Pinewood **Community Bank**® Branch

2012

annual report

Pinewood Community
Financial Services Limited

ABN 26 099 420 050

Contents

Chairman’s report

For year ending 30 June 2012

It is with a sense of some satisfaction that I present this, my first report as Chairman of our company, Pinewood Community Financial Services Limited – satisfaction derived from the fact that I am able to report on yet another successful and profitable year of our company’s operations.

To be able to report a profitable year in this monetary climate is a testimony to the strength of the products, systems and processes developed by our partner, Bendigo and Adelaide Bank and deployed by our Board and **Community Bank®** branch staff. However, just as importantly, it is testimony to the level of trust and support provided to our institution by our shareholders and customers – a legacy of which we should all be truly appreciative of and forever mindful.

It is therefore with great pleasure that I can report that your company has derived a pre- tax profit of $136,906 for the financial year ending 30 June 2012 and recommends a dividend of 9 cents per share payable late November 2012 for those shareholders with shareholding as at 12 November 2012.

Under the terms of its franchise agreement with Bendigo and Adelaide Bank, the company is required to return part of its gross profit to the community in the form of grants, sponsorships and donations.

As a result of our efforts it is indeed gratifying to report that this year; your company has returned an amount of $152,316 to approximately 40 community organizations. This brings the total returned to the community since our formation ten years ago to $500,238 which is a significant contribution.

Your Board takes great pride in this achievement and is mindful that this level of community reward is a direct result of the support given to your **Community Bank®** branch by members of our community. Again, we are grateful for this on-going support.

At this point I would like to acknowledge the outstanding contributions of our Manager Merv Ericson and his team, Sarah, Paul, Kathy, both Julies and Jenny for their untiring efforts during the year. It is extremely gratifying to hear the praise given to this group by customers and shareholders alike.

I am particularly grateful for the support given to me as Chairman, and to our Board of Directors, by the Bendigo and Adelaide Bank Regional Manager for Outer Eastern Melbourne, Marisa Dickins.

Your Directors show exceptional commitment to their task, ensuring that their statutory and fiscal responsibilities are met in accordance with the law and in the best interest of your company and I thank them for the ongoing contribution to our success.

Your Board of Directors is mindful of its responsibilities towards developing shareholder value and, as such, is committed to exploring every opportunity seen to be capable of generating growth for the company.

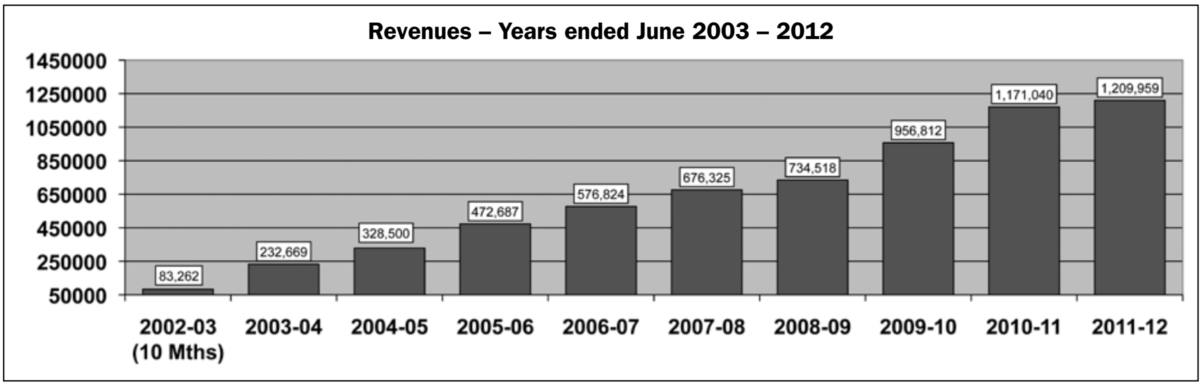
However there are limits to the volume of internal growth capable of being generated from the existing business so we must continually explore new growth opportunities.

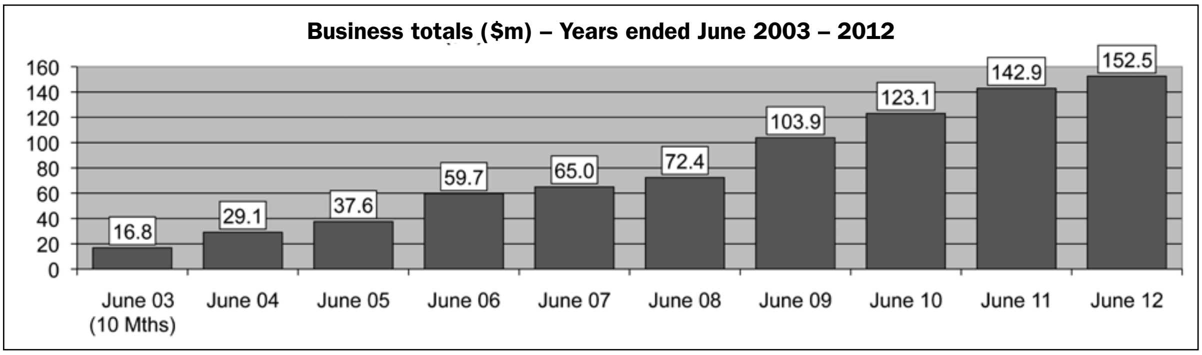
Your Board will continue to maintain a growth focus to ensure future satisfactory shareholder returns.

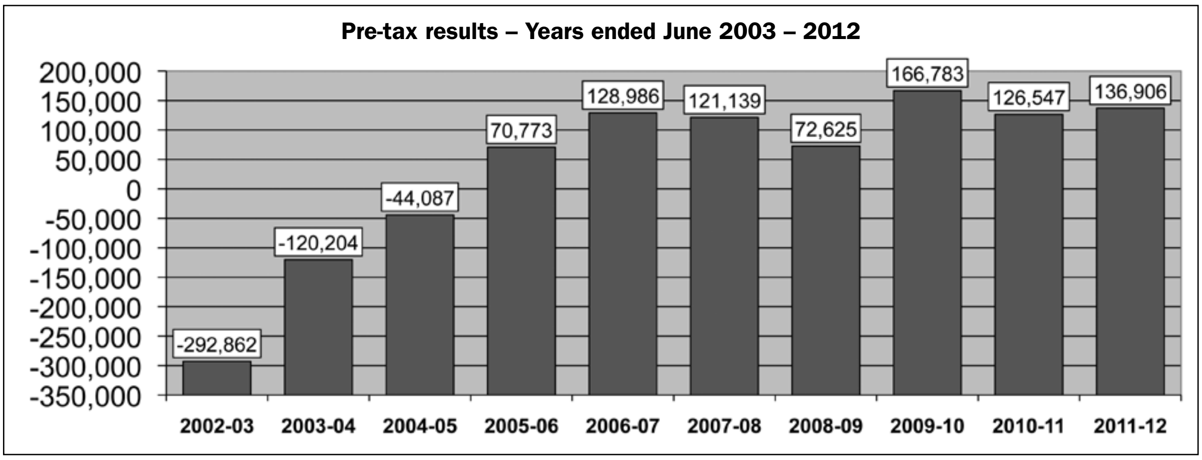
In thanking all shareholders for maintaining faith in their Board of Directors, I would urge you all to highlight the successes of our company and the contributions it continues to make to community organizations to all of your family, friends and acquaintances, both social and business.

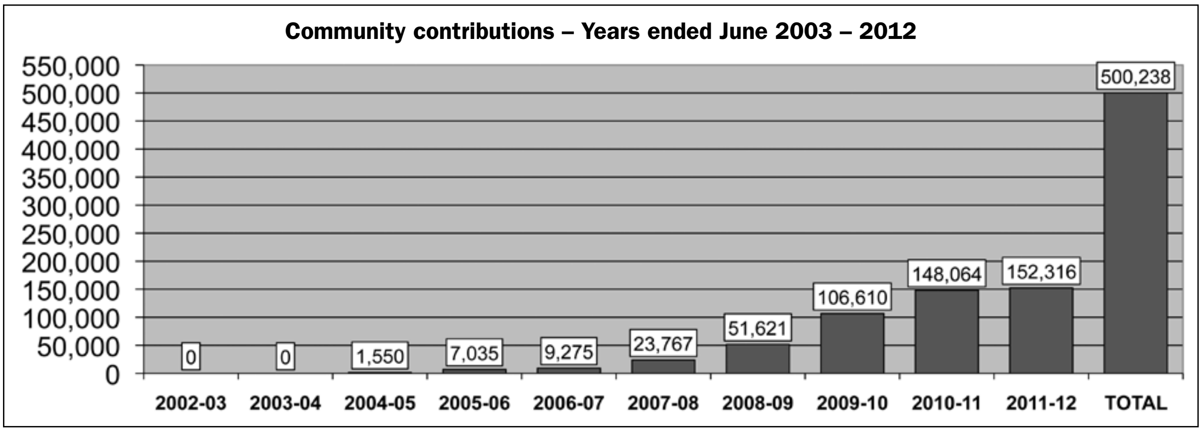
Their, and your, future support will contribute to the ongoing growth of your company and ensure that we can continue to assist these community organizations deserving of our financial support.

David Priest
Chairman


Revenues – Years ended June 2003 – 2012
1450000
1250000
1050000
850000
650000
450000
250000
50000
83,262
232,669
328,500
472,687
576,824
676,325
734,518
956,812
1,171,040
1,209,959
2002-03 (10 Mths)
2003-04
2004-05
2005-06
2006-07
2007-08
2008-09
2009-10
2010-11
2011-12


Business totals ($m) – Years ended June 2003 – 2012
160
140
120
100
80
60
40
20
0
16.8
29.1
37.6
59.7
65.0
72.4
103.9
123.1
142.9
152.5
June 03 (10 Mths)
June 04
June 05
June 06
June 07
June 08
June 09
June 10
June 11
June 12


Pre-tax results – Years ended June 2003 – 2012
200,000
150,000
100,000
50,000
0
-50,000
-100,000
-150,000
-200,000
-250,000
-300,000
-350,000
-292,862
-120,204
-44,087
70,773
128,986
121,139
72,625
166,783
126,547
136,906
2002-03
2003-04
2004-05
2005-06
2006-07
2007-08
2008-09
2009-10
2010-11
2011-12


Community contributions – Years ended June 2003 – 2012
550,000
500,000
450,000
400,000
350,000
300,000
250,000
200,000
150,000
100,000
50,000
0
0
0
1,550
7,035
9,275
23,767
51,621
106,610
148,064
152,316
500,238
2002-03
2003-04
2004-05
2005-06
2006-07
2007-08
2008-09
2009-10
2010-11
2011-12
TOTAL

Manager's report

For year ending 30 June 2012

Once again it gives me great personal satisfaction to provide my Manager's report for the year ended 2012. This report is particularly pleasing for me to submit as at 30 June, we are within two months of celebrating our 10th anniversary, on the 16 August 2012.

I have no hesitation in labelling the 12-month period ending June 2012 as the most difficult year since we have commenced operations. The year has been difficult due to the combined impacts of increased competition for deposit funds and the reducing demand for lending, largely caused by the depressed housing market.

In addition, during the year the Board's plans to extend the premises and carry out a total refurbishment were thwarted when the building plans submitted by our landlord were declined by council. Despite the market conditions and premises delays, we still managed to achieve 92% of our budgeted growth projections and we finished the year with total business, deposits and loans, of $152.5 million.

After operating now for 10 years, I believe our impact on both the Pinewood area and the wider Monash area is significantly beneficial to the communities and that benefit is growing.

Via our increasing sponsorship and our Community Grants programs we have been able to assist numerous not for profit organisations including Community Groups, Arts Groups, Pre-Schools, Primary and Secondary Schools. The beneficiaries of our Community Grants program this year included Scouts Victoria, the local Men's Shed, and the Monash State Emergency Service. We were also able to supply four Defibrillators to local tennis clubs.

The business growth and profitability we achieved, which enabled us to implement such a wide ranging community assistance program, is attributable to the ongoing abilities, efforts and commitment of our staff members Sarah, Paul, Cathy, Julie, Jenny and Julie.

I would also like to acknowledge the continued efforts and assistance provided by our volunteer Board of Directors, ably lead by one of our inaugural steering committee members, David Priest who took the Chairman's position in January 2012.

Merv Ericson
Branch Manager

Directors' report

For the financial year ended 30 June 2012

Your Directors submit their report of the company for the financial year ended 30 June 2012.

Directors

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

Harry William David Priest
Director/Chairman
Experience / Special responsibilities:
Past proprietor of Pinewood newsagency
and 20 years in furniture manufacturing industry.
Board member since 30th January 2002

Tindaro Armando Li-Donni
Director
Experience / Special responsibilities:
Proprietor of hairdressing salon
in Pinewood for 20 years.
Board member since 30th January 2002

Michael John Sgroi
Director
Experience / Special responsibilities:
Pharmacist in Pinewood for 23 years,
community pharmacist for 43 years and
Rotarian with an active interest in the
community.
Board member since 30th January 2002

Petar Ivetic
Director
Experience / Special responsibilities:
Senior Project Manager in the
Telecommunications industry for the past
25 years.
Board member since 1st October 2010

John Francis Baker
Resigned as Director / Chairman
on 20 December 2011
Managing businesses for over 41 years
and member of Business Continuity Institute.

David Eric McPherson
Director/Treasurer
Experience / Special responsibilities:
Certified Practising Accountant
operating his own accounting practice.
Board member since 24th May 2011

Dianne Taylor
Director
Experience / Special responsibilities:
Has over 21 years experience managing
in the manufacturing industry and board
facilitation and Directorship.
Board member since 22nd February 2011

Mark Daniel Eaton
Director/Secretary
Experience / Special responsibilities:
Lawyer, Partner with HDME Lawyers with a branch
office in Pinewood
Areas of legal expertise: business, property, wills
and estates and litigation
Appointed Director 22nd November 2011

Sanchivaran Thavarajah
Director
Experience / Special responsibilities:
Commerce (Finance) and Law undergraduate at
Monash University. Founding President of the Monash
Finance Association.
Appointed Director 22nd November 2011

Dominic Stambe
Director
Experience / Special responsibilities:
Pharmacist in Pinewood for 23 years.
Board member since 30th January 2002

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.

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

Operating results

The profit of the company for the financial year after provision for income tax was $95,103 (2011: $84,081).

Financial position

The net assets of the company have increased by $47,196 from June 30, 2011 to $596,711 in 2012. The increase is largely due to improved operating performance of the company.

	Year ended 30 June 2012	
Dividends	**Cents per share**	**$**
Final dividends recommended:	9	47,907
Dividends paid in the year:		
• As recommended in the prior year report	9	47,907

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.

Events after the reporting period

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

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

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.

Renumeration report

Directors are paid an annual fee of $3,000 (office bearers). The names of Directors who have held office during the year ended 30 June and the Directors fees paid are:

	2012 $	2011 $
Harry William David Priest	4,175	2,350
Michael John Sgroi	2,200	1,429
Tindaro Armando Li-Donni	2,200	1,250
Dominic Stambe	2,200	1,250
Petar Ivetic	2,200	1,175
Dianne Taylor	2,050	392
David Eric McPherson	3,500	75
Mark Daniel Eaton (appointed 22/11/11)	2,691	-
Sanchivaran Thavarajah (appointed 22/11/11)	1,617	-
John Francis Baker (resigned 20/12/11)	1,250	2,545

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.

Indemnifying Officers or Auditor

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an Auditor of the company.

Directors' meetings

The number of Directors' meetings attended during the year were: 12.

Director	Board meetings attended	Meetings eligible to attend
John Francis Baker	5	5
Dianne Taylor	8	12
David Eric McPherson	11	12
Dominic Stambe	10	12
Michael John Sgroi	8	12
Tindaro Armando Li-Donni	11	12
Harry William David Priest	10	12
Sanchivaran Thavarajah	7	8
Mark Daniel Eaton	8	8
Petar Ivetic	12	12

Company Secretary

Mark Eaton has been the company Secretary of Pinewood Community Financial Services Limited since 22 November 2011. Mark's qualifications and experience are as a Lawyer. John Francis Baker was the company Secretary of Pinewood Community Financial Services Limited from 3 March 2011, to his resignation as Director on 20 December 2011.

Corporate governance

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

(a) The establishment of an audit committee. Members of the audit committee are: David McPherson, Dianne Taylor, Michael John Sgroi

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

(c) Ongoing Director training; and

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

Auditor independence declaration

The Auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 9 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Mount Waverley on 6 September 2012.

Mark Eaton
Director

David McPherson
Director

Auditor's independence declaration

MVA MILLS PARTNERS
CHARTERED ACCOUNTANTS

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 2012 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.

MVA Mills Partners

MVA MILLS PARTNERS
Chartered Accountants

GRAEME DAY
Partner

Dated: 5th September 2012

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Liability Limited by a scheme approved under Professional Standards Legislation

MVA Mills Partners
a division of
MV Anderson & Co

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Financial statements

Statement of comprehensive income
for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue			
Revenue from ordinary activities	2	1,209,959	1,171,040
Expenses			
Administration costs		159,017	188,458
Charitable donations and sponsorship		152,316	148,064
IT expenses		29,907	33,249
Occupancy costs		73,805	74,050
Employee benefits expense	3	614,398	556,128
Depreciation and amortisation expense	3	27,128	30,196
Finance costs	3	20	77
Other expenses from ordinary activities		16,462	14,271
Profit before income tax expense		**136,906**	**126,547**
Income tax expense	4	41,803	42,466
Net profit for the year		95,103	84,081
Other comprehensive income		-	-
Total comprehensive income		**95,103**	**84,081**
Profit attributable to members of the entity		**95,103**	**84,081**
Total comprehensive income attributable to members of the entity		**95,103**	**84,081**

Earnings per share (cents per share)			
- basic for profit for the year	21	18	16
- diluted for profit for the year	21	18	16

The accompanying notes form part of these financial statements.

Statement of financial position
as at 30 June 2012

	Note	2012 $	2011 $
Assets			
Current assets			
Cash and cash equivalents	6	501,047	417,869
Receivables	7	79,201	79,687
Other assets	8	15,660	8,838
Total current assets		**595,908**	**506,394**
Non-current assets			
Property, plant and equipment	9	96,842	112,962
Deferred tax asset	4	34,154	30,353
Intangible assets	10	-	11,008
Total non-current assets		**130,996**	**154,323**
Total assets		**726,904**	**660,717**
Liabilities			
Current liabilities			
Payables	11	75,188	73,561
Current tax payable	4	10,870	1,618
Provisions	12	42,688	35,289
Total current liabilities		**128,746**	**110,468**
Non-current liabilities			
Deferred Income Tax (DTL)	4	1,447	734
Total liabilities		**130,193**	**111,202**
Net assets / (liabilities)		**596,711**	**549,515**
Equity			
Issued capital	13	532,300	532,300
Retained earnings		64,411	17,215
Total equity		**596,711**	**549,515**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Cash receipts in the course of operations		1,280,005	1,211,878
Cash payments in the course of operations		(1,132,291)	(1,055,434)
Interest paid		(20)	(77)
Interest received		19,031	24,136
Income tax paid		(35,640)	(81,263)
Net cash flows from/(used in) operating activities	**15b**	**131,085**	**99,240**
Cash flows from investing activities			
Purchase of property, plant & equipment		-	(18,182)
Net cash flows from/(used in) investing activities		**-**	**(18,182)**
Cash flows from financing activities			
Dividends paid		(47,907)	(42,584)
Net cash flows (used in) financing activities		**(47,907)**	**(42,584)**
Net increase/(decrease) in cash held		**83,178**	**38,474**
Cash and cash equivalents at start of year		417,869	379,395
Cash and cash equivalents at end of year	**15a**	**501,047**	**417,869**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2012

	Note	2012 $	2011 $
Issued 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		17,215	(24,282)
Net Profit for the year		95,103	84,081
Dividends paid	22	(47,907)	(42,584)
Balance at end of year		**64,411**	**17,215**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of significant accounting policies

(a) Basis of preparation

Pinewood Community Financial Services Limited ('the company') is domiciled in Australia. The financial statements for the year ending 30 June 2012 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authorative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

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

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 6th September 2012.

(b) 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. Summary of significant accounting policies (continued)

(c) 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.

(d) Impairment 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.

(e) 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.

(f) 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.

Note 1. Summary of significant accounting policies (continued)

(f) Employee benefits (continued)

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

(g) Intangibles

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

(h) 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.

(i) Revenue

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

(j) 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.

(k) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

(l) Loans and borrowings

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

(m) Provisions

Provisions are recognised when the company 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.

(n) 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.

Note 1. Summary of significant accounting policies (continued)

(o) Comparative figures

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

(p) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

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

Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

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

(q) Financial instruments

Initial recognition and measurement

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

Classification and subsequent measurement

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

Fair value represents the amount for which an asset would be exchanged or a liability settled, between knowledgeable willing parties. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are applied to determine the fair value. Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Classification and subsequent measurement

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtor are experiencing significant financial difficulty or changes in economic conditions.

	2012 $	**2011 $**

Note 2. Revenue

Revenue from continuing activities		
- services commissions	1,188,550	1,150,955
- other revenue	-	-
	1,188,550	**1,150,955**
Other revenue		
- interest received	21,409	20,085
- other revenue	-	-
	21,409	**20,085**
	1,209,959	**1,171,040**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	498,431	431,095
- superannuation costs	46,644	66,917
- workers' compensation costs	1,962	1,882
- other costs	67,361	56,234
	614,398	**556,128**

	2012 $	2011 $
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- plant and equipment	7,736	14,509
- leasehold improvements	4,648	4,679
- motor vehicle	3,736	-
Amortisation of non-current assets:		
- intangible assets	11,008	11,008
	27,128	**30,196**
Finance costs:		
- Interest paid	**20**	**77**
Bad debts	**155**	**261**
Rental expenses on operating lease	**49,340**	**52,648**

Note 4. Income tax expense

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

	2012 $	2011 $
Prima facie tax on profit before income tax at 30%	41,072	37,964
Add tax effect of:		
- Non-deductible expenses	1,931	3,602
- Underprovision in respect of prior year	(1,200)	900
Income tax expense	**41,803**	**42,466**
The applicable weighted average effective tax rate is	31%	34%
Current income tax expense	46,091	45,757
Underprovision in respect of prior year	(1,200)	900
Origination and reversal of temporary differences	(3,088)	(4,191)
Income tax expense	**41,803**	**42,466**
Tax liabilities		
Current tax payable	**10,870**	**1,618**
Deferred tax assets	**34,154**	**30,353**
Deferred tax liability	**1,447**	**734**

	2012 $	2011 $

Note 5. Auditors' remuneration

Remuneration of the Auditor for: MVA Mills Partners Chartered Accountants

	2012 $	2011 $
- Audit or review of the financial report	**6,000**	**5,700**

Note 6. Cash and cash equivalents

	2012 $	2011 $
Cash at bank and on hand	36,188	72,025
Short term bank deposits	464,859	345,844
	501,047	**417,869**

The effective interest rate on short term bank deposits was 5.3% (2011 - 6.4%)

Note 7. Receivables

	2012 $	2011 $
Trade debtors	74,376	77,240
Accrued interest	4,825	2,447
	79,201	**79,687**

Note 8. Other assets

	2012 $	2011 $
Prepayments	**15,660**	**8,838**

Note 9. Property, plant and equipment

	2012 $	2011 $
Leasehold improvements		
At cost	74,499	74,499
Less accumulated depreciation	(42,799)	(38,151)
	31,700	**36,348**
Furniture & fittings		
At cost	146,666	146,666
Less accumulated depreciation	(92,732)	(84,996)
	53,934	**61,670**
Motor vehicles		
At cost	18,182	18,182
Less accumulated depreciation	(6,974)	(3,238)
	11,208	**14,944**
Total written down amount	**96,842**	**112,962**

Note 9. Property, plant and equipment (continued)

	2012 $	2011 $
Movements in carrying amounts		
Leasehold improvements		
Carrying amount at beginning of year	36,348	41,027
Additions	-	-
Disposals	-	-
Depreciation expense	4,648	4,679
Carrying amount at end of year	**31,700**	**36,348**
Furniture & fittings		
Carrying amount at beginning of year	61,670	72,941
Additions	-	-
Disposals	-	-
Depreciation expense	7,736	11,271
Carrying amount at end of year	**53,934**	**61,670**
Motor vehicles		
Carrying amount at beginning of year	14,944	-
Additions	-	18,182
Disposals	-	-
Depreciation expense	3,736	3,238
Carrying amount at end of year	**11,208**	**14,944**

Note 10. Intangible assets

	2012 $	2011 $
Franchise fee		
At cost	55,041	55,041
Less accumulated amortisation	(55,041)	(44,033)
	-	**11,008**

Note 11. Payables

	2012 $	2011 $
Accrued expenses	35,364	27,122
Employee benefits - annual leave	39,244	38,164
Other payables	580	8,275
	75,188	**73,561**

Notes to the financial statements (continued)

	2012 $	2011 $

Note 12. Provisions

	2012 $	2011 $
Employee benefits	**42,688**	**35,289**
Number of employees at year end	7	7
Movement in employee benefits		
Opening balance	35,289	30,061
Additional provisions recognised	7,399	5,228
Amounts utilised during the year	-	-
Closing balance	**42,688**	**35,289**

Note 13. Share capital

	2012 $	2011 $
532,300 Ordinary shares fully paid of $1 each	**532,300**	**532,300**

Note 14. Capital and leasing commitments

	2012 $	2011 $
a) 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	79,750	41,939
- between 12 months and five years	319,000	8,737
	398,750	**50,676**

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 two additional term of 5 years each.

Note 15. Statement of cash flows

	2012 $	2011 $
(a) Cash and cash equivalents		
Cash at bank and on hand	501,047	417,869
	501,047	**417,869**

	2012 $	2011 $
Note 15. Statement of cash flows (continued)		
(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities		
Profit after income tax	95,103	84,081
Non cash items		
- Depreciation	16,120	19,188
- Amortisation	11,008	11,008
Changes in assets and liabilities		
- (Increase) decrease in prepayments	(6,822)	3,235
- (Increase) decrease in receivables	486	16,284
- (Increase) decrease in income tax	9,252	(34,606)
- (Increase) decrease in deferred tax asset	(3,088)	(4,192)
- Increase (decrease) in payables	1,628	(4,169)
- Increase (decrease) in provisions	7,399	8,411
Net cash flows from/(used in) operating activities	**131,086**	**99,240**

Note 16. Director and related party disclosures

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

John Francis Baker (resigned 20/12/2011)
Harry William David Priest
David Eric McPherson
Michael John Sgroi
Tindaro Armando Li-Donni
Dominic Stambe
Petar Ivetic
Dianne Taylor
Mark Daniel Eaton (appointed 22/11/2011)
Sanchivaran Thavarajah (appointed 22/11/2011)

Fees paid to Directors are disclosed in the Renumeration Report.

The company has incurred accounting costs of $12,844 which were paid to McPherson Financial Solutions of which David McPherson has beneficial interest. These transactions were on normal commercial terms and no more favourable than those available to other parties.

Notes to the financial statements (continued)

Note 16. Director and related party disclosures (continued)

Directors' shareholdings	2012	2011
John Francis Baker (resigned 20/12/2011)	-	-
Harry William David Priest	5,000	5,000
David Eric McPherson	-	-
Michael John Sgroi	10,000	10,000
Tindaro Armando Li-Donni	10,000	10,000
Dominic Stambe	10,000	10,000
Petar Ivetic	-	-
Dianne Taylor	-	-
Mark Daniel Eaton (appointed 22/11/2011)	-	-
Sanchivaran Thavarajah (appointed 22/11/2011)	-	-

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. Events after the reporting period

There have been no other 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. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Mount Waverley, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank who account for 100% of the revenue (2011: 100%).

Note 20. Corporate information

Pinewood Community Financial Services Limited is a company limited by shares incorporated in Australia.

The registered office & principle place of business is:	65 Centreway, Mount Waverley VIC 3149
The principal place of business is:	65 Centreway, Mount Waverley VIC 3149

	2012 $	2011 $

Note 21. 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:

	2012 $	2011 $
Profit after income tax expense	**95,103**	**84,081**
Weighted average number of ordinary shares for basic and diluted earnings per share	**532,300**	**532,300**

Note 22. Dividends paid or provided for on ordinary shares

	2012 $	2011 $
(a) Dividends proposed and not recognised as a liability		
Franked dividends - 9 cents per share (2011: 9 cents per share)	47,907	47,907
(b) Dividends paid during the year		
Previous year final		
Unfranked dividends - Nil	-	-
Franked dividends - 9 cents per share (2011: 8 cents)	47,907	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	103,842	88,734
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	10,870	1,618
- 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	-	-
	114,712	**90,352**

The tax rate at which dividends have been franked is 30% (2011: 30%).

Dividends proposed will be franked at a rate of 30% (2011: 30%).

Note 23. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.

The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012 $	2011 $
Financial assets			
Cash & cash equivalents	6	501,047	417,869
Receivables	7	79,201	79,687
Total financial assets		**580,248**	**497,556**
Financial liabilities			
Payables	11	75,188	73,561
Total financial liabilities		**75,188**	**73,561**

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board.

Specific financial risk exposure and management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the company it arises from receivables and cash assets.

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	
	2012 $	2011 $
Cash and cash equivalents	501,047	417,869
Receivables	79,201	79,687
	580,248	**497,556**

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

Note 23. Financial risk management (continued)

None of the assets of the company are past due (2011: 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.

(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.

Financial liability and financial asset maturity analysis

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2012				
Financial liabilities due for payment				
Payables	75,188	75,188	–	–
Loans and borrowings	-	-	–	–
Total expected outflows	**75,188**	**75,188**	**–**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	501,047	501,047	–	–
Receivables	79,201	79,201	–	–
Total anticipated inflows	**580,248**	**580,248**	**–**	**–**
Net (outflow)/inflow on financial instruments	**655,436**	**655,436**	**–**	**–**

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2011				
Financial liabilities due for payment				
Payables	35,397	35,397	–	–
Loans and borrowings	-	-	–	–
Total expected outflows	**35,397**	**35,397**	**–**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	417,869	417,869	–	–
Receivables	79,687	79,687	–	–
Total anticipated inflows	**497,556**	**497,556**	**–**	**–**
Net (outflow)/inflow on financial instruments	**532,953**	**532,953**	**–**	**–**

Note 23. Financial risk management (continued)

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at 30 June 2012 and 30 June 2011.

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

Sensitivity analysis

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

	Carrying amount	
	2012	**2011**
	$	**$**
Fixed rate instruments		
Financial assets	464,859	345,845
Financial liabilities	-	-
	464,859	**345,845**
Floating rate instruments		
Financial assets	35,398	71,774
Financial liabilities	-	-
	35,398	**71,774**

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 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Note 23. Financial risk management (continued)

Fair values

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

Capital management

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

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

(i) the Distribution Limit is the greater of:

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

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

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2012 can be seen in the Statement of Comprehensive Income.

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

Directors' declaration

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

1 the financial statements and notes of the company are in accordance with the Corporations Act 2001 and:

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

   (ii) give a true and fair view of the company's financial position as at 30 June 2012 and of the performance for the year ended on that date;

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

Mark Eaton
Director

David McPherson
Director

Signed at Mount Waverley on 6 September 2012.

Independent audit report

MVA MILLS PARTNERS
CHARTERED ACCOUNTANTS

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 2012, 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 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 gives a true and fair view and 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. Those 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 company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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.

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 2012 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 2012. 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.

Opinion
In our opinion the Remuneration Report of Pinewood Community Financial Services Limited for the year ended 30 June 2012, complies with s300A of the Corporations Act 2001.

MVA Mills Partners

MVA MILLS PARTNERS
Chartered Accountants

GRAEME DAY
Partner

Dated: 6th September 2012

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Liability Limited by a scheme approved under Professional Standards Legislation

MVA Mills Partners
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