



# Annual Report 2014

Pinewood Community  
Financial Services Limited

ABN 26 099 420 050

Pinewood **Community Bank**<sup>®</sup> Branch





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# Chairman's report

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For year ending 30 June 2014



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

## **Our business achievements**

The 2013/14 year has been one of consolidation and holding our ground in a competitive market. Our revenue was down on previous years and this has impacted on profit and our community contributions. Shareholder returns have been maintained due to careful management of expenses, especially employment costs.

Our revenue has been impacted by a Bendigo and Adelaide Bank initiative called 'Restoring the Balance' which has changed the way income is shared between the corporate arm of Bendigo and Adelaide Bank, who we have a franchise agreement with, and **Community Bank**® branches. Our franchise agreement states that revenue should be split equally, but in the past the **Community Bank**® branches have often received more than half, so 'Restoring the Balance' aims to rectify this. The result is that our income has been reduced in the 2013/14 financial year and our projections for the 2014/15 financial year show a further reduction as we experience a full year under the new arrangements.

While this is out of our control, we are working to address the impact by marketing the branch and growing the business even more actively through increasing our profile in the community and training all staff so they can have personalised sales conversations with customers.

## **Our Manager and staff**

Mark Davenport has completed his first full year with us, and has become well known within community groups thanks to his dedication and hard work. He was joined by Paul Jerram as Assistant Manager in July, after Sarah Caldere accepted a promotion into Bendigo and Adelaide Bank Head Office at Docklands. Sarah was with us from the early days and her friendly personality and professionalism helped make Pinewood Community Financial Services Limited (PCFSL) the success it is today. We wish Sarah all the best in her new role and welcome Paul who has brought fresh enthusiasm and passion for the community to this role.

I would also like to acknowledge Donna Reid who filled Sarah's role from January to July 2014, and Jenny Jones who has been on long term leave for most of this year, along with the rest of our very capable and dedicated staff - Paul Tyson, Cathy Torpy, Julie O'Reilly and Michelle Cadusch. Their enthusiasm, attention to detail and caring personal service are an asset to the branch and a credit to each one of them.

## **Our Board**

PCFSL continues to benefit from a team of talented Directors who are committed to the company's success and willing to donate their time and effort to this company. They are Mark Eaton, Sarah Van Haeften, David McPherson, Stephanie Christie, Sebastian Leeder, John Sgroi, Dominic Stambe, Robert Davies and Petar Ivetic, and each one has made a significant contribution to our success. This year we have focussed on implementing our strategic plan, more effective corporate governance and better return on investment from our community involvement.

Our team has been constant for the last year but three Directors have decided to step down from the Board at the Annual General Meeting (AGM) as each owns their own business and has found it difficult to balance their work and personal life with the time required for their Director role. All three have been exceptional Directors, showing leadership in their respective roles and winning the respect of the whole Board. As Treasurer, David McPherson has guided us through challenging times and implemented significant improvements to our accounting systems. Mark Eaton has been a very capable Deputy Chairperson and his passion for community engagement has resulted in



# Chairman's report (continued)

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stronger ties with key community groups. As the Chair of the HR Committee, Sebastian Leeder has developed clear KPIs and accountabilities for the Manager and staff, and built strong relationships with several community groups.

We have been able to attract some very capable candidates to fill these vacancies, and will be presenting three new Directors at the AGM for shareholder approval.

Once again in 2014, our Executive Officer, Louise Gracey, has provided excellent administrative support to the Board. She is also your first point of contact for share trading via the Low Volume Market and worked tirelessly to implement this new system in January 2014 and get it running smoothly so that share trades are now more transparent and efficient.

Irena Bukhshtaber, our Community Engagement Officer, has also supported the Board by developing a suite of professional marketing materials and building our partnerships with community groups.

## **Our community support**

We gave \$101,327 in community grants and sponsorships during the 2013/14 year, which is slightly less than last year but still an outstanding contribution to our local area. Key projects we have been involved in during this year are:

- Supporting local families through assistance with school expenses for up to 200 disadvantaged students through Waverley Benevolent Society, and providing more intensive crisis support for 10 families through the Best Chance Community Support Program.
- Partnering with WinAccom to fund independent living training for people with an intellectual disability, and enabling Waverley Woodworkers to upgrade their dust extraction system.
- Funding activities that build our community and culture such as a model United Nations Conference for secondary school students from Mount Waverley, three low-cost public concerts by the Monash Chorale, providing new equipment for the local Probus Club, structured entertainment programs for up to 7,000 socially isolated people in Waverley, a free Fun Day for 200 children with special needs, and another free family day attended by over 1,000 people at the Monash Gallery of Art.
- Sponsoring the Waverley Carols by Candlelight at Jells Park, with a marquee set up to promote the branch.
- In addition to these projects we have sponsored many local sporting, educational and not-for-profit groups.

We implemented an exciting new initiative in early 2014 that is already having a real impact on our community, and increasing the branch's profile. The Pinewood Young Leaders Board is made up of students from local secondary schools. We gave them \$10,000 to make a difference in the community and after conducting research they identified mental health as the most urgent issue for young people in Monash and decided to hold a concert to raise awareness among local young people. Monash Council was so impressed with their efforts that they matched our donation and are using the concert to advocate for a local Headspace, a government funded clinic that is set up especially for young people who need help. This project has the capacity to provide long-term benefits to our community and may even save lives.

## **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 Offices in Docklands and Bendigo and the **Community Bank**® network. Their support, training and banking services are highly valued and make it possible for us to have a successful branch.

# Chairman's report (continued)

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## **Your investment**

Once again your investment in PCFSL has provided an excellent return with a dividend of 8 cents per share, fully franked. This will be paid on the 10 December 2014.

Although profit forecasts are slightly down for the 2014/15 year, at this stage this is not expected to have a significant impact on next year's dividend distribution and the company hopes to pay dividends at a similar level in 2014/15 subject to the dividend payment guidelines of our Franchise Agreement.

## **Future developments**

Our key focus in the 2014/15 year will be continued growth and improved profits through strategic community engagement and on-going business development. As a shareholder I encourage you to recommend the Pinewood **Community Bank**® Branch to your friends, family and community groups as the more people who bank with us the more profitable your investment becomes, and the more our community benefits.

A handwritten signature in black ink, appearing to read 'Dianne Taylor', with a long horizontal flourish extending to the right.

**Dianne Taylor**  
**Chairman**

# Manager's report

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For year ending 30 June 2014



It gives me immense pleasure to provide my Branch Manager's report.

The 2013/14 year has been another year of development and growth for our branch.

One particular highlight being that in our 12th year of trading, we celebrated the full renovation of the branch in August 2014.

It was another challenging year for our business, the financial services industry and the economy in general because of smaller margins and a strong competitive market.

The major aim for 2014/15 is new customer acquisition, to increase our loan book with new clientele from our referral sources and business development.

I would like to sincerely thank Sarah Caldere for her previous efforts and the rest of the team, Cathy Torpy, Paul Tyson, Julie O'Reilly and Michelle Cadusch and more recently Paul Jerram for their continued efforts, especially in supporting the sales culture that I have brought into the business since January 2013.

I would encourage all shareholders to refer their families and friends to Pinewood **Community Bank®** Branch for their banking needs.

Bendigo and Adelaide Bank are investing a lot of money in innovative banking technology which will assist the branch in attracting the younger market to bank with us.

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

I look forward to more success and growth in the coming financial year.

A handwritten signature in black ink that reads "Mark Davenport". The signature is written in a cursive, flowing style.

**Mark Davenport**

**Branch and Business Development Manager**

# Director summaries

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For year ending 30 June 2014

## Returning Directors



**Dianne Taylor**

Chairman / Director

Dianne was the co-owner of a successful engineering business that employed up to thirty staff and has operated for over twenty-five 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. Dianne has received the Caroline Chisholm Award for significant service to the community.

Board member since 22 February 2011.

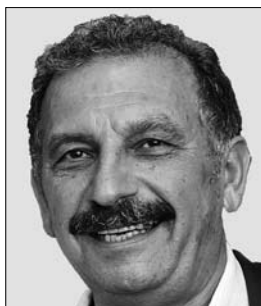


**Dominic Stambe**

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 pharmacy (now Priceline) for twenty-four years. He has been a partner in the business for 17 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 the bank's establishment and success.

Board member since 30 January 2002.



**John Sgroi**

Director (Governance & Community Engagement Committees) and inaugural Chairman

John was instrumental in getting PCFSL off the ground. He was the inaugural Chairman for eight years and continues to be a strong advocate for the bank. He has been a community pharmacist for forty-three years and has run the local pharmacy, now a Priceline franchise, for over two decades. John has deep ties to the community and has been an active Rotarian for nearly twenty 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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### **Petar Ivetic**

Director focussed on Corporate Governance

Petar has nineteen years' experience in managing projects within the telecommunications industry and has delivered over 150 projects to date. Petar has a Masters in Project Management as well as other qualifications, and is a member of the Australian Institute of Company Directors and the Australian Institute of Project Managers. Petar's key strengths are his strong leadership qualities, stakeholder engagement and strong communications skills. He is an authentic leader with a strong work ethic, high moral standards and integrity.

Petar is most passionate about community cricket and the local groups he's involved with.

Board member since 1 October 2010.



### **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 serves on several local non-profit committees in the arts sphere, including as Treasurer of Monash Chorale, and Treasurer and sponsorship coordinator of Waverley Music Eisteddfod.

Board member since 25 September 2012.



### **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. Previously she was the Company Secretary for a number of Commonwealth Bank subsidiary companies and assisted with the Company Secretariat function of the Commonwealth Bank Board. Serah is a member of the Law Institute of Australia and will be completing the Graduate Diploma in Applied Corporate Governance through the Governance Institute of Australia this year. 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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### **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 Australian Institute of Company Directors, the Wheelers Hill Rotary Club, and the Liberal Party. Through his role on Monash Council, he is also a Director of the Monash Gallery of Art and the Monash Enterprise Centre. From 2005 to 2013 Robert worked as a private client advisor for Patersons Securities. Prior to that he managed a telecommunications services business.

Joined the Board on 28 August 2013.

## Retiring Directors



### **David McPherson**

Director/Treasurer

David has been helping local businesses and individuals build wealth through informed financial decisions for thirteen years through his namesake business, McPherson Financial Solutions. 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.



### **Mark Eaton**

Director focussed on Community Engagement

Mark is a partner in a fast-growing local law firm, HDME Lawyers, with clients in Australia and Singapore. He brings an enthusiasm for this community along with his solid legal, interpersonal and negotiation skills to the Board. Mark's areas of legal expertise include business, property, commercial, wills & 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.

## Director summaries (continued)

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### **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 an organisation's human resource needs; and how to help an organisation reach its goals by finding and keeping the best people. He also has a strong history of local volunteer involvement. Sebastian personally understands the issues facing local traders, PCFSL's customers and neighbours from his family's experience of running newsagencies in local shopping centres.

Joined the Board on 26 March 2013.

# Directors' report

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For the financial year ended 30 June 2014

Your Directors submit their report of the company for the financial year ended 30 June 2014.

## Directors

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

### **Dianne Taylor**

Director/Chairman

Experience / Special Responsibilities

Has over 25 years experience managing in the manufacturing industry and Board facilitation and Directorship.

Director since 22 February 2011

### **David McPherson**

Director/Treasurer

Experience / Special Responsibilities

Certified Practising Accountant operating his own accounting practice for over 14 years.

Director since 24 May 2011

### **Michael John Sgroi**

Director

Experience / Special Responsibilities

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

Director since 30 January 2002

### **Mark Eaton**

Director

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

### **Serah Van Haeften**

Director/Secretary

Experience / Special Responsibilities

Lawyer within Specsavers Pty Ltd legal team.

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

Director since 25 September 2012

### **Dominic Stambe**

Director

Experience / Special Responsibilities

Pharmacist in Pinewood for 24 years.

Director since 30 January 2002

### **Stephanie Christie**

Director

Experience / Special Responsibilities

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

Director since 25 September 2012

### **Sebastian Leeder**

Director

Experience / Special Responsibilities

Human Resource Specialist and is owner of Armstrong Personnel - Recruitment and HR Solutions.

Director since 26 March 2013

### **Robert Davies**

Director

Experience / Special Responsibilities

Councillor with Monash City Council since 2012, over 20 years of leadership roles in business. Graduate Member of AICD, member of Wheelers Hill Rotary Club, and Director (through Council) of Monash Gallery of Art and Monash Enterprise Centre.

Appointed Director 28 August 2013



# Directors' report (continued)

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## Directors (continued)

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 \$46,920 (2013 profit: \$66,772).

The net assets of the company have increased to \$619,912 (2013: \$615,576) an increase of \$4,336.

## Dividends

	Year ended 30 June 2014	
	Cents per share	\$
Final dividends recommended:	8	42,584
Dividends paid in the year:		
- As recommended in the prior year report	8	42,584

## 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.

## 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' report (continued)

## 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:

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Dianne Taylor	5,750	4,625
Michael John Sgroi	2,500	2,750
Dominic Stambe	2,750	3,000
Petar Ivetic	3,000	3,375
David McPherson	4,500	4,500
Mark Eaton	3,250	3,375
Serah Van Haeften	4,500	3,750
Stephanie Christie	4,500	3,750
Sebastian Leeder	3,500	1,167
Robert Davies	2,750	-

The current Branch Manager, Mark Davenport, is 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.

## 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' report (continued)

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### 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	6	12
Dominic Stambe	11	12
Michael John Sgroi	8	12
Mark Eaton	11	12
Petar Ivetic	10	12
Serah Van Haeften	9	12
Stephanie Christie	11	12
Sebastian Leeder	10	12
Robert Davies	10	11

### 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.

### 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 14 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 5 September 2014.



**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

TO THE DIRECTORS OF PINEWOOD COMMUNITY FINANCIAL SERVICES LIMITED



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

I declare that, to the best of my knowledge and belief, during the year ended 30 June, 2014 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: 5 September, 2014

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Commitment  
Confidence*

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# Financial statements

## Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2014

	Note	2014 \$	2013 \$
<b>Revenue</b>			
Revenue	2	1,056,862	1,129,814
<b>Expenses</b>			
Administration costs		206,462	187,843
IT expenses		49,693	21,869
Occupancy costs		100,138	80,405
Employee benefits expense	3	477,437	578,304
Depreciation and amortisation expense	3	46,464	23,050
Finance costs	3	-	12
Other expenses		6,257	7,313
<b>Operating profit before charitable donations &amp; sponsorships</b>		<b>170,411</b>	<b>231,018</b>
Charitable donations and sponsorships		101,327	135,027
<b>Profit before income tax expense</b>		<b>69,084</b>	<b>95,991</b>
Income tax expense	4	22,164	29,219
<b>Net Profit for the year</b>		<b>46,920</b>	<b>66,772</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>46,920</b>	<b>66,772</b>
<b>Profit attributable to members of the entity</b>		<b>46,920</b>	<b>66,772</b>
<b>Total comprehensive income attributable to members of the entity</b>		<b>46,920</b>	<b>66,772</b>
<b>Earnings per share (cents per share)</b>			
- basic for profit for the year	21	9	13
- diluted for profit for the year	21	9	13

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Financial Position as at 30 June 2014

	Note	2014 \$	2013 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	258,612	458,116
Trade and other receivables	7	87,970	88,537
Current tax refundable	4	-	11,306
Other assets	8	25,566	12,029
<b>Total current assets</b>		<b>372,148</b>	<b>569,988</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	272,102	84,113
Deferred tax asset	4	24,938	29,247
Intangible assets	10	34,612	46,149
<b>Total non-current assets</b>		<b>331,652</b>	<b>159,509</b>
<b>Total assets</b>		<b>703,800</b>	<b>729,497</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	57,479	78,503
Current tax payable	4	6,851	-
Provisions	12	19,379	34,993
<b>Total current liabilities</b>		<b>83,709</b>	<b>113,496</b>
<b>Non current liabilities</b>			
Deferred income tax (DTL)	4	179	425
<b>Total non current liabilities</b>		<b>179</b>	<b>425</b>
<b>Total liabilities</b>		<b>83,888</b>	<b>113,921</b>
<b>Net assets / (liabilities)</b>		<b>619,912</b>	<b>615,576</b>
<b>Equity</b>			
Issued capital	13	532,300	532,300
Retained earnings		87,612	83,276
<b>Total equity</b>		<b>619,912</b>	<b>615,576</b>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

### Statement of Changes in Equity for the year ended 30 June 2014

	Note	2014 \$	2013 \$
<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		83,276	64,411
Net Profit for the year		46,920	66,772
Dividends paid		(42,584)	(47,907)
<b>Balance at end of year</b>		<b>87,612</b>	<b>83,276</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Cash Flows for the year ended 30 June 2014

	Note	2014 \$	2013 \$
<b>Cash flows from operating activities</b>			
Receipts from clients		1,150,400	1,202,008
Payments to suppliers and employees		(1,087,668)	(1,117,924)
Interest paid		-	(12)
Interest received		11,633	23,186
Income tax paid/(refund)		56	(47,510)
<b>Net cash flows from/(used in) operating activities</b>	<b>15b</b>	<b>74,421</b>	<b>59,748</b>
<b>Cash flows from investing activities</b>			
Payment for franchisee fee		-	(57,686)
Purchase of property, plant & equipment		(231,341)	(9,448)
Sale of property, plant & equipment		-	12,361
<b>Net cash flows from/(used in) investing activities</b>		<b>(231,341)</b>	<b>(54,773)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(42,584)	(47,907)
<b>Net cash flows from/(used in) financing activities</b>		<b>(42,584)</b>	<b>(47,907)</b>
<b>Net increase/(decrease) in cash held</b>		<b>(199,504)</b>	<b>(42,932)</b>
Cash and cash equivalents at start of year		458,116	501,047
<b>Cash and cash equivalents at end of year</b>	<b>15a</b>	<b>258,612</b>	<b>458,116</b>

The accompanying notes form part of these financial statements.



# Notes to the financial statements

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For year ended 30 June 2014

## 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 2014 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 5 September 2014.

### **(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 - 10%
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 that these Standards are not expected to significantly impact 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 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.

# Notes to the financial statements (continued)

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

### **(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 charges 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 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.

# Notes to the financial statements (continued)

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

### (q) Financial instruments (continued)

#### 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.

	2014 \$	2013 \$
<b>Note 2. Revenue and other income</b>		
Revenue		
- services commissions	1,046,050	1,110,035
- other revenue	-	-
	<b>1,046,050</b>	<b>1,110,035</b>
Other revenue		
- interest received	10,812	19,779
- other revenue	-	-
	<b>10,812</b>	<b>19,779</b>
<b>Total revenue</b>	<b>1,056,862</b>	<b>1,129,814</b>

## Note 3. Expenses

### Employee benefits expense

- wages and salaries	427,383	519,567
- superannuation costs	34,604	44,224
- workers' compensation costs	1,321	960
- other costs	14,129	13,553
	<b>477,437</b>	<b>578,304</b>
Depreciation of non-current assets:		
- plant and equipment	14,660	6,391
- leasehold improvements	20,267	4,578
- motor vehicle	-	544

## Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 3. Expenses (continued)		
Amortisation of non-current assets:		
- intangible assets	11,537	11,537
	<b>46,464</b>	<b>23,050</b>
Finance costs:		
- Interest paid	-	12
<b>Bad debts</b>	<b>226</b>	<b>(39)</b>
<b>Rental expenses on operating lease</b>	<b>69,120</b>	<b>54,686</b>
<b>Loss on disposal of plant and equipment</b>	<b>8,426</b>	-

## Note 4. Income tax expense

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%	20,725	28,797
Add tax effect of:		
- Non-deductible expenses	1,439	422
- Underprovision in respect of prior year	-	-
<b>Current income tax expense</b>	<b>22,164</b>	<b>29,219</b>
The applicable weighted average effective tax rate is	32%	30%
Current income tax expense	18,101	25,334
Underprovision in respect of prior year	-	-
Origination and reversal of temporary differences	4,063	3,885
<b>Income tax expense</b>	<b>22,164</b>	<b>29,219</b>
<b>Tax liabilities</b>		
Current tax payable/(refundable)	6,851	(11,306)
<b>Deferred tax asset</b>	<b>24,938</b>	<b>29,247</b>
<b>Deferred tax liability</b>	<b>179</b>	<b>425</b>

## Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report	6,577	6,300
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## Notes to the financial statements (continued)

	2014 \$	2013 \$
<b>Note 6. Cash and cash equivalents</b>		
Cash at bank and on hand	44,382	32,061
Short term bank deposits	214,230	426,055
	<b>258,612</b>	<b>458,116</b>

The effective interest rate on short term bank deposits was 3.45% (2013 - 4.4%)

### Note 7. Trade and other receivables

#### Current

Trade debtors	87,373	87,119
Accrued Interest	597	1,418
	<b>87,970</b>	<b>88,537</b>

### Note 8. Other assets

<b>Prepayments</b>	<b>25,566</b>	<b>12,029</b>
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### Note 9. Property, plant and equipment

#### Leasehold improvements

At cost	263,624	74,499
Less accumulated depreciation	(67,354)	(47,377)
	<b>196,270</b>	<b>27,122</b>

#### Furniture & fittings

At cost	173,025	156,114
Less accumulated depreciation	(97,193)	(99,123)
	<b>75,832</b>	<b>56,991</b>

<b>Total written down amount</b>	<b>272,102</b>	<b>84,113</b>
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#### Movements in carrying amounts

##### Leasehold improvements

Carrying amount at beginning of year	27,122	31,700
Additions	190,375	-
Disposals	(960)	-
Depreciation expense	(20,267)	(4,578)
<b>Carrying amount at end of year</b>	<b>196,270</b>	<b>27,122</b>



## Notes to the financial statements (continued)

	Note	2014 \$	2013 \$
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### Note 9. Property, plant and equipment (continued)

#### Furniture & fittings

Carrying amount at beginning of year		56,991	53,934
Additions		40,966	9,448
Disposals		(7,465)	-
Depreciation expense		(14,660)	(6,391)
<b>Carrying amount at end of year</b>		<b>75,832</b>	<b>56,991</b>

#### Motor vehicles

Carrying amount at beginning of year		-	11,208
Additions		-	-
Disposals		-	(10,664)
Depreciation expense		-	(544)
<b>Carrying amount at end of year</b>		<b>-</b>	<b>-</b>

### Note 10. Intangible assets

#### Franchise fee

At cost		57,686	57,686
Less accumulated amortisation		(23,074)	(11,537)
		<b>34,612</b>	<b>46,149</b>

### Note 11. Trade and other payables

#### Current

Other payables		15,115	7,444
Employee benefits - annual leave	12 (b)	14,264	29,001
Accrued expenses		28,100	42,058
		<b>57,479</b>	<b>78,503</b>

### Note 12. Provisions

#### Current

<b>Employee benefits</b>	<b>12 (b)</b>	<b>19,379</b>	<b>34,993</b>
Number of employees at year end		6	8

## Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 12. Provisions (continued)		
<b>(a) Movement in employee benefits</b>		
Opening balance	34,993	42,688
Additional provisions recognised	2,229	12,669
Amounts utilised during the year	(17,843)	(20,364)
<b>Closing balance</b>	<b>19,379</b>	<b>34,993</b>

### **(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.

	2014 \$	2013 \$
Note 13. Share capital		
<b>532,300 Ordinary shares fully paid of \$1 each</b>	<b>532,300</b>	<b>532,300</b>

### **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.

## Notes to the financial statements (continued)

	2014 \$	2013 \$
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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	75,400	79,750
-between 12 months and five years	150,800	239,250
	<b>226,200</b>	<b>319,000</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.

	2014 \$	2013 \$
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#### b) Capital expenditure commitments

Capital expenditure commitments contracted for:

Renovation fit-out of office

<b>Payable not later than 12 months</b>	-	<b>172,017</b>
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### 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	258,612	458,116
<b>As per the statement of cash flow</b>	<b>258,612</b>	<b>458,116</b>

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

Profit after income tax	46,920	66,772
Non cash items		
- Depreciation	34,927	11,513
- Amortisation	11,537	11,537
- Loss/(profit) on sale of assets	8,426	(1,700)

# Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 15. Statement of cash flows (continued)		
Changes in assets and liabilities		
- (Increase) decrease in prepayments	(13,537)	3,631
- (Increase) decrease in receivables	567	(9,335)
- Increase/(decrease) in income tax	18,156	(22,176)
- (Increase) decrease in deferred tax asset	4,063	3,885
- Increase (decrease) in payables	(21,025)	3,316
- Increase (decrease) in provisions	(15,614)	(7,695)
<b>Net cash flows from/(used in) operating</b>	<b>74,421</b>	<b>59,748</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.

### (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:

David McPherson	Michael John Sgroi
Dominic Stambe	Petar Ivetic
Dianne Taylor	Mark Eaton
Stephanie Christie	Serah Van Haeften
Sebastian Leeder	Robert Davies (appointed 28 August 2013)

Fees paid to Directors are disclosed in the Remuneration Report.

The company has incurred accounting costs of \$23,122 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 transactions (continued)

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

#### Directors' shareholdings

	2014	2013
David McPherson	-	-
Michael John Sgroi	10,000	10,000
Dominic Stambe	10,000	10,000
Petar Ivetic	-	-
Dianne Taylor	10,000	-
Mark Eaton	-	-
Stephanie Christie	-	-
Serah Van Haeften	-	-
Sebastian Leeder	-	-
Robert Davies (appointed 28th August 2013)	-	-

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 (2013: 100%).

## Note 20. Company details

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

# Notes to the financial statements (continued)

## 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:

	2014 \$	2013 \$
<b>Profit after income tax expense</b>	<b>46,920</b>	<b>66,772</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 (2013: 8 cents per share)	42,584	42,584
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### (b) Dividends paid during the year

Previous year final		
Unfranked dividends - Nil	-	-
Franked dividends - 8 cents per share (2013: 9 cents)	42,584	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	112,513	130,819
- Franking credits/(debits) that will arise from the payment of income tax payable as at the end of the financial year	6,851	(11,306)
- 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>119,364</b>	<b>119,513</b>

The tax rate at which dividends have been franked is 30% (2013: 30%).

Dividend proposed will be franked at a rate of 30% (2013 - 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	2014 \$	2013 \$
<b>Financial assets</b>			
Cash & cash equivalents	6	214,230	426,055
Trade and other receivables	7	87,970	88,537
<b>Total financial assets</b>		<b>302,200</b>	<b>514,592</b>
<b>Financial liabilities</b>			
Trade and other payables	11	57,479	78,503
<b>Total financial liabilities</b>		<b>57,479</b>	<b>78,503</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	
	2014 \$	2013 \$
Cash and cash equivalents	258,612	458,116
Receivables	87,970	88,537
	<b>346,582</b>	<b>546,653</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 (2013: 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 Limited.



# Notes to the financial statements (continued)

## Note 23. Financial risk management (continued)

### (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:

<b>30 June 2014</b>	<b>Note</b>	<b>Total \$</b>	<b>Within 1 year \$</b>	<b>1 to 5 years \$</b>	<b>Over 5 years \$</b>
<b>Financial liabilities due</b>					
Trade and other payables	11	57,479	57,479	-	-
Loans and borrowings			-	-	-
<b>Total expected outflows</b>		<b>57,479</b>	<b>57,479</b>	<b>-</b>	<b>-</b>
<b>Financial assets - realisable</b>					
Cash & cash equivalents	6	258,612	258,612	-	-
Trade and other receivables	7	87,970	87,970	-	-
<b>Total anticipated inflows</b>		<b>346,582</b>	<b>346,582</b>	<b>-</b>	<b>-</b>
<b>Net (outflow)/inflow financial instruments</b>		<b>404,061</b>	<b>404,061</b>	<b>-</b>	<b>-</b>

<b>30 June 2013</b>	<b>Note</b>	<b>Total \$</b>	<b>Within 1 year \$</b>	<b>1 to 5 years \$</b>	<b>Over 5 years \$</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 on financial instruments</b>		<b>625,156</b>	<b>625,156</b>	<b>-</b>	<b>-</b>

# Notes to the financial statements (continued)

## Note 23. Financial risk management (continued)

### (b) Liquidity risk (continued)

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at 30 June 2014 and 30 June 2013.

### (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	
	2014 \$	2013 \$
<b>Fixed rate instruments</b>		
Financial assets	214,230	426,055
Financial liabilities	-	-
	<b>214,230</b>	<b>426,055</b>
<b>Floating rate instruments</b>		
Financial assets	44,132	31,811
Financial liabilities	-	-
	<b>44,132</b>	<b>31,811</b>

#### 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 2013 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.

# Notes to the financial statements (continued)

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## Note 23. Financial risk management (continued)

### **(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 2014 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 2014 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 5 September 2014

# Independent audit report

PINEWOOD COMMUNITY FINANCIAL SERVICES LIMITED  
(A.B.N. 26 089 420 050)

## 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, 2014 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 2014 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 2014. 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 2014 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: 8 September, 2014

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