

Annual Report 2016

Pinewood Community
Financial Services Limited

ABN 26 099 420 050

Pinewood **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2016



Dear Shareholders,

Firstly, I would like to thank our previous Chairperson, Dianne Taylor, for the great work she did in this role over previous years. Dianne was responsible for major improvements in our corporate governance regime, Board renewal, and seeing the bank through a difficult operational period, all while maintaining profitability. She has left the role of Chairperson with the Pinewood **Community Bank**[®] Branch and Board well placed for the future. I thank Dianne for her significant contribution to Pinewood Community Financial Services Limited over many years. She has been a terrific Chairperson.

When I addressed shareholders at last year's Annual General Meeting (AGM) as the Chairman-elect, I committed to getting the branch into a new focus on sales and growth. I am pleased to report that our team has delivered on this commitment. The 2015/16 year saw us significantly overachieve on our sales budget targets, growing both loan and deposit footings. Our total footings at the end of June 2016 were over \$175 million, up from \$152.5 million the previous year, or 15%. In a slow growing economy, this is truly an outstanding result which put us into the top 10 of Bendigo Bank's **Community Bank**[®] network nationwide for performance against budget!

At the start of the year, our Branch Manager Mark Davenport, was determined to lead his team to new heights and he has delivered. Not only did we achieve sales success, but the branch has been recognised for this by our peers, winning four awards in the Outer Eastern Region, including 'Branch of the Year'! We also won another award (Community Contribution) from the Monash Business Awards along with one finalist award. A total of four awards for this year! I would like to congratulate Mark and the entire branch team for their great commitment and success this year. We wish Mark success in his future endeavours with Bendigo and Adelaide Bank.

We have accomplished these sales milestones without impacting profit significantly. While we missed our net income budget, the bottom line has been impacted by a confluence of factors, including continuing declining banking margins, extra unbudgeted community contributions, and sales commissions. Net income for the year came in at \$20,000 vs a budget of \$36,000, down 45%. However, we also made an unbudgeted \$25,000 contribution to the Community Enterprise Foundation™ this year as we continue to see value in our community grants program. The final dividend will be 6.8¢, down 9% from last year's 7.5¢. The dividend payout remains in excess of our net income per share of 3.76¢.

The Board has continued its commitment towards renewal and since our last AGM, we have appointed a new Treasurer, Ivy Yu, and we have a new Director, Jamie Bedelis, a lawyer and local trader as well as a property owner in the Pinewood Shopping Centre. This continues our drive to ensure we have both skilled professionals and Directors committed to our local community here in Pinewood and across the City of Monash.

Low interest rates have been terribly problematic for bank margins over the past five plus years. It does not appear that this dynamic will change significantly any time in the foreseeable future. In order to stay financially viable, growth is a critical success factor for us. As Chairman, I intend to keep this as a major focus for our Board. We have already significantly increased budget targets this year in comparison to last year.

It has been an exciting time to be Chairman of Pinewood Community Financial Services Limited. I would like to thank shareholders, Board members, and staff for their support in making 2015/16 such a successful year.

Sincerely

A handwritten signature in black ink, appearing to read 'Robert Davies'.

Robert Davies
Chairman

Manager's report

For year ending 30 June 2016



After a very successful year for the Pinewood **Community Bank**[®] Branch, it gives me great pleasure to present my Branch Manager's report. This will be my final report as after three and a half years as I am moving to a new role at the Bendigo and Adelaide Bank.

The Pinewood **Community Bank**[®] Branch achieved outstanding results this year in regards to the sales targets set by both the Bendigo and Adelaide Bank and the Pinewood Community Financial Services Limited Board.

The branch was acknowledged by its peers for winning four awards including 'Branch of the Year' at the annual 'Bendigo and Adelaide Bank Outer Eastern Region Awards'. The branch also won the 'Community Contribution Award' at the 2015/16 Monash Business Awards and was a finalist in the small/medium business category.

It was very pleasing that the Pinewood **Community Bank**[®] Branch has had the same fantastic team working together over the past two years which helped us achieve these results and win recognition. I would like to thank Cathy, Paul, Michelle, Julie, Marisa and Stan for their great work and significant contributions.

I would also like to extend my thanks to the Board of Directors both past and present. Furthermore, I wish to express my gratitude to the relieving Regional Manager, Mark Nolan, current Regional Manager, Marisa Dickins and the State Support team at Bendigo and Adelaide Bank for the work they do for our business.

Day to day banking is changing with more focus on online transactions and less interaction within the branch. It is therefore very important that we remain competitive and maintain our focus on referring business to the branch wherever possible. So please join with us in helping to spread the **Community Bank**[®] message, talk to your friends and neighbours about how their banking can make a difference to their community.

I thank you for your continued support and involvement in our business and wish the team at the Pinewood **Community Bank**[®] Branch every success in the future.

A handwritten signature in black ink that reads "Mark Davenport".

Mark Davenport
Branch and Business Development Manager

Director summaries

For year ending 30 June 2016

Returning Directors



Dianne Taylor

Director focussed on Human Resources

Dianne was the co-founder of a successful engineering business grew to employ thirty staff and service blue chip clients in Australia and internationally. She has experience in finance, HR and board governance. 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. In 2014 Dianne was appointed as a Bendigo **Community Bank**[®] Board mentor.

Board member since 22 February 2011.



Stephanie Christie

Director focussed on Human Resources

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 spheres, including secretary & sponsorship coordinator of Waverley Music Eisteddfod, and was Treasurer of Monash Chorale for many years.

Board member since 25 September 2012.



Robert Davies

Chairman / Director

Robert was elected to Monash City Council in 2012 from 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 has also served as a director of the Monash Gallery of Art and the Monash Enterprise Centre. From 2005 to 2013 Robert worked as a private client advisor and master stockbroker for Patersons Securities. Prior to that he managed a telecommunications services business. Robert was elected Chairman of Pinewood Community Financial Services in November 2015 after serving on the Board since 2013.

Board Member since 28 August 2013.

Director summaries (continued)

Returning Directors (continued)



Michelle James

Director focussed on Marketing and Community Engagement

Michelle is a local resident and a dedicated community leader within the Monash Municipality. Michelle is actively involved in local community projects, with a specific emphasis on education, personal and professional development with disadvantaged communities. She has 20 years of experience in marketing and business development. She is a member of The Monash Club, Monash Women's Friendship Group, Clayton Leadership Group, Singaporeans of Victoria and The Rotary Club of Waverley.

Board Member since 2 February 2015.



Yi Yu

Treasurer / Director

Yi is a qualified CPA, MBA and chartered management accountant. She has been working as a corporate accountant for many years. Yi has strong networks with other accountants, financial planners, company directors and lawyers, and in order to foster these networks she is currently the vice chairman and secretary of some CPA professional groups. Being an enthusiastic, diligent and energetic person, Yi is eager to contribute her skills and expertise to Pinewood Community Financial Services Limited and work with the Board to achieve the company goals.

Board Member since 23 March 2015.



Susan Brown

Director focussed on Marketing and Community Engagement

Susan has enjoyed a strong career in marketing and communications for both small and medium sized businesses, with the last 10 years focused on corporate community development and engagement in senior and general management roles. She is a skilled negotiator, a disciplined and results driven team leader who enjoys the journey of positive change for those who need it most. Susan serves on a number of community group committees and is a devoted dance Mum.

Board Member since 23 March 2015.



Peter Merritt

Director focussed on Marketing and Community Engagement

Following a career of 26 years in the electricity and gas industry, Peter currently has a portfolio of interests covering ICT consulting, small business start-ups and the sport of sailing. He has lived in the local area for over 23 years and has had close ties to the local primary school education system.

Board Member since 23 March 2015.

Director summaries (continued)

Returning Directors (continued)



Sharyn Cowley

Company Secretary/Director focussed on Corporate Governance

Sharyn is an experienced financial services lawyer specialising in superannuation, funds management, insurance and financial planning. She is also a qualified company secretary with a special interest in corporate governance and risk management. Sharyn has worked in private practice and in-house roles and is currently senior legal counsel/assistant company secretary at Telstra Super, Australia's largest corporate superannuation fund. Sharyn is passionate about increasing financial literacy in the community particularly for women and youth. A Glen Waverley resident, Sharyn is keen to use her knowledge and skills to make a positive contribution to the Pinewood Community Financial Services Limited Board and the Pinewood community.

Board Member since 23 July 2015.



Annabelle Lane

Director focussed on Human Resources

Annabelle has over 25 years of experience in human resource management and recruitment working within a wide range of organisations including building services, hospitality, non-for-profit, education and insurance, medical, legal and financial. An expert in her field, Annabelle is particularly proud of her achievement in owning and operating her company 'Access HR'. Annabelle was nominated for the Monash Business Awards in 2011 and holds a Ronald McDonald Community participation certificate. With exceptional interpersonal and organisational skills Annabelle brings a wealth of knowledge and a professional attitude which she hopes will benefit the Board of Pinewood Community Financial Services Limited.

Board Member since 28 September 2015.

New Directors



Jamie Bedelis

Director focussed on Corporate Governance

Jamie has been a lawyer since 2001 and has recently opened a private practice in the Pinewood Shopping Centre. Having lived most of his life in Mount Waverley, Jamie's family has strong ties to the centre having owned a business in Pinewood Shopping Centre from 1960 until 2000.

Board Member since 31 March 2016.

Director summaries (continued)

Retiring Directors



Serah Van Haeften

Company Secretary/Director focussed on Corporate Governance

Serah is a lawyer with a passion for best practice 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.



Arianne Rose

Director focussed on Human Resources

Arianne is a commercial lawyer practising in both the private and the public sectors, with a background in financial services, agribusiness, commercial and property law. She has worked in a wide range of complex and highly regulated industries with a strong skill set in corporate governance and risk management. Arianne was the Company Secretary and General Counsel for VicTrack (2010-2014), a Victorian Public Sector transport agency that is the custodian of Victoria's railway assets. She has held a range of management roles including Joint Acting General Manager at VicTrack, where she was responsible for multiple organisational groups, including human resources, risk & safety, procurement and legal. Joining the national board of Greening Australia in 2012. She is also a Non-executive director of the Architects Registration Board of Victoria.

Board Member since 26 November 2014



Cynthia Lahiff

Director and Treasurer

Cynthia is an experienced executive with management, governance and financial skills. She has held senior government positions over the past 15 years including CFO in state and local government authorities. Cynthia is a CPA, a graduate of the Australian Institute of Company Directors and a Williamson Foundation Fellow.

Board Member since 23 March 2015.

Directors' report

For the financial year ended 30 June 2016

Your Directors submit their report of the company for the financial year ended 30 June 2016.

Directors

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

Robert Davies

Director/Chairman

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.

Director since 28 August 2013

Michelle Li James

Director

Experience / Special responsibilities
Actively involved in local community projects and has 16 years experience in new business development and marketing. Committee member of the Monash Women's Friendship Cafe, Strengthening Clayton, the Clarinda Group and the Monash Club.

Director since 2 February 2015

Susan Carolyn Brown

Director

Experience / Special responsibilities
Communications and marketing professional focusing on corporate community development and engagement for over 10 years now. Serves on a number of community group committees.

Director since 23 March 2015

Annabelle Jill Lane

Director

Experience / Special responsibilities
Has over 26 years of experience in human resource management and recruitment in a wide range of organisations including building services, hospitality, non-for-profit, education and insurance, medical, legal and financial.

Appointed 28 September 2015

Dianne Louise Taylor

Director

Experience / Special responsibilities
Has over 24 years experience managing in the manufacturing industry and board facilitation and directorship.

Director since 22 February 2011

Stephanie Barbara 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

Peter Kenneth Merritt

Director

Experience / Special responsibilities
Has a career of 26 years in the electricity and gas industry. Currently has a portfolio of interests covering ICT consulting, sports management and small business start - ups.

Director since 23 March 2015

Yi Yu

Director/Treasurer

Experience / Special responsibilities
Qualified CPA, MBA and chartered management accountant, working as a corporate accountant. Currently the vice chairman and secretary of some CPA professional groups.

Director since 23 March 2015

Directors' report (continued)

Directors (continued)

Sharyn Joy Cowley

Director/Company Secretary

Experience / Special responsibilities

Experienced lawyer specialising in financial services law and qualified company secretary.

Has worked in both private practice and in-house roles. currently senior legal counsel and assistant company secretary at Telstra Super.

Appointed 27 July 2015

Arianne Susan Rose

Director

Experience / Special responsibilities

Commercial lawyer in both private and public sectors with a background in financial services.

Has held a range of management roles and is a non-executive director of the Architects Registration Board of Victoria.

Resigned 25 July 2015

Serah Van Haeften

Director/Secretary

Experience / Special responsibilities

Lawyer within Specsavers Pty Ltd legal team.

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

Resigned 27 July 2015

Jamie Arthur Bedelis

Director

Experience / Special responsibilities

Has been employed as a lawyer since 2001 and has recently opened a private practice in the Pinewood Shopping Centre.

Appointed 31 March 2016

Cynthia Marie Lahiff

Director/Treasurer

Experience / Special responsibilities

Experienced executive with management, governance and financial skills. Has held senior government positions for over 15 years including CFO in state and local government authorities.

Resigned 22 February 2016

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 \$20,003 (2015 profit: \$14,123).

The net assets of the company have decreased to \$571,531 (2015: \$591,451) a decrease of \$19,920.

Directors' report (continued)

Dividends

	Year ended 30 June 2016	
	Cents	\$
Final dividends recommended:	6.8	36,196
Dividends paid in the year:		
- As recommended in the prior year report	7.5	39,923

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 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 p.a. contingent on meeting attendance. Office bearers are typically paid additional amounts of up to \$1,500 for the extra time and expertise they bring to the Board. The Chairman is paid \$6,000 p.a. with an additional bonus of the same amount contingent on performance criteria.

Directors' report (continued)

Remuneration report (continued)

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

	2016 \$	2015 \$
Robert Davies	7,500	2,750
Dianne Louise Taylor	4,500	6,000
Michelle Li James	3,000	1,500
Stephanie Barbara Christie	3,000	4,125
Susan Carolyn Brown	2,250	1,000
Peter Kenneth Merritt	4,500	1,500
Annabelle Jill Lane	2,916	-
Yi Yu	3,500	1,000
Sharyn Joy Cowley	4,500	-
Jamie Arthur Bedelis	500	-
Arianne Susan Rose	-	2,042
Cynthia Marie Lahiff	3,000	1,875
Serah Van Haeften	375	4,750

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)

Directors' meetings

The number of Directors meetings held during the year were 11. Attendances by each Director during the year were as follows:

	Board meetings attended	Meetings eligible to attend
Robert Davies	10	11
Dianne Louise Taylor	10	11
Michelle Li James	10	11
Stephanie Barbara Christie	10	11
Susan Carolyn Brown	7	11
Peter Kenneth Merritt	9	11
Yi Yu	11	11
Annabelle Jill Lane	7	9
Sharyn Joy Cowley	9	11
Jamie Arthur Bedelis	2	4
Arianne Susan Rose	0	1
Cynthia Marie Lahiff	6	7
Serah Van Haeften	1	1

Company Secretary

Sharyn Cowley was appointed Company Secretary of Pinewood Community Financial Services Limited on 24 August 2015. Sharyn is an experienced lawyer specialising in financial services law and a qualified company secretary.

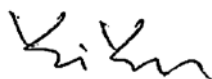
Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 13 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 19 August 2016.



Robert Davies
Director/Chairman



Yi Yu
Director/Treasurer

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June, 2016 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
Level 5, North Tower,
485 La Trobe Street,
Melbourne Vic 3000

GRAEME S. DAY
Partner

Dated: 18 August, 2016

*Culture
Commitment
Confidence*

■ Melbourne
Level 5 North Tower
485 La Trobe Street
Melbourne, Vic 3000
Australia
T. +61 3 9642 8000
F. +61 3 9642 8222
E. info@mvanderson.com.au

■ Mount Waverley
Suite 6, 318-322 Stephenson Rd
PO Box 633
Mount Waverley, Vic 3149
Australia
T. +61 3 9807 7200
F. +61 3 9807 0200
E. email@mvanderson.com.au

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Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Revenue			
Revenue	2	1,043,666	1,057,615
Expenses			
Administration costs		193,861	216,744
IT expenses		50,495	51,578
Occupancy costs		112,469	117,312
Employee benefits expense	3	526,301	503,397
Depreciation and amortisation expense	3	44,559	47,264
Other expenses		9,915	6,872
Operating profit before charitable donations & sponsorships		106,066	114,448
Charitable donations and sponsorships		76,614	89,711
Profit before income tax expense		29,452	24,737
Income tax expense	4	9,449	10,614
Net Profit for the year		20,003	14,123
Other comprehensive income		-	-
Total comprehensive income		20,003	14,123
Profit attributable to members of the entity		20,003	14,123
Total comprehensive income attributable to members of the entity		20,003	14,123
Earnings per share (cents per share)			
- basic for profit for the year	21	3.76	2.65
- diluted for profit for the year	21	3.76	2.65

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Financial Position as at 30 June 2016

	Notes	2016 \$	2015 \$
Assets			
Current assets			
Cash and cash equivalents	6	334,507	317,666
Trade and other receivables	7	85,248	74,502
Other assets	8	17,301	7,434
Total current assets		437,056	399,602
Non-current assets			
Property, plant and equipment	9	209,189	242,210
Deferred tax asset	4	38,782	32,756
Intangible assets	10	11,537	23,075
Total non-current assets		259,508	298,041
Total assets		696,564	697,643
Liabilities			
Current liabilities			
Trade and other payables	11	67,898	56,245
Current tax payable	4	6,546	4,329
Provisions	12	50,422	45,452
Total current liabilities		124,866	106,026
Non current liabilities			
Deferred income tax (DTL)	4	167	166
Total non current liabilities		167	166
Total liabilities		125,033	106,192
Net assets / (liabilities)		571,531	591,451
Equity			
Issued capital	13	532,300	532,300
Retained earnings		39,231	59,151
Total equity		571,531	591,451

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Issued capital			
Balance at start of year		532,300	532,300
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		532,300	532,300
Retained earnings/(accumulated losses)			
Balance at start of year		59,151	87,612
Net Profit for the year		20,003	14,123
Dividends paid	22	(39,923)	(42,584)
Balance at end of year		39,231	59,151

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flow for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from clients		1,129,504	1,167,894
Payments to suppliers and employees		(1,066,558)	(1,047,591)
Interest received		7,075	8,138
Income tax (paid)/refund		(13,257)	(20,968)
Net cash flows from/(used in) operating activities	15b	56,764	107,473
Cash flows from investing activities			
Purchase of property, plant & equipment		-	(5,835)
Net cash flows from/(used in) investing activities		-	(5,835)
Cash flows from financing activities			
Dividends paid		(39,923)	(42,584)
Net cash flows from/(used in) financing activities		(39,923)	(42,584)
Net increase/(decrease) in cash held		16,841	59,054
Cash and cash equivalents at start of year		317,666	258,612
Cash and cash equivalents at end of year	15a	334,507	317,666

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

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 2016 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 19 August 2016.

(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)

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)

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

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

Over the period from September 2013 to February 2015, Bendigo and Adelaide Bank Limited conducted a review of the **Community Bank**[®] model, known as 'Project Horizon'. This was conducted in consultation with the **Community Bank**[®] network. The objective of the review was to develop a shared vision of the **Community Bank**[®] model that positions it for success now and for the future.

The outcome of that review is that the fundamental franchise model and community participation remain unchanged. Changes to be implemented over a three year period reflect a number of themes, including a culture of innovation, agility and flexibility, network collaboration, Director and staff development and a sustainable financial model. This will include changes to the financial return for **Community Bank**[®] companies from 1 July 2016. A funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin. All revenue paid on core banking products will be through margin share. Margin on core banking products will be shared on a 50/50 basis.

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Core banking products

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days' notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

Margin

Margin is arrived at through the following calculation:

Interest paid by customers on loans less interest paid to customers on deposits
plus any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,
minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan. From 1 July 2016, both will mean the cost for Bendigo and Adelaide Bank Limited to borrow the money in the market.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(i) Revenue (continued)

Margin (continued)

Products and services on which margin is paid include variable rate deposits and variable rate home loans. From 1 July 2016, examples include Bendigo Bank branded at call deposits, term deposits and home loans.

For those products and services on which margin is paid, the company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products. This currently also includes Bendigo Bank branded fixed rate home loans and term deposits of more than 90 days, but these will become margin products from 1 July 2016.

Fee income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

Ability to change financial return

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

If Bendigo and Adelaide Bank Limited makes a change to the margin or commission on core banking products and services, it must not reduce the margin and commission the company receives on core banking products and services Bendigo and Adelaide Bank Limited attributes to the company to less than 50% (on an aggregate basis) of Bendigo and Adelaide Bank Limited's margin at that time. For other products and services, there is no restriction on the change Bendigo and Adelaide Bank Limited may make.

Bendigo and Adelaide Bank Limited must give the company 30 days' notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

Monitoring and changing financial return

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank**[®] companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank**[®] model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(i) Revenue (continued)

Monitoring and changing financial return (continued)

As discussed above in relation to Project Horizon, among other things, there will be changes in the financial return for **Community Bank**[®] companies from 1 July 2016. This includes 50% share of margin on core banking products, all core banking products become margin products and a funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin.

The Board is yet to appreciate the full impact of the above changes on our revenue moving forward. We would anticipate that by the time of this year's AGM we will be able to inform our shareholders of the likely outcomes of the new model.

The Board is continuing to work with Bendigo and Adelaide Bank Limited to understand any potential changes to revenue and will provide further details as appropriate in due course.

(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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(o) Comparative figures

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

(p) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Classification and subsequent measurement (continued)

(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.

	2016 \$	2015 \$
Note 2. Revenue and other income		
Revenue		
- services commissions	1,036,586	1,049,492
	1,036,586	1,049,492
Other revenue		
- interest received	7,080	8,123
	7,080	8,123
Total revenue	1,043,666	1,057,615

Note 3. Expenses

Employee benefits expense

- wages and salaries	418,356	383,033
- superannuation costs	35,009	34,083
- workers' compensation costs	662	1,386
- other costs	72,274	84,895
	526,301	503,397

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- Furniture & fittings	9,535	12,049
- Leasehold improvements	23,486	23,678
Amortisation of non-current assets:		
- Intangible assets	11,538	11,537
	44,559	47,264
Finance costs:		
- Interest paid	-	-
Bad debts	354	281
Rental expenses on operating lease	81,291	78,905

Note 4. Income tax expense

- a. 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 28.5% (2015: 30%)	8,394	7,421
Add tax effect of:		
- Non-deductible expenses	1,055	1,478
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	1,715
Current income tax expense	9,449	10,614
The applicable weighted average effective tax rate is	32%	43%
Current income tax expense	15,474	18,446
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	1,715
Origination and reversal of temporary differences	(6,025)	(9,547)
Income tax expense	9,449	10,614
Tax liabilities		
Current tax payable/(refundable)	6,546	4,329
Deferred tax asset	38,782	32,756
Deferred tax liability	167	166

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report	6,827	7,240
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Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 6. Cash and cash equivalents		
Cash at bank and on hand	60,083	50,318
Short term bank deposits	274,424	267,348
	334,507	317,666

The effective interest rate on short term bank deposits was 2.60% (2015: 2.65%).

Note 7. Trade and other receivables

Current

Trade debtors	84,661	73,920
Accrued interest	587	582
	85,248	74,502

Note 8. Other assets

Prepayments	17,301	7,434
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Note 9. Property, plant and equipment

Leasehold improvements

At cost	263,624	263,624
Less accumulated depreciation	(114,518)	(91,032)
	149,106	172,592

Furniture & fittings

At cost	178,860	178,860
Less accumulated depreciation	(118,777)	(109,242)
	60,083	69,618

Total written down amount	209,189	242,210
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Movements in carrying amounts

Leasehold improvements

Carrying amount at beginning of year	172,592	196,270
Additions	-	-
Disposals	-	-
Depreciation expense	(23,486)	(23,678)
Carrying amount at end of year	149,106	172,592

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 9. Property, plant and equipment (continued)		
Furniture & fittings		
Carrying amount at beginning of year	69,618	75,832
Additions	-	5,835
Disposals	-	-
Depreciation expense	(9,535)	(12,049)
Carrying amount at end of year	60,083	69,618

Note 10. Intangible assets

Franchise fee		
At cost	57,686	57,686
Less accumulated amortisation	(46,149)	(34,611)
	11,537	23,075

Note 11. Trade and other payables

Current		
Other payables	23,544	18,596
Accrued expenses	44,354	37,649
	67,898	56,245

Note 12. Provisions

Current		
Annual leave	21,960	23,090
Long service leave	28,462	22,362
	50,422	45,452
Number of employees at year end	7	7
(a) Movement in employee benefits		
Opening balance	45,452	33,643
Additional provisions recognised	16,985	18,953
Amounts utilised during the year	(12,015)	(7,144)
Closing balance	50,422	45,452

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.

	2016 \$	2015 \$
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Note 13. Share capital

532,300 Ordinary shares fully paid of \$1 each	532,300	532,300
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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.

	2016 \$	2015 \$
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Note 14. Leases

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	84,540	75,400
-between 12 months and five years	7,068	75,400
	91,608	150,800

The property lease is a non-cancellable lease with a five 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 five year term for two additional term of five years each.

Notes to the financial statements (continued)

	2016 \$	2015 \$
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	334,507	317,666
As per the statement of cash flow	334,507	317,666
(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities		
Profit after income tax	20,003	14,123
Non cash items		
- Depreciation	33,021	35,727
- Amortisation	11,538	11,537
Changes in assets and liabilities		
- (Increase) decrease in prepayments	(9,867)	18,132
- (Increase) decrease in receivables	(10,746)	13,468
- (Increase) decrease in deferred tax asset	(6,025)	(7,831)
- Increase (decrease) in income tax	2,217	(2,522)
- Increase (decrease) in payables	11,653	13,030
- Increase (decrease) in provisions	4,970	11,809
Net cash flows from/(used in) operating	56,764	107,473

Note 16. Director and related party transactions

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

Robert Davies
Dianne Louise Taylor
Michelle Li James
Stephanie Barbara Christie
Susan Carolyn Brown
Peter Kenneth Merritt
Yi Yu
Annabelle Jill Lane (Appointed 28 September 2015)
Sharyn Joy Cowley (Appointed 27 July 2015)
Jamie Arthur Bedelis (Appointed 31 March 2016)
Arianne Susan Rose (Resigned 25 July 2015)
Cynthia Marie Lahiff (Resigned 22 February 2016)
Serah Van Haften (Resigned 27 July 2015)

Fees paid to Directors are disclosed in the Remuneration report.

Notes to the financial statements (continued)

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:

	2016	2015
Directors' shareholdings		
Robert Davies	2,500	-
Dianne Louise Taylor	10,000	10,000
Michelle Li James	-	-
Stephanie Barbara Christie	-	-
Susan Carolyn Brown	-	-
Peter Kenneth Merritt	-	-
Yi Yu	-	-
Annabelle Jill Lane (Appointed 28th September 2015)	-	-
Sharyn Joy Cowley (Appointed 27th July 2015)	500	-
Jamie Arthur Bedelis (Appointed 31st March 2016)	-	-
Arianne Susan Rose (Resigned 25th July 2015)	-	-
Cynthia Marie Lahiff (Resigned 22nd February 2016)	-	-
Serah Van Haeften (Resigned 27th July 2015)	-	-

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.

Notes to the financial statements (continued)

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 City of Monash, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2015: 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).

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

	2016	2015
	\$	\$
Profit after income tax expense	20,003	14,123
Weighted average number of ordinary shares for basic and diluted earnings per share	532,300	532,300

Note 22. Dividends paid or provided for on ordinary shares

(a) Dividends proposed and not recognised as a liability

Franked dividends - 6.8 cents per share (2015: 7.5 cents per share)	36,196	39,923
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(b) Dividends paid during the year

Previous year final		
Unfranked dividends - Nil	-	-
Franked dividends - 7.5 cents per share (2015: 8 cents per share)	39,923	42,584

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 22. Dividends paid or provided for on ordinary shares (continued)		
(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	111,378	157,815
- Franking credits/(debits) that will arise from the payment of income tax payable as at the end of the financial year	6,546	4,329
- 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	-	-
	117,924	162,144

The tax rate at which dividends have been franked is 30% (2015: 30%).

Dividend proposed will be franked at a rate of 30% (2015: 30%).

Note 23. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 as detailed in the accounting policies are as follows:

	Note	2016 \$	2015 \$
Financial assets			
Cash & cash equivalents	6	334,507	317,666
Trade and other receivables	7	85,248	74,502
Total financial assets		419,755	392,168
Financial liabilities			
Trade and other payables	11	67,898	56,245
Total financial liabilities		67,898	56,245

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.

Notes to the financial statements (continued)

Note 23. Financial risk management (continued)

(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	
	2016 \$	2015 \$
Cash and cash equivalents	334,507	317,666
Receivables	85,248	74,502
	419,755	392,168

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 (2015: 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.

(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:

30 June 2016	Note	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial assets					
Trade and other payables	11	67,898	67,898	-	-
Loans and borrowings		-	-	-	-
Total expected outflows		67,898	67,898	-	-
Financial assets - realisable					
Cash & cash equivalents	6	334,507	334,507	-	-
Trade and other receivables	7	85,248	85,248	-	-
Total anticipated inflows		419,755	419,755	-	-
Net (Outflow)/Inflow on financial instruments		351,857	351,857	-	-

Notes to the financial statements (continued)

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2015	Total	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial assets					
Trade and other payables	11	56,245	56,245	-	-
Loans and borrowings		-	-	-	-
Total expected outflows		56,245	56,245	-	-
Financial Assets - realisable					
Cash & cash equivalents	6	317,666	317,666	-	-
Trade and other receivables	7	74,502	74,502	-	-
Total anticipated inflows		392,168	392,168	-	-
Net (Outflow)/Inflow on financial instruments		335,923	335,923	-	-

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at 30 June 2016 and 30 June 2015.

(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

The following table illustrates sensitivities to the company exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit \$	Equity \$
Year ended 30 June 2016		
+/- 1% in interest rates	+/- 2,723	+/- 2,723
Year ended 30 June 2015		
+/- 1% in interest rates	+/- 3,177	+/- 3,177

No sensitivity analysis has been performed on foreign exchange risk as the company has no material exposure to currency risk. There have been no changes in any of the assumptions used to prepare the above sensitivity analysis from the prior year.

Notes to the financial statements (continued)

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 2016 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

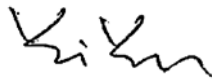
In accordance with a resolution of the Directors of Pinewood Community Financial Services Limited, the Directors of the company declare that:

- 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 2016 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.



Robert Davies
Director/Chairman



Yi Yu
Director/Treasurer

Signed at Mount Waverley on 19 August 2016.

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, 2016 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 and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard 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 conducted our audit in accordance with Australia Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 2016 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 2016. 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 2016 complies with s 300A of the *Corporations Act 2001*.

M V ANDERSON & CO
Chartered Accountants
Level 5, North Tower,
485 La Trobe Street,
Melbourne Vic 3000

GRAEME S. DAY
Partner

Dated: 19 August, 2016

Culture
Commitment
Confidence

■ Melbourne
Level 5 North Tower
485 La Trobe Street
Melbourne, Vic 3000
Australia
T. +61 3 9642 8000
F. +61 3 9642 8222
E. info@mvanderson.com.au

■ Mount Waverley
Suite 6, 318-322 Stephenson Rd
PO Box 633
Mount Waverley, Vic 3149
Australia
T. +61 3 9807 7200
F. +61 3 9807 0200
E. email@mvanderson.com.au

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international
GMM International is an association of
legally independent accounting firms

Pinewood **Community Bank**[®] Branch
65 Centreway, Mount Waverley VIC 3149
Phone: (03) 9886 6477 Fax: (03) 9886 6455

Franchisee: Pinewood Community Financial Services Limited
65 Centreway, Mount Waverley VIC 3149
Phone: (03) 9886 6477 Fax: (03) 9886 6455
ABN: 26 099 420 050

www.bendigobank.com.au/pinewood
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