 420 050

annual report 2011

Pinewood **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2011

The last year has seen a commendable increase in business and enabled the Board to reward the shareholders faith with another increase in dividends.

The approach of the Board has been to try various recommended Director changes of which some were successful and some were not. The exercise did however highlight some shortcomings in the Board makeup which has been addressed and we now have a stable and productive Board.

The Board currently has eight Directors with the Chairman also operating as the Company Secretary. This is not desirable and a process of selection has been adopted to secure a new Company Secretary with qualifications based on an agreed position description.

A great deal of effort has been made to inform the current Directors of their rights and responsibilities as Company Directors and to this end all of our Directors are now members of the Australian Institute of Company Directors and are bound by their principals and processes.

The impost on Company Directors in the light of current legislation has greatly increased and resulted in many Directors resigning from their Board positions. Fortunately we are surviving the current trend as our long serving and new Directors are in accordance with their increased commercial responsibilities and happy to partake in continuing Director education.

We now have three sub committees which each have an appointed Chairman who reports to the Board on a monthly basis. All reports to the Board are posted to the Bendigo Bank eRoom and are available to the Directors in a timely manner. This process also ensures best practice security compliance with the only people being able to see the Board papers are Directors and appropriate BEN staff who have security credentials.

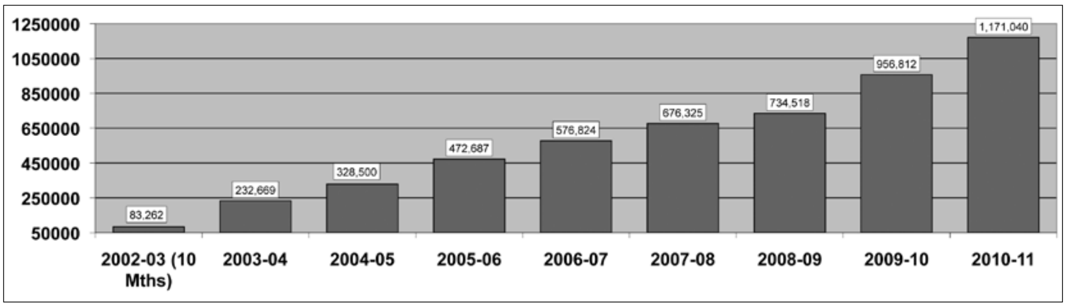
Of course the downside of the adoption of best business practice has at least doubled the Director work load and necessitated the attendance to many training and information seminars. This has brought about a requirement to increase the Director out of pocket expense payments so we have asked for an increase in the Director remuneration amount. The increase is accompanied with a new position description for all Director positions which outlines performance criteria such as mandatory conference attendance as well as Board attendance and subcommittee attendance.

I thank everyone connected to the success of the Pinewood Community Financial Services Company for their diligence and dedication to the success of the Company. The retired Directors and the current and new Directors are to be commended on overcoming the new and ongoing arduous Director criteria and implementing strategy to increase the bank viability. The staff and management of the branch have not only achieved a high level of customer satisfaction but also achieved one of the highest satisfaction scores of all of the **Community Bank®** branches.

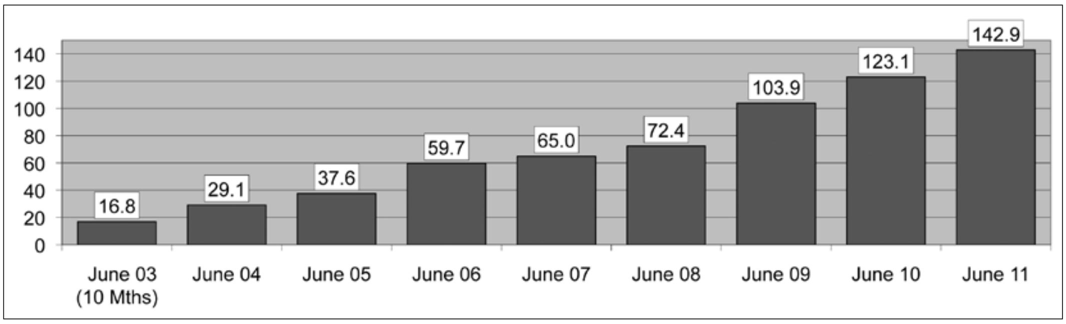
I thank everyone for your support.

John Baker
Chairman

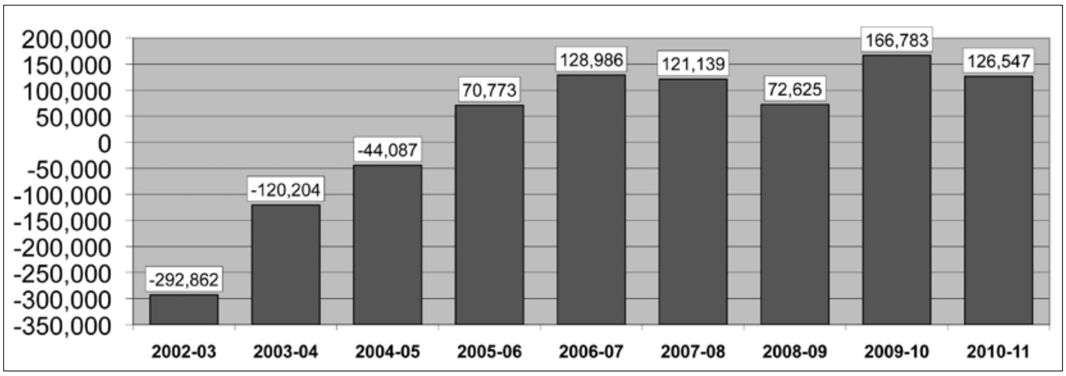
Revenues - Years ended June 2003 – 2011



Business totals ($m) - Years ended June 2003 – 2011



Pre-tax results - Years ended June 2003 – 2011



Manager's report

For year ending 30 June 2011

Again it gives me a great deal of pleasure to submit my annual Manager's report, in this our ninth year of operations.

The 2011 year has been another year of development and growth for our branch.

Development was via the employment of our Business Development Manager, Peter Macaulay, who commenced duties with us in August 2010.

Further growth was through the employment of full time staff member Julie, who commenced in September 2010. Julie replaced our part time customer service officer, Nola who retired in October 2010 after six years of service.

Our business levels again continued to grow and although we fell slightly short of our budgeted growth target, our annual business growth was a very pleasing $18.494 million, the highest growth recorded for the year in our region.

The total level of deposits and loans we now hold is $142.891 million.

For the first time since commencement, our turnover exceeded $1million, recording $1.171 million for the year. Our pre tax profitability was $126,547 (last year $166,783) but this lower figure was achieved after we increased our community contributions to $148,064 (last year $106,610).

I would like to sincerely thank Sarah, Paul, Cathy, Julie, Peter and Julie for their continued efforts throughout the year.

Our successes this year would not have been achieved without the continued input from our Board of Directors and the on going assistance from the staff of Bendigo and Adelaide Bank Ltd.

Again over the next 12 months we expect to be operating in a very competitive market given the current economic scenario. However with the current experienced and committed team we have in place, I am confident we will continue to produce the growth trends and profitability we have achieved over the past three to four years.

Merv Ericson
Branch Manager

Directors' report

For the financial year ended 30 June 2011

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

Directors

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

Hector John Gilbert

Resigned Director 28 February 2011

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

Resigned Director 28 September 2010

Occupation: Accountant

Information: Operates her own accounting practise for the past 16 years.

Tindaro Armando Li-Donni

Director

Occupation: Hairdresser

Information: Proprietor of hairdressing salon in Pinewood for 19 years.

Lexia Page Elsum

Resigned Director 18 February 2011

Occupation: Operations Manager

Information: Administration manager with experience in governance and compliance.

John Francis Baker

Chairman

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

Director

Occupation: Pharmacist in Pinewood

Information: Pharmacist in Pinewood for 22 years, community pharmacist for 42 years and Rotarian with an active interest in the community.

Dominic Stambe

Director

Occupation: Pharmacist in Pinewood

Information: Pharmacist in Pinewood for 22 years.

Petar Ivetic

Appointed Director 1 October 2010

Occupation: Project Manager

Information: Senior Project manager in the Telecommunications industry for the past 24 years.

Matthew John Baker

Resigned Director 18 February 2011

Occupation: Managing Director of a Company

Information: Company owned for over 17 years supporting local and international communities

Directors (continued)

Dianne Taylor

Appointed Director 22 February 2011

Occupation: Manager

Information: Has over 20 years experience managing in the manufacturing industry and Board facilitation and Directorship.

Damien Luke Schulze

Resigned Director 25 January 2011

Occupation: Director of IT recruitment Company

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

David McPherson

Appointed Director 24 May 2011

Occupation: Accountant

Information: Certified Practising Accountant operating his own accounting practise.

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 Ltd.

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

Review of operations

Operations have continued to perform in line with expectations. The profit after income tax expense for the Company for the financial year was $84,081 (2010: $115,137).

	Year ended 30 June 2011	
Dividends	**Cents per share**	**$'000**
Final dividends recommended:	9	47,907
Dividends paid in the year:		
- As recommended in the prior year report	8	42,584

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.

Remuneration report

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:

	2011 $	2010 $
Hector Gilbert (resigned 28/02/2011)	1,767	2,425
John Baker	2,545	1,325
Tindaro Li-Donni	1,250	1,025
John Sgroi	1,429	2,425
David Priest	2,350	2,425
Dominic Stambe	1,250	1,250
Matthew Baker (resigned 18/02/2011)	1,250	2,575
Damien Schulze (resigned 25/01/2011)	1,950	1,642
Lexia Elsum (resigned 18/02/2011)	400	392
Carolyn Taylor (resigned 28/09/2010)	-	392
Petar Ivetic (appointed 01/10/2010)	1,175	-
Dianne Taylor (appointed 22/02/2011)	392	-
David McPherson (appointed 24/05/2011)	75	-

The Branch Manager, Merv Ericson, is not considered 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.

Indemnification and insurance of Directors and Officers

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

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

Directors' meetings

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

Director	Board meetings attended	Meetings eligible to attend
John Michael Sgroi	11	12
John Francis Baker	12	12
Hector John Gilbert	8	8
Harry William David Priest	8	12
Tindaro Armando Li-Donni	10	12
Dominic Stambe	10	12
Matthew John Baker	5	6
Damien Luke Schulze	6	6
Lexia Page Elsum	2	8
Petar Ivetic	9	11
Dianne Taylor	3	3
Carolyn Taylor	0	0
David McPherson	1	1

Company Secretary

John Frances Baker has been the Company Secretary of Pinewood Community Financial Services Limited since 3 March 2011. John's qualifications and experience include business management. Matthew John Baker was the Company Secretary of Pinewood Community Financial Services Limited from 27 January 2009 to his resignation as Director on 18 February 2011.

Corporate governance

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

(a) Director approval of operating budgets and monitoring of progress against these budgets;

(b) Ongoing Director training; and

(c) Monthly Director meetings to discuss performance and strategic plans.

Auditors Independence Declaration

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

Signed in accordance with a resolution of the Board of Directors at Mount Waverley on 9 September 2011.

John Francis Baker
Director

David McPherson
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 2011 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.

Mills Partners

Name of Firm: Mills Partners

Mt Waverley VIC 3149

Name of Partner: Mark Jacobs

Dated: 8 September 2011

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 $	2010 $
Revenue			
Revenue from ordinary activities	2	1,171,040	956,812
Expenses			
Administration costs		336,522	253,588
IT expenses		33,249	32,160
Occupancy costs		74,050	61,981
Employee benefits expense	3	556,128	406,740
Depreciation and amortisation expense	3	30,196	25,200
Finance costs	3	77	15
Other expenses from ordinary activities		14,271	10,345
Profit before income tax expense		**126,547**	**166,783**
Income tax expense	4	42,466	51,646
Profit after income tax expense		**84,081**	**115,137**
Other comprehensive income			
Income tax on other comprehensive income		-	-
Total comprehensive income		**84,081**	**115,137**
Profit attributable to members of the entity		**84,081**	**115,137**
Total comprehensive income attributable to members of the entity		**84,081**	**115,137**

Earnings per share (cents per share)			
- basic for profit for the year	22	16	22
- diluted for profit for the year	22	16	22

The accompanying notes form part of these financial statements.

Statement of financial position
as at 30 June 2011

	Note	2011 $	2010 $
Current assets			
Cash and cash equivalents	6	417,869	379,395
Receivables	7	79,687	95,971
Other assets	8	8,838	12,073
Total current assets		**506,394**	**487,439**
Non-current assets			
Property, plant and equipment	9	112,962	113,968
Deferred tax assets	4	30,353	27,377
Intangible assets	10	11,008	22,016
Total non-current assets		**154,323**	**163,361**
Total assets		**660,717**	**650,800**
Current liabilities			
Payables	11	73,561	74,548
Current tax payable	4	1,618	36,224
Provisions	12	35,289	30,061
Total current liabilities		**110,468**	**140,833**
Non-current liabilities			
Deferred Income Tax (DTL)	4	734	1,949
Total liabilities		**111,202**	**142,782**
Net assets		**549,515**	**508,018**
Equity			
Share capital	13	532,300	532,300
Retained earnings / (accumulated losses)		17,215	(24,282)
Total equity		**549,515**	**508,018**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2011

	Note	2011 $	2010 $
Cash flows from operating activities			
Cash receipts in the course of operations		1,211,878	1,006,055
Cash payments in the course of operations		(1,055,434)	(840,304)
Interest paid		(77)	(15)
Interest received		24,136	6,939
Income tax paid		(81,263)	13,534
Net cash flows from operating activities	**15b**	**99,240**	**186,209**
Cash flows from investing activities			
Payments for property, plant and equipment		(18,182)	(13,674)
Net cash flows (used in) investing activities		**(18,182)**	**(13,674)**
Cash flows from financing activities			
Dividends paid		(42,584)	(31,938)
Net cash flows (used in) financing activities		**(42,584)**	**(31,938)**
Net increase in cash held		**38,474**	**140,597**
Cash and cash equivalents at start of year		379,395	238,798
Cash and cash equivalents at end of year	**15a**	**417,869**	**379,395**

The accompanying notes form part of these financial statements.

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

	Note	2011 $	2010 $
Share capital			
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		(24,282)	(107,481)
Total comprehensive income after income tax expense		84,081	115,137
Dividends paid	21	(42,584)	(31,938)
Balance at end of year		**17,215**	**(24,282)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

Pinewood Community Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2011 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

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

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

The financial statements were authorised for issue by the Directors on 9 September 2011.

(b) Statement of compliance

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

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2010 financial statements.

Income tax

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

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

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

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

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

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 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.

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

Employee benefits

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

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

Intangibles

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

Cash

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

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

Revenue

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

Receivables and payables

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

Loans and borrowings

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

Provisions

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

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

Notes to the financial statements continued

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

Share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Comparative figures

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

	2011 $	2010 $

Note 2. Revenue from continuing operations

	2011 $	2010 $
Operating activities		
- services commissions	1,150,955	944,116
	1,150,955	**944,116**
Non-operating activities:		
- interest received	20,085	12,696
	20,085	12,696
	1,171,040	**956,812**

Note 3. Expenses

	2011 $	2010 $
Employee benefits expense		
- wages and salaries	431,095	302,257
- superannuation costs	66,917	58,587
- workers' compensation costs	1,882	1,254
- other costs	56,234	44,642
	556,128	**406,740**
Depreciation of non-current assets:		
- plant and equipment	14,509	9,482
- leasehold improvements	4,679	4,710
Amortisation of non-current assets:		
- intangibles	11,008	11,008
	30,196	**25,200**

	2011 $	2010 $
Note 3. Expenses (continued)		
Finance Costs:		
- Interest paid	**77**	**15**
Bad debts	**261**	**630**
Rental expenses on operating lease	**52,648**	**40,773**

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%	37,964	50,035
Add tax effect of:		
- Non-deductible expenses	3,602	1,611
- Underprovision in respect of prior year	900	-
Income tax expense	**42,466**	**51,646**
Current income tax expense	45,757	56,801
Underprovision in respect of prior year	900	-
Origination and reversal of temporary differences	(4,191)	(5,156)
Income tax expense	**42,466**	**51,645**
Tax liabilities		
Current tax payable	**1,618**	**36,224**
Deferred tax assets	**30,353**	**27,377**
Deferred tax liability	**734**	**1,949**

Note 5. Auditors' remuneration

Amounts received or due and receivable by Mills Partners Chartered Accountants		
- Audit or review of the financial report of the Company	5,700	5,400
- Other services in relation to the Company	-	-
	5,700	**5,400**

	2011 $	2010 $

Note 6. Cash and cash equivalents

Cash at bank and on hand	**417,869**	**379,395**

Note 7. Receivables

Trade debtors	77,240	89,474
Accrued interest	2,447	6,497
	79,687	**95,971**

Note 8. Other assets

Prepayments	**8,838**	**12,073**

Note 9. Property, plant and equipment

Leasehold improvements		
At cost	74,499	74,499
Less accumulated depreciation	38,151	33,472
	36,348	**41,027**
Furniture & fittings		
At cost	146,666	146,666
Less accumulated depreciation	84,996	73,725
	61,670	**72,941**
Motor vehicles		
At cost	18,182	-
Less accumulated depreciation	3,238	-
	14,944	**-**
Total written down amount	**112,962**	**113,968**

	2011 $	2010 $

Note 9. Property, plant and equipment (continued)

Movements in carrying amounts

	2011 $	2010 $
Leasehold improvements		
Carrying amount at beginning of year	41,027	45,737
Additions	-	-
Disposals	-	-
Depreciation expense	4,679	4,710
Carrying amount at end of year	**36,348**	**41,027**
Furniture & fittings		
Carrying amount at beginning of year	72,941	68,749
Additions	-	13,674
Disposals	-	-
Depreciation expense	11,271	9,482
Carrying amount at end of year	**61,670**	**72,941**
Motor vehicles		
Carrying amount at beginning of year	-	-
Additions	18,182	-
Disposals	-	-
Depreciation expense	3,238	-
Carrying amount at end of year	**14,944**	**-**

Note 10. Intangible assets

Franchise fee

	2011 $	2010 $
At cost	55,041	55,041
Less accumulated amortisation	44,033	33,025
	11,008	**22,016**

Notes to the financial statements continued

	2011 $	2010 $

Note 11. Payables

Accrued expenses	27,122	28,295
Employee benefits - annual leave	38,164	34,982
Other payables	8,275	11,271
	73,561	**74,548**

Note 12. Provisions

Employee benefits - long service leave	**35,289**	**30,061**
Number of employees at year end	**7**	**6**
Movement in employee benefits		
Opening balance	30,061	22,271
Additional provisions recognised	5,228	7,790
Amounts utilised during the year	-	-
Closing balance	**35,289**	**30,061**

Note 13. Share capital

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

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	41,939	41,526
-between 12 months and five years	8,737	45,434
	50,676	**86,960**

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.

Note 15. Statement of cash flows

	2011 $	2010 $
(a) Cash and cash equivalents		
Cash at bank and on hand	**417,869**	**379,395**
(b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities		
Profit / (loss) after income tax	84,081	115,137
Non cash items		
- Depreciation	19,188	14,192
- Amortisation	11,008	11,008
Changes in assets and liabilities		
- (Increase) decrease in prepayments	3,235	5,063
- (Increase) decrease in receivables	16,284	(27,740)
- (Increase) decrease in income tax	(34,606)	43,267
- (Increase) decrease in deferred income tax	(4,192)	(5,582)
- Increase (decrease) in payables	(4,169)	12,910
- Increase (decrease) in employee benefits	8,411	17,954
Net cash flows from/(used in) operating activities	**99,240**	**186,209**

Note 16. Director and related party disclosures

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

Hector Gilbert (resigned 28/02/2011)
John Baker
Tindaro Li-Donni
John Sgroi
David Priest
Dominic Stambe
Matthew Baker (resigned 18/02/2011)
Damien Schulze (resigned 25/01/2011)
Lexia Elsum (resigned 18/02/2011)
Carolyn Taylor (resigned 28/09/2010)
Petar Ivetic (appointed 01/10/2010)
Dianne Taylor (appointed 22/02/2011)
David McPherson (appointed 24/05/2011)

Fees paid to Directors are disclosed in the Remuneration Report.

The Company incurred marketing costs of $2,749 which were paid to Galaxy Design Pty Ltd of

which Director Matthew John Baker has a beneficial interest. The Company has incurred accounting costs of $4,455 which were paid to Falcon McPherson of which David McPherson has beneficial interest. These transactions were on normal commercial terms and no more favourable than those available to other parties.

Note 16. Director and related party disclosures (continued)

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

Directors' shareholdings	2011	2010
Hector Gilbert (resigned 28/02/2011)	1,000	1,000
John Baker	-	-
Tindaro Li-Donni	10,000	10,000
John Sgroi	10,000	10,000
David Priest	5,000	5,000
Dominic Stambe	10,000	10,000
Matthew Baker (resigned 18/02/2011)	-	-
Damien Schulze (resigned 25/01/2011)	-	-
Lexia Elsum (resigned 18/02/2011)	-	-
Carolyn Taylor (resigned 28/09/2010)	-	-
Petar Ivetic (appointed 01/10/2010)	-	-
Dianne Taylor (appointed 22/02/2011)	-	-
David McPherson (appointed 24/05/2011)	-	-

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 events after the end of the financial year that would materially affect the financial statements.

Note 18. Contingent liabilities and assets

There were no contingent liabilities or assets 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

	2011 $	2010 $
Note 21. Dividends paid or provided for on ordinary shares		
(a) Dividends proposed and not recognised as a liability		
Franked dividends - 9 cents per share (2010: 8 cents per share)	47,907	42,584
(b) Dividends paid during the year		
Previous year final		
Unfranked dividends - Nil (2010: 6 cents per share)	-	31,938
Franked dividends - 8 cents per share (2010: Nil)	42,584	-
(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	88,734	25,721
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	1,618	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	-	-
	90,352	**61,945**

The tax rate at which dividends have been franked is 30% (2010: 30%).

Dividends proposed will be franked at a rate of 30% (2010: 30%).

	2011 $	2010 $

Note 22. Earnings per share

Basic earnings per share amounts are calculated by dividing profit 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:

	2011 $	2010 $
Profit after income tax expense	**84,081**	**115,137**
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 reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2011 $	**2010 $**
Cash assets	417,869	379,395
Receivables	79,687	95,971
	497,556	**475,366**

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 (2010: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

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 $
30 June 2011			
Payables	35,397	(35,397)	(35,397)
	35,397	**(35,397)**	**(35,397)**
30 June 2010			
Payables	39,566	(39,566)	(39,566)
	39,566	**(39,566)**	**(39,566)**

(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 2011 $	2010 $
Fixed rate instruments		
Financial assets	345,845	282,358
	345,845	**282,358**
Variable rate instruments		
Financial assets	71,774	96,937
	71,774	**96,937**

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2010 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

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

(e) Capital management

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

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

Note 23. Financial risk management (continued)

(e) Capital management (continued)

(i) the Distribution Limit is the greater of:

  (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and

  (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2011 are included as Administration costs in the Statement of Comprehensive Income.

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, I 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 2011 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS);

(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 ending 30 June 2011.

John Francis Baker	**David McPherson**
Director	**Director**

Signed on the 9 September 2011.

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 2011, the statement of comprehensive income, statement of changes in equity and 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.

Directors' responsibility for the financial report
The directors of the company are responsible for the preparation and fair presentation 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 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, which has been given to the directors of Pinewood Community Financial Services Limited, 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 2011 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 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 2011. 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 2011, complies with s300A of the Corporations Act 2001.

Mills Partners

MILLS PARTNERS
Chartered Accountants

MARK JACOBS
Partner

Dated: 9 September 2011

Pinewood **Community Bank**® Branch
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