



# Pinewood Community Financial Services Limited

ABN 26 099 420 050

# ANNUAL REPORT 2013

Pinewood **Community Bank®** Branch





 **Bendigo Bank**



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# Chairman's report

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For year ending 30 June 2013

I have great pleasure in presenting this report on behalf of your Board.

## **Our business achievements**

It has been an exciting year for Pinewood Community Financial Services Limited (PCFSL), culminating in the recent refurbishment as a 'Branch of the Future'. The new design provides for easier communication with customers and will enhance the exceptional service we already provide. A second-storey extension provides staff with a more workable building and will support our on-going growth. It was great to see many shareholders at the recent opening by City of Monash Mayor, Cr Micaela Driberg.

Financial results have been consistent, with the final 2012/13 year results on budget – an excellent result in a challenging economy and a credit to the staff. In the 2013 year we gave \$135,000 back to the local community, making a total of \$636,000 since our inception. The impact on our community is immense, and so that you can see this first hand, this year we are combining the AGM with our Grants Night where we present community groups with funds for specific projects. We hope you enjoy the combined Annual General Meeting (AGM) and Grants night, and would welcome your feedback on this new initiative. It is thanks to you, our shareholders and our customers, that Pinewood **Community Bank**® Branch exists and is able to contribute in this way!

## **Our Manager and staff**

Earlier this year our founding Manager, Merv Ericson, retired after more than 10 years at Pinewood. The success of PCFSL is testament to Merv's outstanding dedication, leadership and relationship building skills. Our new Manager, Mark Davenport commenced in January 2013 and has hit the ground running, establishing a strong presence in the community as well as successfully leading staff through a period of significant change. Mark is passionate about business growth and strong community engagement, building upon the solid foundation laid by Merv.

None of this would be possible without our talented and dedicated staff – Sarah Caldere, Paul Tyson, Cathy Torpy, Jenny Jones, Julie O'Reilly and Michelle Cadusch. Their enthusiasm, accuracy, personal service and genuine care for our customers have built our loyal and satisfied customer base. Another long-serving staff member, Julie Carbonne, retired in January and we wish her all the best for the future.

## **Our Board**

As with the staff and the building, after 10 years our Board has seen some changes. Two founding members have stepped down – Tino Li Donni in January and David Priest in June. Both have worked voluntarily for many years and been active promoters of the branch in the community. David Priest served as Chairman in 2011/12 and presided over a period of significant renewal including commencing the branch refurbishment, employment of our new Manager, improved Board processes, development of a strategic plan and recruitment of some outstanding new Directors. He also looked after our share registry very capably for many years. David and Tinos' efforts and achievements are very much appreciated and we wish them well in the future.

Two founding Directors remain – John Sgroi and Dominic Stambe – still passionate about the **Community Bank**® model and willing to give of their time after more than 11 years! Their knowledge and practical expertise are an asset to the Board. They are complemented by the rest of the team – Mark Eaton, Serah Van Haeften, Stephanie Christie, Petar Ivetic, Robert Davies, David McPherson, Sebastian Leeder and myself. You will find details of all Directors and their roles on page 7.



# Chairman's report (continued)

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As Chair I am proud of our team of Directors, all of whom have put in many hours of work between meetings to engage with the community, support the Manager in business growth, and improve Board processes. In 2013 the focus has been on strategic planning, marketing, community engagement, corporate governance, risk management and succession planning. If you would like to know more about our achievements in these areas I encourage you to speak to myself or one of the Directors at the AGM.

Our Executive Officer, Louise Gracey, has ably supported the Board with administration and event management, including preparation of this new-look Annual Report. She has been assisted by Irena Bukhshtaber, who was appointed as Community Engagement Officer in January. Irena is helping us develop mutually beneficial community partnerships, build the Pinewood brand and bring in new business, which in turn will flow back to the community in increased grants and sponsorships. Both bring high-level skills and a cheerful, can-do attitude that is appreciated by all who work with them.

## **Our community support**

As stated previously, we have given back \$135,000 in community grants and sponsorships during the 2012/13 year. Key projects we have been involved in during 2012/13 are:

- Providing the Monash Men's Shed with \$10,000 for a co-ordinator to support the men in healthy living and lifelong learning
- St John Ambulance received \$5,515 for UHF Radios, improving communication and response capability
- Essex Heights Primary School has been able to turn a barren area into a Musical Playground that uses outdoor musical instruments to foster imagination, creativity, connectedness and fun with a \$12,500 grant from PCFSL
- Monash Waverley Community Information and Support received \$11,400 for their Emergency Relief Project. The funds will be used for the purchase of grocery vouchers to ensure that people who are in financial distress (and their children) do not go hungry
- We donated \$1,000 to Kerrie Neighbourhood House's Mums for Mums group, which assists young mothers who have no extended family support
- Glen Waverley South Pre-School were able to purchase a garden shed, outdoor equipment and a new notice board with \$2,036 from PCFSL
- Amaroo Neighbourhood Centre was awarded \$2,500 to run their 'Mosaic Magic and more' - a 12-Week Community Integrated Art Therapy Program for adults with or without a disability
- Monash SES was given \$4,479 to purchase five iPads and vehicle mounts to enable mobile data access for allocation of tasks during operational emergencies, and the ability to file reporting following completion of tasks
- In addition to these projects we have sponsored many local sporting, cultural, educational and not-for-profit groups.

## **Bendigo and Adelaide Bank support**

I wish to acknowledge the excellent support provided by Bendigo and Adelaide Bank, including our Regional Manager Marisa Dickins, the team at the Regional Office in Boronia and Head Office in Bendigo, and the **Community Bank®** network. The training, conferences and practical assistance provided have been invaluable.

## **Your investment**

Once again the financial success of the company has provided an excellent return on your investment with a dividend of 8 cents per share, fully franked. This will be paid on 11 December 2013.

# Chairman's report (continued)

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## **Changes to share trading arrangements in 2014**

Bendigo and Adelaide Bank are moving to a new system for the purchase and selling of **Community Bank®** shares, called the Low Volume Market. We are undertaking training in this process and will communicate with all shareholders as we transfer onto the new system. In the meantime, you can register your interest in buying and selling PCFSL shares using a form available from the branch or the Company Secretary.

## **Future developments**

In the 2013/14 year we have budgeted for continued growth, especially in loans, which are more profitable than deposits (although naturally both are welcome!). To increase community engagement and grow the business all Directors have been allocated 2-3 community groups to partner with, and we will increase our profile in the local community with advertising and media articles. We are also offering a Club Rewards Program to encourage sponsored groups to refer business to the branch – speak to Mark Davenport or a Director to find out how your club can be involved.

I hope that you share my excitement and pride at what the Pinewood **Community Bank®** Branch has achieved over the past year, and the prospects for growth in profitability and community engagement in the future. I invite you to be part of this by recommending the branch to your friends, relatives, community groups and business associates. This is one business where everybody wins as the business grows – customers with great service, shareholders with increased profitability and the community through funds available for grants and sponsorships.



**Dianne Taylor**  
**Chairman**

# Manager's report

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For year ending 30 June 2013

## Introducing Mark Davenport

Mark Davenport was appointed Branch Manager of the Pinewood **Community Bank®** Branch in January 2013 and is managing all aspects of the business including the renovation and development. Mark has over 10 years experience in the financial sector across retail and business banking.

I consider it to be a great privilege to have been appointed to the role of Branch Manager and I am genuinely excited about joining the team, with the opportunity to help develop and grow our business, building on what has clearly been a successful past 10 years.

My review of the 2013 financial year's performance highlights that it was clearly an interesting and challenging year for our business, the financial services industry and the economy in general. Due to a focussed effort by the team we were able to keep the sales growth in the right direction. I look forward to working a full and successful financial year ahead in 2013/14.

The major aim for this financial year is to balance our books by writing more home and business loans as the deposit interest rates are currently at their lowest for quite some time.

I would like to sincerely thank Merv Ericson for his previous efforts and the rest of the team, Sarah, Paul, Cathy, Jenny, Julie and Michelle for their continued efforts, especially in supporting the changes that I have brought into the business since January.

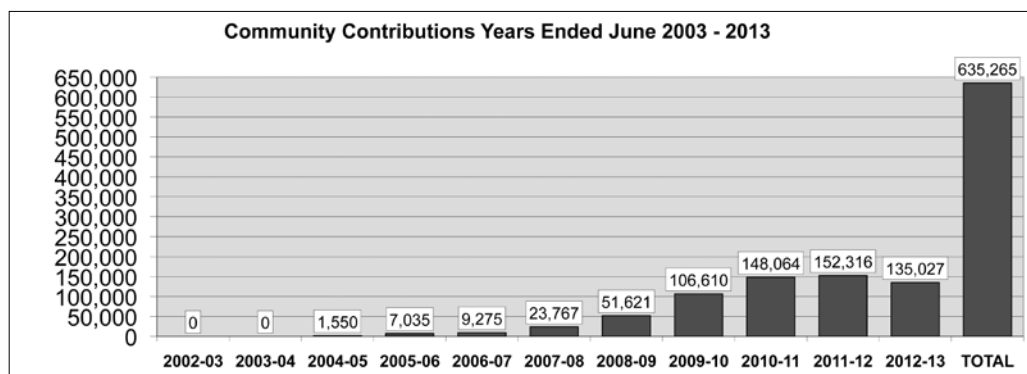
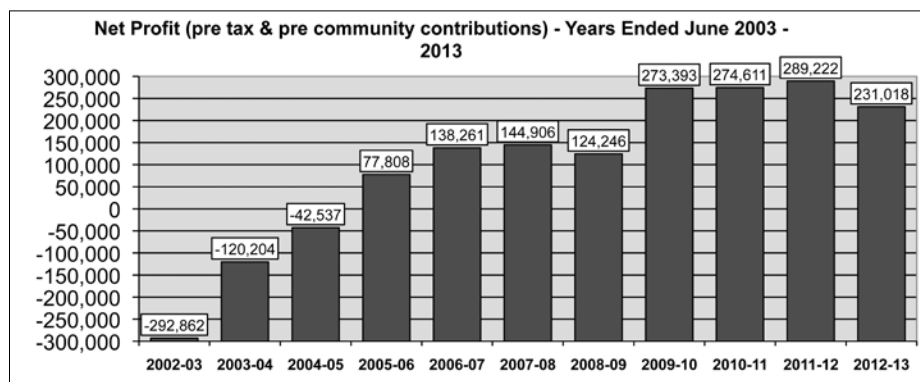
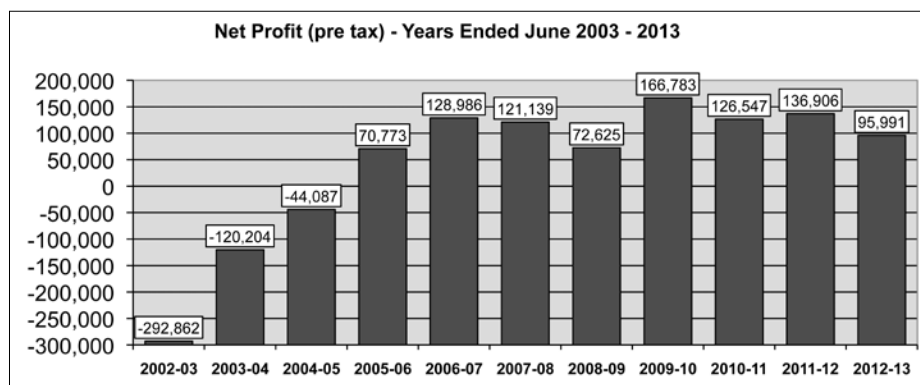
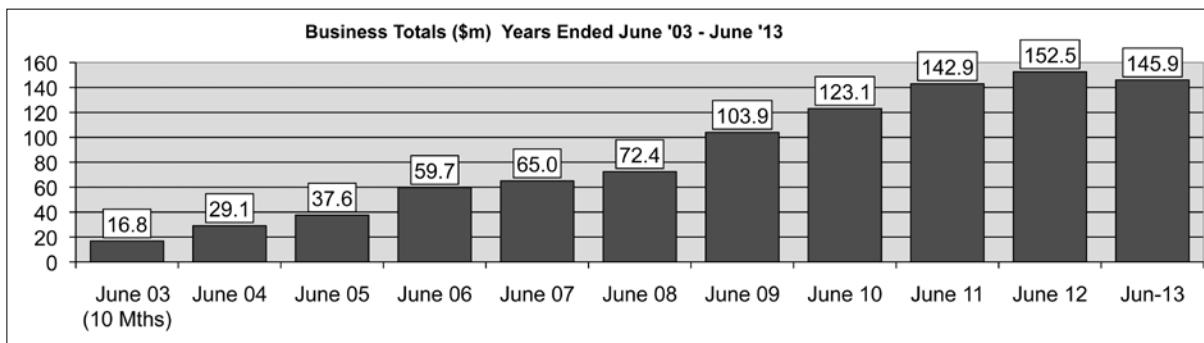
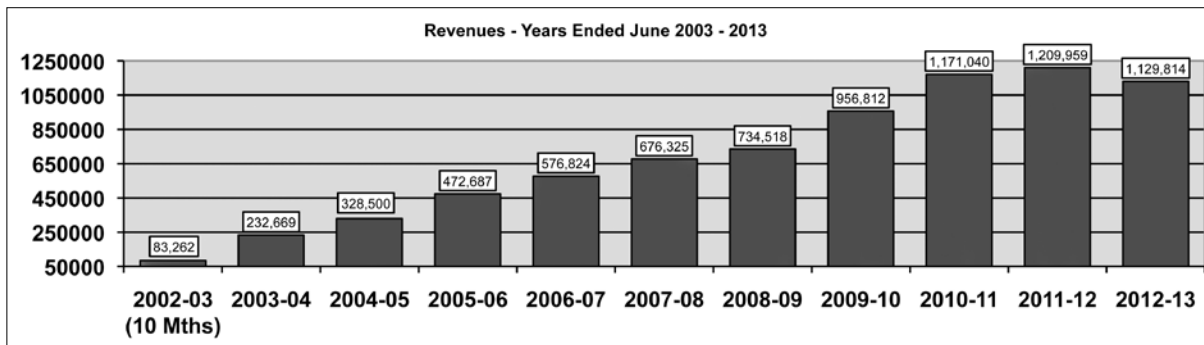
With our new tailored sponsorship arrangements and successful Grant Night in May, we have been able to assist numerous not-for-profit organisations including community, volunteer, educational, and sporting groups refocus on partnerships that create a win-win scenario - the more their members bank with Pinewood **Community Bank®** Branch the more cash rewards the group will receive. I encourage members of all local sports clubs, school communities and community organisations to choose Pinewood **Community Bank®** Branch for their banking needs.

I would like to thank our Chairman, Dianne Taylor and all the Directors and members of our committees for their support of the branch. I also want to thank our shareholders, customers and community groups for their partnerships.



**Mark Davenport**  
**Branch Manager**

# Performance graphs





# Director summaries

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For year ending 30 June 2013

## Returning Directors



### **Dianne Taylor**

Chairman / Director

Dianne was the co-owner of a successful engineering business that employed up to 30 staff and has operated for over 25 years. She is also experienced as a financial controller. Dianne is passionate about strong community leadership, economic development and education and works to bring consensus among stakeholders in any situation. Dianne's practical experience is supported by qualifications in coaching, training, business and human resource management and she is a Fellow of the Australian Institute of Management. She is a former lecturer in Leadership at Monash University and serves as a Director on several Boards. Her community involvement includes pro bono work for local not-for-profits through Monash Volunteer Resource Centre.

Board member since 22 February 2011



### **Mark Eaton**

Deputy Chairman/Director focussed on Community Engagement

Mark is a partner in a fast-growing law firm, HDME Lawyers, with an office in Pinewood, Melbourne and working in Singapore. He brings both an enthusiasm for this community and legal, interpersonal and negotiation skills to the Board. Mark's areas of legal expertise include business, property, commercial, wills and estates and litigation. He has also given public presentations on demystifying the law in these areas. He is deeply involved with our local sports clubs and other groups.

Board member since 22 November 2011



### **Serah Van Haeften**

Company Secretary/Director focussed on Corporate Governance

Serah is a lawyer with a passion for best practise corporate governance standards. She currently works as an in-house legal counsel for national retail firm Specsavers and her previous experience includes acting as the Company Secretary for a number of Commonwealth Bank subsidiary companies and assisting with the Company Secretariat function of the Commonwealth Bank board. At present she is completing the Graduate Diploma in Applied Corporate Governance through Governance Institute of Australia and is a member of the Law Institute of Australia. She has been involved in a number of non-profit groups and local schools and is committed to developing better community relationships and values.

Board member since 25 September 2012

## Director summaries (continued)

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### **David McPherson**

Treasurer/Director

David has run his namesake business, McPherson Financial Services, for 12 years helping local businesses and individuals build wealth through informed financial decisions. He began his career in accounting before moving into management and CFO roles. He is a CPA and has prepared PCFSL's financials with precision and professional rigour.

Board member from 24 May 2011



### **Dominic Stambe**

Director focussed on Local Business

Dominic is an accredited pharmacist and local business owner. He has deep professional and personal roots in the local community having worked in the Pinewood Village pharmacy (now Priceline) for 24 years. He has been a partner in the business for 16 years. Together with John Sgroi, Dominic joined the Board when PCFSL opened and was part of the original group that had a material impact on Pinewood's establishment and success.

Board member since 30 January 2002



### **Petar Ivetic**

Director focussed on Corporate Governance

Petar's professional expertise is project management and he has delivered over 150 projects in his 25 year career in telecommunications. Petar has a Masters in Project Management as well as other qualifications. However Petar is most passionate about community cricket and the local groups he's involved with. Petar is a member of the Australian Institute of Company Directors and the Australian Institute of Project Managers. He has served as Master of Ceremonies for many PCFSL events.

Board member since 1 October 2010



### **John Sgroi**

Director (HR and Community Engagement Committees) and inaugural Chairman

John was instrumental in getting PCFSL off the ground, he was the inaugural Chairman for 8 years and continues to be a strong advocate for the bank. He has been a community pharmacist for 44 years and has run the local pharmacy, now a Priceline franchise, for 23 years. John has deep ties to the community and has been an active Rotarian for 19 years as well as a past President of the local Chamber of Commerce.

Board member since 30 January 2002

## Director summaries (continued)

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### **Stephanie Christie**

Director focussed on Marketing

Stephanie brings a blend of professional and community experience to her role on the Board. She has run her own small business, a professional services consultancy, for several years. Her skills include management, leadership, marketing analysis, research and direct marketing. She has a number of tertiary qualifications and was a past Director of RACV Credit Union. She is involved in several local groups in the arts and business spheres including Treasurer and VP of Monash Chorale, Treasurer of Foundation Boroondara and Committee member of the Waverley Eisteddfod.

Board member since 25 September 2012

## New Directors



### **Sebastian Leeder**

Director focussed on Human Resources

Sebastian is a people-oriented, hands-on business owner with over ten years' experience recruiting technical specialists for the engineering and government sectors. He has an in-depth understanding of what organisations need in terms of human resources and how to help them reach their goals by finding and keeping the best people. He also has a strong history of local volunteer involvement. Sebastian's family ran newsagencies in local shopping centres and so he understands the issues that local traders, PCFSL's customers and neighbours, would have.

Joined the Board on 26 March 2013



### **Robert Davies**

Director focussed on Marketing and Community Engagement

Family values are important to Robert, who was elected to the Monash City Council in 2012 in the Mulgrave Ward. He is a local resident who grew up in the USA and settled permanently in Melbourne in 1997. Robert has over twenty years experience in leadership roles in business and finance working in Europe and Australia. He is a member of a number of professional associations including the Stockbrokers Association of Australia and Australian Institute of Company Directors. Since 2005, Robert has worked as a private client advisor for Patersons Securities. Prior to that he managed a telecommunications services business for seven years building the turnover to \$80 million.

Joined the Board on 28 August 2013

# Director summaries (continued)

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## Retired Directors



### **David Priest**

Retired Director and previous Chairman

David was one of the original supporters for a **Community Bank**® branch in Pinewood Village and has been on our Board since we began. He helped steer the bank through its early stages and later served as Chairman in 2011 - 2012. He has experience as a local businessman, having run the Pinewood Newsagency, as well as spending 20 years in the furniture manufacturing industry.

Board member from 30 January 2002 to 30 June 2013



### **Sanchivaran Thavarajah**

Retired Director

Sanchivaran has completed a Bachelor of Commerce (Finance) and Law at Monash University. His varied experience included creating an internet start-up, business analyst roles and being the Founding President of the Monash Finance Association.

Board member from 22 November 2011 to 9 November 2012



### **Tindaro Li-Donni**

Retired Director

Tindaro has successfully run Salon Eclipse, Pinewood Village's hair salon, for 20 years and was one of the early supporters for a **Community Bank**® branch in the strip. Tindaro has sat on the PCFSL Board while also being an integral part of the local Chamber of Commerce, where he is in his third term as President. Tindaro is heavily involved in the local community including the Eolian Club for Italian migrants.

Board member since 30 January 2002 to 17 January 2013

On behalf of Directors present and past, shareholders, staff, customers and our community the Board warmly thanks all outgoing Directors for their commitment, support and dedication. We hope you'll continue to be part of the growing Pinewood Community Financial Services Limited network.



# Directors' report

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For the financial year ended 30 June 2013

Your Directors submit their report of the company for the financial year ended 30 June 2013.

## Directors

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

### **Dianne Louise Taylor**

Director/Chairman

Experience / Special Responsibilities

Has over 25 years experience managing in the engineering industry as well as Board facilitation and Directorship.

Director since 22 February 2011

### **David Eric McPherson**

Director/Treasurer

Experience / Special Responsibilities

Certified Practising Accountant operating his own accounting practice.

Director since 24 May 2011

### **Tindaro Armando Li-Donni**

Director

Experience / Special Responsibilities

Proprietor of hairdressing salon in Pinewood for over 20 years.

Resigned as Director 17 January 2013

### **Harry William David Priest**

Director

Experience / Special Responsibilities

Past proprietor of Pinewood Newsagency and 20 years in furniture manufacturing industry.

Resigned as Director 30 June 2013

### **Michael John Sgroi**

Director

Experience / Special Responsibilities

Pharmacist in Pinewood for 24 years, community pharmacist for 44 years and Rotarian with an active interest in the community.

Director since 30 January 2002

### **Mark Daniel Eaton**

Director/Deputy Chairman

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

Director since 22 November 2011

### **Petar Ivetic**

Director

Experience / Special Responsibilities

Senior Project Manager in the Telecommunications industry for the past 25 years.

Director since 1 October 2010

### **Sanchivaran Thavarajah**

Director

Experience / Special Responsibilities

Commerce (Finance) and Law Graduate at Monash University. Founding President of the Monash Finance Association.

Resigned as Director 9 November 2012

### **Dominic Stambe**

Director

Experience / Special Responsibilities

Pharmacist in Pinewood for 24 years.

Director since 30 January 2002

### **Stephanie Barbara Christie**

Director

Experience / Special Responsibilities

Operates own company and has over 15 years experience in marketing analysis and market research.

Appointed Director 25 September 2012

# Directors' report (continued)

## Serah Van Haeften

Director/Secretary

Experience / Special Responsibilities

Lawyer within Specsavers Pty Ltd legal team.

Expertise in corporate governance, company secretarial practice, franchising & immigration.

Appointed Director 25 September 2012

## Sebastian James Leeder

Director

Experience / Special Responsibilities

Human Resource Specialist and is owner of

Armstrong Personnel - Recruitment and HR Solutions.

Appointed Director 26 March 2013

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

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

## Principal activities

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

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

## Review of operations

The profit/(loss) of the company for the financial year after provision for income tax was \$66,772 (2012 profit: \$95,103).

The net assets of the company have increased to \$615,576 (2012: \$596,711) an increase of \$18,865.

## Dividends

	Year ended 30 June 2013	
	Cents per share	\$
Final dividends recommended:	8	42,584
Dividends paid in the year:		
- As recommended in the prior year report	9	47,907

## Significant changes in the state of affairs

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

## Events subsequent to reporting date

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

## Likely developments

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

## Environmental regulations

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

# Directors' report (continued)

## 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.

## Remuneration report

Directors are paid an annual fee of \$3,000 (office bearers) with additional amounts for appointed positions.

The names of Directors who have held office during the year ended 30 June and the Directors fees paid are:

	2013 \$	2012 \$
Dianne Taylor	4,625	2,050
Harry William David Priest (resigned 30/6/13)	4,500	4,175
Michael John Sgroi	2,750	2,200
Tindaro Li-Donni (resigned 17/1/13)	1,250	2,200
Dominic Stambe	3,000	2,200
Petar Ivetic	3,375	2,200
David McPherson	4,500	3,500
Mark Eaton	3,375	2,691
Sanchivaran Thavarajah (resigned 9/11/12)	1,000	1,617
Serah Van Heaften (appointed 25/9/12)	3,750	-
Stephanie Barbara Christie (appointed 25/9/12)	3,750	-
Sebastian James Leeder (appointed 26/3/13)	1,167	-

The current Branch Manager, Mark Davenport and previous Branch Manager, Merv Ericson, are not considered as key management personnel as the Branch Manager does not plan, direct and control the activities of the entity. Accordingly their remuneration is not required to be disclosed.

These functions are carried out by the Board of Directors.

# Directors' report (continued)

## Indemnifying Officers or Auditor

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

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

## Directors' meetings

The number of Directors' meetings held during the year were 12. Attendances by each Director during the year were as follows:

Director	Board meetings attended	Meetings eligible to attend
Dianne Taylor	12	12
David McPherson	11	12
Dominic Stambe	8	12
Michael John Sgroi	9	12
Tindaro Li-Donni	4	6
Harry William David Priest	9	12
Sanchivaran Thavarajah	2	4
Mark Daniel Eaton	11	12
Petar Ivetic	10	12
Serah Van Heaften	9	10
Stephanie Barbara Christie	9	10
Sebastian James Leeder	4	4

## Company Secretary

Serah Van Haeften has been the Company Secretary of Pinewood Community Financial Services Limited since 25 September 2012. Serah's qualifications and experience include being an inhouse lawyer within Specsavers Pty Ltd's legal team.

Mark Daniel Eaton was the Company Secretary of Pinewood Community Financial Services Limited from 22 November 2011, to his resignation as Secretary on 25 September 2012.



## Directors' report (continued)

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### **Auditor independence declaration**

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 16 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Mount Waverley on 12 September 2013.



**Dianne Taylor**  
**Director**



**David McPherson**  
**Director**

# Auditor's independence declaration



PINEWOOD COMMUNITY FINANCIAL SERVICES LIMITED  
(A.B.N. 26 099 420 050)

AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

**M V ANDERSON & CO**  
Chartered Accountants  
[www.mvanderson.com.au](http://www.mvanderson.com.au)

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, 2013 there have been no contraventions of:

- (i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

*M V Anderson & Co*

**M V ANDERSON & CO**  
Chartered Accountants  
4th Floor,  
313 La Trobe Street,  
Melbourne Vic 3000

*Graeme S. Day*

**GRAEME S. DAY**  
Partner

Dated: 11 September, 2013

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Commitment  
Confidence*

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5

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# Financial statements

## Statement of profit or loss and other comprehensive income for the year ended 30 June 2013

	Note	2013 \$	2012 \$
<b>Revenue</b>			
Revenue	2	1,129,814	1,209,959
<b>Expenses</b>			
Administration costs		187,843	159,017
IT expenses		21,869	29,907
Occupancy costs		80,405	73,805
Employee benefits expense	3	578,304	614,398
Depreciation and amortisation expense	3	23,050	27,128
Finance costs	3	12	20
Other expenses		7,313	16,462
<b>Operating profit before charitable donations &amp; sponsorships</b>		<b>231,018</b>	<b>289,222</b>
Charitable donations and sponsorships		135,027	152,316
<b>Profit before income tax expense</b>		<b>95,991</b>	<b>136,906</b>
Income tax expense	4	29,219	41,803
<b>Net profit for the year</b>		<b>66,772</b>	<b>95,103</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>66,772</b>	<b>95,103</b>
<b>Profit attributable to members of the entity</b>		<b>66,772</b>	<b>95,103</b>
<b>Total comprehensive income attributable to members of the entity</b>		<b>66,772</b>	<b>95,103</b>
<b>Earnings per share (cents per share)</b>			
- basic for profit for the year	21	13	18
- diluted for profit for the year	21	13	18

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of financial position as at 30 June 2013

	Note	2013 \$	2012 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	458,116	501,047
Trade and other receivables	7	88,537	79,201
Current tax refundable	4	11,306	-
Other assets	8	12,029	15,660
<b>Total current assets</b>		<b>569,988</b>	<b>595,908</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	84,113	96,842
Deferred tax asset	4	29,247	34,154
Intangible assets	10	46,149	-
<b>Total non-current assets</b>		<b>159,509</b>	<b>130,996</b>
<b>Total assets</b>		<b>729,497</b>	<b>726,904</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	78,503	75,188
Current tax payable	4	-	10,870
Provisions	12	34,993	42,688
<b>Total current liabilities</b>		<b>113,496</b>	<b>128,746</b>
<b>Non current liabilities</b>			
Deferred Income Tax (DTL)	4	425	1,447
<b>Total non current liabilities</b>		<b>425</b>	<b>1,447</b>
<b>Total liabilities</b>		<b>113,921</b>	<b>130,193</b>
<b>Net assets / (liabilities)</b>		<b>615,576</b>	<b>596,711</b>
<b>Equity</b>			
Issued capital	13	532,300	532,300
Retained earnings		83,276	64,411
<b>Total equity</b>		<b>615,576</b>	<b>596,711</b>

The accompanying notes form part of these financial statements.



## Financial statements (continued)

### Statement of changes in equity for the year ended 30 June 2013

	Note	2013 \$	2012 \$
<b>Issued capital</b>			
Balance at start of year		532,300	532,300
Issue of share capital		-	-
Share issue costs		-	-
<b>Balance at end of year</b>		<b>532,300</b>	<b>532,300</b>
<b>Retained earnings/(accumulated losses)</b>			
Balance at start of year		64,411	17,215
Net Profit for the year		66,772	95,103
Dividends paid		(47,907)	(47,907)
<b>Balance at end of year</b>		<b>83,276</b>	<b>64,411</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of cash flow for the year ended 30 June 2013

	Note	2013 \$	2012 \$
<b>Cash flows from operating activities</b>			
Receipts from clients		1,202,008	1,280,005
Payments to suppliers and employees		(1,117,924)	(1,132,291)
Interest paid		(12)	(20)
Interest received		23,186	19,031
Income tax paid		(47,510)	(35,640)
<b>Net cash flows from/(used in) operating activities</b>	<b>15b</b>	<b>59,748</b>	<b>131,085</b>
<b>Cash flows from investing activities</b>			
Payment for franchisee fee		(57,686)	-
Purchase of property, plant & equipment		(9,448)	-
Sale of property, plant & equipment		12,361	-
<b>Net cash flows from/(used in) investing activities</b>		<b>(54,773)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(47,907)	(47,907)
<b>Net cash flows from/(used in) financing activities</b>		<b>(47,907)</b>	<b>(47,907)</b>
<b>Net increase/(decrease) in cash held</b>		<b>(42,932)</b>	<b>83,178</b>
Cash and cash equivalents at start of year		501,047	417,869
<b>Cash and cash equivalents at end of year</b>	<b>15a</b>	<b>458,116</b>	<b>501,047</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2013

## 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 2013 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 (including Australian Accounting Interpretations) of the Australian Accounting Standards Board 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 Australian Accounting Standards Board 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 (IFRS). Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

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

The financial statements were authorised for issue by the Directors on 12 September 2013.

### **(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.

### **(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:

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### (c) Property, plant and equipment (continued)

Class of asset	Depreciation rate
Leasehold improvements	5 - 6.67%
Furniture & 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 Australian Taxation Office (ATO). 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 inclusive of the amount of GST.

The net amount of GST recoverable from, or payable to, the ATO 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 investing and financing activities which are recoverable from, or payable to, the ATO are presented 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.

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 charges for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.



# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **(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 expected to be collected within 12 months at the end of the reporting period are classified as current assets. 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 and interpretations not yet adopted**

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

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

#### **(i) AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)**

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is not expected to have an impact on the company's financial assets or financial liabilities.

#### **(ii) AASB 13 Fair Value Measurement (2011)**

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The company is currently reviewing its methodologies in determining fair values. AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

#### **(iii) AASB 119 Employee Benefits (2011)**

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the company. However, the company may need to assess the impact of the change in measurement principles of expected return on plan assets. AASB 119 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **(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 or constructive obligation, as a result of past events, for which is probable that the outflow of economic benefits will result and the outflow can be reliably measured.

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

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

### **(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.

### **(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.

# Notes to the financial statements (continued)

## Note 1. Summary of significant accounting policies (continued)

### (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 cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less 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.

#### (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 to be impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtor is experiencing significant financial difficulty or changes in economic conditions.

	2013 \$	2012 \$
<b>Note 2. Revenue and other income</b>		
Revenue		
- services commissions	1,110,035	1,188,550
- other revenue	-	-
	<b>1,110,035</b>	<b>1,188,550</b>

## Notes to the financial statements (continued)

	2013 \$	2012 \$
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### Note 2. Revenue and other income (continued)

#### Other revenue

- interest received	19,779	21,409
- other revenue	-	-
	<b>19,779</b>	<b>21,409</b>
<b>Total revenue</b>	<b>1,129,814</b>	<b>1,209,959</b>

### Note 3. Expenses

#### Employee benefits expense

- wages and salaries	519,567	498,431
- superannuation costs	44,224	46,644
- workers' compensation costs	960	1,962
- other costs	13,553	67,361
	<b>578,304</b>	<b>614,398</b>

#### Depreciation of non-current assets:

- plant and equipment	6,391	7,736
- leasehold improvements	4,578	4,648
- motor vehicle	544	3,736

#### Amortisation of non-current assets:

- intangible assets	11,537	11,008
	<b>23,050</b>	<b>27,128</b>

#### Finance costs:

- Interest paid	<b>12</b>	<b>20</b>
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Bad debts	(39)	155
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<b>Rental expenses on operating lease</b>	<b>54,686</b>	<b>49,340</b>
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## Notes to the financial statements (continued)

	2013 \$	2012 \$
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### Note 4. Income tax expense

b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

Prima facie tax on profit/(loss) before income tax at 30%	28,797	41,072
Add tax effect of:		
- Non-deductible expenses	422	1,931
- Underprovision in respect of prior year	-	(1,200)
<b>Current income tax expense</b>	<b>29,219</b>	<b>41,803</b>
The applicable weighted average effective tax rate is	30%	31%
Current income tax expense	25,334	46,091
Underprovision in respect of prior year		(1,200)
Origination and reversal of temporary differences	3,885	(3,088)
<b>Income tax expense</b>	<b>29,219</b>	<b>41,803</b>
<b>Tax liabilities</b>		
<b>Current tax payable/(refundable)</b>	<b>(11,306)</b>	<b>10,870</b>
<b>Deferred tax asset</b>	<b>29,247</b>	<b>34,154</b>
<b>Deferred tax liability</b>	<b>425</b>	<b>1,447</b>

### Note 5. Auditors' remuneration

Remuneration of the Auditor for:

<b>- Audit or review of the financial report</b>	<b>6,300</b>	<b>6,000</b>
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### Note 6. Cash and cash equivalents

Cash at bank and on hand	32,061	36,188
Short term bank deposits	426,055	464,859
	<b>458,116</b>	<b>501,047</b>

The effective interest rate on short term bank deposits was 4.4% (2012 - 5.3%)

### Note 7. Trade and other receivables

#### Current

Trade debtors	87,119	74,376
Accrued Interest	1,418	4,825
	<b>88,537</b>	<b>79,201</b>

## Notes to the financial statements (continued)

	2013 \$	2012 \$
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### Note 8. Other assets

<b>Prepayments</b>	<b>12,029</b>	<b>15,660</b>
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### Note 9. Property, plant and equipment

#### Leasehold improvements

At cost	74,499	74,499
Less accumulated depreciation	(47,377)	(42,799)
	<b>27,122</b>	<b>31,700</b>

#### Furniture & fittings

At cost	156,114	146,666
Less accumulated depreciation	(99,123)	(92,732)
	<b>56,991</b>	<b>53,934</b>

#### Motor vehicles

At cost	-	18,182
Less accumulated depreciation	-	(6,974)
	<b>-</b>	<b>11,208</b>

<b>Total written down amount</b>	<b>84,113</b>	<b>96,842</b>
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#### Movements in carrying amounts

##### Leasehold improvements

Carrying amount at beginning of year	31,700	36,348
Additions		
Disposals		-
Depreciation expense	4,578	4,648
<b>Carrying amount at end of year</b>	<b>27,122</b>	<b>31,700</b>

##### Furniture & fittings

Carrying amount at beginning of year	53,934	61,670
Additions	9,448	-
Disposals	-	-
Depreciation expense	6,391	7,736
<b>Carrying amount at end of year</b>	<b>56,991</b>	<b>53,934</b>



## Notes to the financial statements (continued)

	Note	2013 \$	2012 \$
Note 9. Property, plant and equipment (continued)			
<b>Motor vehicles</b>			
Carrying amount at beginning of year		11,208	14,944
Additions		-	-
Disposals		10,664	-
Depreciation expense		544	3,736
<b>Carrying amount at end of year</b>		<b>-</b>	<b>11,208</b>

## Note 10. Intangible assets

<b>Franchise fee</b>			
At cost		57,686	55,041
Less accumulated amortisation		(11,537)	(55,041)
		<b>46,149</b>	<b>-</b>

## Note 11. Trade and other payables

<b>Current</b>			
Other payables		7,444	580
Employee benefits - annual leave	12 (b)	29,001	39,244
Accrued expenses		42,058	35,364
		<b>78,503</b>	<b>75,188</b>

## Note 12. Provisions

<b>Current</b>			
<b>Employee benefits</b>	<b>12 (b)</b>	<b>34,993</b>	<b>42,688</b>
<b>Number of employees at year end</b>		<b>8</b>	<b>7</b>
<b>(a) Movement in employee benefits</b>			
Opening balance		42,688	35,289
Additional provisions recognised		12,669	7,399
Amounts utilised during the year		(20,364)	-
<b>Closing balance</b>		<b>34,993</b>	<b>42,688</b>

# Notes to the financial statements (continued)

## Note 12. Provisions (continued)

### (b) Provision for employee benefits

Provision for employee benefits represents amounts provided for annual leave and long service leave.

The current portion for this provision includes the total amount provided for annual leave entitlements and the amounts provided for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts provided for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

	2013 \$	2012 \$
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## Note 13. Share capital

<b>532,300 Ordinary shares fully paid of \$1 each</b>	<b>532,300</b>	<b>532,300</b>
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### Movements in share capital

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands.

The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

	2013 \$	2012 \$
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## Note 14. Capital and leasing commitments

### 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	79,750
- between 12 months and five years	239,250	319,000
	<b>319,000</b>	<b>398,750</b>

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.

## Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 14. Capital and leasing commitments (continued)		
<b>b) Capital expenditure commitments</b>		
Capital expenditure commitments contracted for:		
Renovation fit-out of office		
<b>Payable not later than 12 months</b>	<b>172,017</b>	<b>-</b>

## Note 15. Statement of cash flows

**(a) Cash and cash equivalents balances as shown in the statement of financial position can be reconciled to that shown in the statement of cash flows as follows**

Cash at bank and on hand	458,116	501,047
<b>As per the statement of cash flow</b>	<b>458,116</b>	<b>501,047</b>

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

Profit after income tax	66,772	95,103
Non cash items		
- Depreciation	11,513	16,120
- Amortisation	11,537	11,008
- Profit on sale of assets	(1,700)	-
Changes in assets and liabilities		
- (Increase) decrease in prepayments	3,631	(6,822)
- (Increase) decrease in receivables	(9,335)	486
- Increase/(decrease) in income tax	(22,176)	9,252
- (Increase) decrease in deferred tax asset	3,885	(3,088)
- Increase (decrease) in payables	3,316	1,628
- Increase (decrease) in provisions	(7,695)	7,398
<b>Net cash flows from/(used in) operating</b>	<b>59,748</b>	<b>131,085</b>

## Note 16. Director and related party transactions

The company's main related parties are as follows:

**(a) Key management personnel**

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

# Notes to the financial statements (continued)

## Note 16. Director and related party transactions (continued)

### (b) Other related parties

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

### (c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company.

### (d) Key management personnel shareholdings

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

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

Harry William David Priest (resigned 30/06/2013)  
David McPherson  
Michael John Sgroi  
Tino Li-Donni (resigned 17/01/2013)  
Dominic Stambe  
Petar Ivetic  
Dianne Taylor  
Mark Eaton  
Raj Thavarajah (resigned 09/11/2012)  
Stephanie Barbara Christie (appointed 25/09/2012)  
Serah Van Haeften (appointed 25/09/2012)  
Sebastian James Leeder (appointed 26/03/2013)

Fees paid to Directors are disclosed in the Remuneration Report.

The company has incurred accounting costs of \$19,132 which were paid to McPherson Financial Solutions of which David McPherson has beneficial interest and, legal fees of \$2,415 which were paid to HDME Lawyers of which Mark Eaton has beneficial interest. These transactions were on normal commercial terms and no more favourable than those available to other parties.

Directors' shareholdings	2013	2012
Harry William David Priest	5,000	5,000
David McPherson	-	-
Michael John Sgroi	10,000	10,000
Tino Li-Donni	10,000	10,000
Dominic Stambe	10,000	10,000
Petar Ivetic	-	-
Dianne Taylor	-	-

# Notes to the financial statements (continued)

## Note 16. Director and related party transactions (continued)

### (d) Key management personnel shareholdings (continued)

Directors' shareholdings	2013	2012
Mark Eaton	-	-
Raj Thavarajah	-	-
Stephanie Barbara Christie	-	-
Serah Van Haeften	-	-
Sebastian James Leeder	-	-

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

## Note 17. Events after the reporting period

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

## Note 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 Limited who account for 100% of the revenue (2012: 100%).

## Note 20. Company details

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

## 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).

## Notes to the financial statements (continued)

	2013 \$	2012 \$
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### Note 21. Earnings per share (continued)

The following reflects the income and share data used in the basic and diluted earnings per share computations:

<b>Profit after income tax expense</b>	<b>66,772</b>	<b>95,103</b>
<b>Weighted average number of ordinary shares for basic and diluted earnings per share</b>	<b>532,300</b>	<b>532,300</b>

### Note 22. Dividends paid or provided for on ordinary shares

#### (a) Dividends proposed and not recognised as a liability

Franked dividends - 8 cents per share (2012: 9 cents per share)	42,584	47,907
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#### (b) Dividends paid during the year

Previous year final		
Unfranked dividends - Nil	-	-
Franked dividends - 9 cents per share (2012: 9 cents)	47,907	47,907

#### (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	130,819	103,842
- Franking credits/(debits) that will arise from the payment of income tax payable as at the end of the financial year	(11,306)	10,870
- 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	-	-
	<b>119,513</b>	<b>114,712</b>

The tax rate at which dividends have been franked is 30% (2012: 30%).

Dividend proposed will be franked at a rate of 30% (2012 - 30%).

# Notes to the financial statements (continued)

## 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 as detailed in the accounting policies are as follows:

	Note	2013 \$	2012 \$
<b>Financial assets</b>			
Cash & cash equivalents	6	426,055	501,047
Trade and other receivables	7	88,537	79,201
<b>Total financial assets</b>		<b>514,592</b>	<b>580,248</b>
<b>Financial liabilities</b>			
Trade and other payables	10	78,503	75,188
<b>Total financial liabilities</b>		<b>78,503</b>	<b>75,188</b>

### 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	
	2013 \$	2012 \$
Cash and cash equivalents	458,116	501,047
Receivables	88,537	79,201
	<b>546,653</b>	<b>580,248</b>

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

None of the assets of the company are past due (2012: 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.



# Notes to the financial statements (continued)

## Note 23. Financial risk management (continued)

### (a) Credit risk (continued)

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

### (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:

	Note	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>30 June 2013</b>					
<b>Financial liabilities due</b>					
Trade and other payables	11	78,503	78,503	–	–
Loans and borrowings		-	-	–	–
<b>Total expected outflows</b>		<b>78,503</b>	<b>78,503</b>	<b>–</b>	<b>–</b>
<b>Financial assets - realisable</b>					
Cash & cash equivalents	6	458,116	458,116	–	–
Trade and other receivables	7	88,537	88,537	–	–
<b>Total anticipated inflows</b>		<b>546,653</b>	<b>546,653</b>	<b>–</b>	<b>–</b>
<b>Net (outflow)/inflow</b>		<b>625,156</b>	<b>625,156</b>	<b>–</b>	<b>–</b>

	Note	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>30 June 2012</b>					
<b>Financial liabilities due</b>					
Trade and other payables	11	75,188	75,188	–	–
Loans and borrowings		-	-	–	–
<b>Total expected outflows</b>		<b>75,188</b>	<b>75,188</b>	<b>–</b>	<b>–</b>

# Notes to the financial statements (continued)

## Note 23. Financial risk management (continued)

### (b) Liquidity risk (continued)

	Note	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>30 June 2012 (continued)</b>					
<b>Financial assets - realisable</b>					
Cash & cash equivalents	6	501,047	501,047	–	–
Trade and other receivables	7	79,201	79,201	–	–
<b>Total anticipated inflows</b>		<b>580,248</b>	<b>580,248</b>	–	–
<b>Net (outflow)/inflow on financial instruments</b>		<b>655,436</b>	<b>655,436</b>	–	–

#### Financial assets pledged as collateral

There are no material amounts of collateral held as security as at 30 June 2013 and 30 June 2012.

### (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 the risk 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	
	2013 \$	2012 \$
<b>Fixed rate instruments</b>		
Financial assets	426,055	464,859
Financial liabilities	-	-
	<b>426,055</b>	<b>464,859</b>
<b>Floating rate instruments</b>		
Financial assets	31,811	35,398
Financial liabilities	-	-
	<b>31,811</b>	<b>35,398</b>

# Notes to the financial statements (continued)

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## Note 23. Financial risk management (continued)

### (c) Market risk (continued)

#### Fair value sensitivity analysis for fixed rate instruments

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

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2012 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.

#### 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 2013 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

# Directors' declaration

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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 2013 and of the performance for the year ended on that date;
- 2 in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



**Dianne Taylor**  
**Director**



**David McPherson**  
**Director**

Signed at Mount Waverley on 12 September 2013.

# Independent audit report

PINEWOOD COMMUNITY FINANCIAL SERVICES LIMITED  
(A.B.N. 26 099 420 050)

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINEWOOD COMMUNITY FINANCIAL SERVICES LIMITED

We have audited the accompanying financial report of Pinewood Community Financial Services Limited (the company), which comprises the statement of financial position as at 30 June, 2013 and the statement of profit or loss and other 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 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 Accounting Standard AASB101: *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 have conducted our audit in accordance with Australia 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 risk assessments, the auditor considers internal control relevant to the company'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 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 given to the directors as at the time 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 2013 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 statements and accompanying notes also comply with International Financial Reporting Standards as disclosed in Note 1.

### Report on the Remuneration Report

We have audited the remuneration report included on page 3 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A 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 Accounting Standards.

### Auditor's Opinion

In our opinion the remuneration report of Pinewood Community Financial Services Limited for the year ended 30 June 2013 complies with s 300A of the *Corporations Act 2001*.

*M V Anderson & Co*

M V ANDERSON & CO  
Chartered Accountants  
4th Floor,  
313 La Trobe Street,  
Melbourne Vic 3000

*Graeme S. Day*

GRAEME S. DAY  
Partner

Dated: 13 September, 2013

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