



Annual Report 2017

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 2017



Dear Shareholders,

When I stepped into the role of Chairman in November 2015, we had been through a few years of slow growth and revenue sharing restructurings with Bendigo and Adelaide Bank. At that time, I declared it was my intention to focus on growing the business of Pinewood **Community Bank**[®] Branch. In my first year as Chairman our footings increased from \$152.5 million to \$175.5 million, or 15%. Despite significant operational challenges and changes, I am pleased to report that this year footings have grown to \$191.5 million, a 9% increase. Even more pleasing is a significant increase in net profit, up 143% vs budget,

and 402% vs last year. Furthermore, the Board has approved a dividend of 8.17 cents per share, up 20% from last year's 6.8 cents per share. These are high quality results across the board!

The year started out with the resignation of two of our key staff, Branch Manager Mark Davenport and Customer Service Manager Michelle Cadusch. Following the highly successful 2015/16 financial year, both staff took the opportunity to move within the Bendigo and Adelaide Bank system for a role closer to home. We wish both Mark and Michelle every success for their future endeavours. The first quarter of the year was therefore dedicated to finding the right leadership team to take us into the future. We believe we have that team in Business Development Manager Suraj Ranaraja, and Branch Manager Indu Angamma. Both have extensive banking experience in Australia and Sri Lanka.

Also, this year saw \$86,312 contributed to our community in grants, sponsorships and donations. By August 2017, after the end of the financial year, Pinewood **Community Bank**[®] company had contributed over \$1 million into our community over the course of the last 15 years. This is an incredibly pleasing result personally, for the Board, staff and our stakeholders!

I would like to thank the Directors who have resigned in the past 12 months, Dianne Taylor, Stephanie Christie and Peter Merritt for their outstanding service to the Board. They have all made a significant contribution to the Pinewood community and Board. We wish them great success in their future endeavours and/or retirements. I would also like to mention that Merv Ericson, Pinewood's first Branch Manager, has re-joined our organisation on the Board of Directors. Merv is a great addition to the Board with extensive experience in banking, the Bendigo and Adelaide Bank system, Rotary, and the Monash community. He has taken on the role of Director – Community Engagement. We are also joined by two other new Directors, Darren Paone and Peter Pan, who will help us push into new community groups.

By the end of the financial year, Pinewood Community Financial Services Limited signed a new franchise agreement with Bendigo and Adelaide Bank. This is a five-year agreement with two renewal clauses at Pinewood's option meaning the Pinewood **Community Bank**[®] Branch will be operating for another 15 years. There is also a new revenue sharing model in place within the agreement that moves away from fixed product margins and into profit sharing by customer behaviour. The new contract enshrines Pinewood's future in the Pinewood Shopping Centre for the next 15 years.

Looking forward, I remain very positive about our growth prospects. We currently have one of the best deposit books in the Central Region and there are plenty of opportunity to grow our loan book. At Pinewood, we are on the edge of one of the largest and most dynamic business districts in Victoria. I see many opportunities to increase our engagement with the business community. Our growing cash holdings along with profitable operations will allow the Board to look constructively at growth opportunities to further build and strengthen this business.

Chairman's report (continued)

Finally, the last five years have seen difficult times in the banking industry with historically low interest rates and the consequent low product margins. However, there are now strong indications that the interest rate cycle has started to turn. This should offer many new opportunities and challenges for the banking industry which your Board will embrace and seek to continue to deliver results for you, our shareholders!

Yours sincerely



Robert Davies
Chairman

On behalf of the Board of Pinewood Community Financial Services Limited.

Branch Manager and Business Development Manager's report

For year ending 30 June 2017



Indu Angamma

Dear Shareholders,

The performance of the Pinewood **Community Bank**[®] Branch for 2016/17 reflects the indomitable spirit of our team as we recorded balance sheet growth of \$13 million which is a 136% achievement of the target.

The year was marked by the tightening of APRA regulations which resulted in restrictions on investment lending and interest only lending on all Australian banks. However, credit growth remained a key positive factor throughout the year and our lending book achieved a positive growth of \$567,000.



Suraj Ranaraja

We saw a number of staff movements during the last financial year. Mark Davenport, who was the Branch Manager for three and a half years, Michelle Cadusch and Stan Kwan all moved to different branches of the Bendigo and Adelaide Bank and Marisa Servaes, a part-time employee now works for the Board.

In October 2016, Suraj Ranaraja joined Pinewood **Community Bank**[®] Branch as the Business Development Manager and Indu Angamma joined as the Branch Manager.

Suraj has worked for the Bendigo and Adelaide Bank for the past six years in the Business Banking team. Prior to joining Bendigo and Adelaide Bank, Suraj was with Westpac /Bank of Melbourne in the commercial/corporate banking divisions. Suraj's banking career spans over 25 years, having worked for American Express Bank, Sri Lanka as Manager - Corporate Banking division and Citibank N.V, Sri Lanka as a Senior Relationship Manager in the Corporate and Investment Banking group. Suraj has wide knowledge in structuring lending for working capital, international trade, term funding and construction funding requirements and has now adapted to his new role within retail banking.

Indu comes to Pinewood **Community Bank**[®] Branch from the Ashburton branch of Bendigo Bank. Before joining Bendigo and Adelaide Bank she worked with HSBC and Standard Chartered Bank in Sri Lanka. Indu has more than 15 years of retail banking experience.

In addition, in March 2017 we welcomed a new Customer Relationship Officer to our team, Paul Lai. He is also an experienced banker from Hang Seng Bank in Hong Kong.

Our strategy for the next three years is driven by our commitment to becoming the primary bank for our customers and to providing an unparalleled customer experience through operational excellence. We have introduced a referral programme for all our sponsorship groups by which they have the opportunity to make additional funds for their community groups by referring business to the Pinewood **Community Bank**[®] Branch. This will be in addition to the annual sponsorship they will receive. We have also launched a referral partner programme where we have introduced a commission structure to agents referring lending business to us.

We will also implement strategies to have stronger relationships within the local business community in order to improve and increase our business banking portfolio.

Branch Manager and Business Development Manager's report (continued)

We continue to maintain a strong relationship with the Bendigo and Adelaide Bank's Head Office, Victorian State office and regional support staff. Being a partner of Australia's fifth largest bank gives us the advantage of having strong and ethical banking practices and an advanced technology system that enables us to give our customers the best customer service experience.

We would like to thank Paul Tyson, Cathy, Julie, Paul Lai and Marisa for their great work and significant contributions over the past financial year.

Thank you to the Board of Directors and shareholders for their continued support in making 2016/17 a successful year.

Yours sincerely,



Indu Angamma
Branch Manager



Suraj Ranaraja
Business Development Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2017

As we approach 20 years since the first **Community Bank**[®] branch opened its doors, it's timely to reflect on the role of our network's 70,000-strong shareholders and its army of nearly 2,000 passionate local Directors.

As a group of people you are a powerful force that continues to influence change both locally and nationally.

United for a shared purpose in your communities, you are making big things happen beyond the delivery of great banking products and services; you're creating jobs, helping businesses to thrive, solving problems and achieving outcomes that will make your communities better places to live and do business.

Amongst other things, you are providing hundreds of thousands of people in communities around Australia with new opportunities to:

- Play sport in new **Community Bank**[®] funded centres.
- Continue their education thanks to a **Community Bank**[®] scholarship.
- Seek treatment in hospitals closer to home with equipment funded through a **Community Bank**[®] grant.
- Reap the environmental benefits of **Community Bank**[®] funded solar panels and LED lighting, and
- Access mental health services for teenage children with a service supported by a local **Community Bank**[®] branch.

In fact, since the model's inception your investment in local communities exceeds \$165 million and that figure continues to grow every year. This amount excludes the significant co-investment on key projects that many companies have obtained from Government and other parties.

Nationally our voices are increasingly being heard, and our collaborative approach recognised and celebrated.

Representing us all at a recent forum at Canberra's Parliament House, Bendigo Bank's Managing Director and Chairman reinforced the significance of the **Community Bank**[®] model's achievements and called for regulatory change that would help us compete in a crowded and ever-evolving banking sector. Just two months later, the Federal Government announced a levy on Australia's biggest banks that is set to re-level the playing field as we've regularly advocated for.

But for us this is more than a levy. The Turnbull Government's announcement recognises the importance of customers having access to a robust, competitive and customer-focused banking sector. On this note Bendigo Bank was recently recognised as the banking provider of choice in the annual Mozo People's Choice Awards. Better yet, out of 110 banking providers nationally, we were the only bank recognised in all eight banking categories – and were rated the leading bank in six of those eight categories.

This is an extraordinary achievement for you and our bank. Not only does it demonstrate that, in the eyes of our customers, we are doing something right – it very clearly outlines that together we can continue to achieve results.

As we've long known, the more successful our customers are, the stronger our communities become. In this regard the **Community Bank**[®] model enables these outcomes for customers and communities, as increasingly recognised by more and more Australians.

So thank you for your investment in your local **Community Bank**[®] company, for your ongoing contribution and support, tireless advocacy and continued commitment to building strong local communities. Without this, our **Community Bank**[®] branches would be just another bank.



Robert Musgrove
Executive Engagement Innovation

Director summaries

For year ending 30 June 2017

RETURNING DIRECTORS



Stephanie Christie

Director focused 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 and 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 and re-elected in 2016 representing the Mulgrave Ward. He is a local resident who grew up in the USA and settled permanently in Melbourne in 1997. Robert has over 20 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 Eastern Innovation Business 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 Limited in November 2015.

Board Member since 28 August 2013



Michelle James

Director focused on Marketing and Community Engagement

Michelle is a dedicated community leader in Monash and she has been a local resident since 1986. Michelle has over 20 years' experience in business development, marketing and corporate partnerships management. She is a committee member of the Clayton Leadership Group, City of Monash and the Melbourne Singaporean Network and a member of the Malaysian in Melbourne Business Network. Michelle is the Founder of AUS Career, a career coaching and networking event business.

Board Member since 2 February 2015

Director summaries (continued)

Returning Directors (continued)



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. Yi also serves on a local non-for-profit committee, Waverley Music Eisteddfod. 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 its goals.

Board Member since 23 March 2015



Susan Brown

Director focused on Marketing and Community Engagement

Sue 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. Sue serves on a number of community group committees and is a devoted dance Mum.

Board Member since 23 March 2015



Peter Merritt

Director focused 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



Sharyn Cowley

Company Secretary/Director focused 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 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 Board and the Pinewood community.

Board Member since 27 July 2015

Director summaries (continued)

Returning Directors (continued)



Annabelle Lane

Director focused on Human Resources

Anna is a qualified MBA (HR management) with 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, Anna is particularly proud of her achievement in owning and operating her own company, Access HR. Anna was nominated for the Monash Business Awards in 2011 and holds a 'Ronald McDonald Community Participation Certificate'. With exceptional interpersonal and organisational skills Anna brings a wealth of knowledge and a professional attitude which she hopes benefits the Board.

Board Member since 28 September 2015



Jamie Bedelis

Director focused 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

NEW DIRECTORS



Mervyn Ericson

Director focused on Marketing and Community Engagement

Mervyn has worked for almost 50 years in the banking and finance industry, including 12 years as branch manager of the Pinewood **Community Bank**[®] Branch until retiring in 2013. He served on the Pinewood Chamber of Commerce for seven years, including two years as Treasurer followed by five years as President. Mervyn was a member of the Monash Economic Development Forum from 2008 until 2014. In December 2014, he was appointed to the Board of the Wantirna **Community Bank**[®] Branch and was Chairman from June 2015 until he retired in May 2016. Mervyn has been a member of Rotary for 26 years, serving as District Governor, Rotary District 9810 in 2013/2014 and as Vice Governor for 2017/18.

Board Member since 27 February 2017

Director summaries (continued)

RETIRING DIRECTORS



Dianne Taylor

Director focussed on Human Resources

Dianne was the co-founder of a successful engineering business which grew to employ 30 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 Bank **Community Bank**[®] Board mentor.

Board member since 22 February 2011

Directors' report

For the financial year ended 30 June 2017

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 Eastern Innovation Business Centre Ltd.

Director since 28th August 2013

Mervyn James Ericson

Director

Experience / Special Responsibilities

Has 48 years' experience in the banking & finance industry including 12 years as branch manager of Pinewood **Community Bank**. Has over 26 years membership of Rotary including position of District Governor District 9810 in 2013/14. Past treasurer (2 years) and Past President (5years) of Pinewood Chamber of Commerce.

Appointed 27th February 2017

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 2nd February 2015

Stephanie Barbara Christie

Director

Experience / Special Responsibilities

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

Director since 25th September 2012

Susan Carolyn Brown

Director

Experience / Special Responsibilities

Communications and Marketing professional focusing on corporate community development and engagement for over 10 years. Serves on a number of community group Committees.

Director since 23rd March 2015

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 23rd March 2015

Directors' report (continued)

Directors (continued)

Annabelle Jill Lane

Director

Experience / Special Responsibilities

Has over 27 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.

Director since 28th September 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. Serves on a local non-for-profit committee.

Director since 23rd March 2015

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 Australia's largest corporate superannuation fund.

Director since 27th July 2015

Jamie Arthur Bedelis

Director

Experience / Special Responsibilities

A property and conveyancing lawyer since 2001 and has a private practice in the Pinewood Shopping Centre.

Director since 31st March 2016

Dianne Louise Taylor

Director

Experience / Special Responsibilities

Has over 25 years experience managing in the manufacturing industry and board facilitation and directorship.

Resigned 31st December 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 \$101,402 (2016 profit: \$20,003).

The net assets of the company have increased to \$636,737 (2016: \$571,531) an increase of \$65,206

Directors' report (continued)

Dividends

	Year ended 30 June 2017	
	Cents	\$
Final dividends recommended:	8.17	43,489
Dividends paid in the year:		
- As recommended in the prior year report	6.8	36,196

Significant changes in the state of affairs

The renewal of 15 year franchise agreement with Bendigo and Adelaide Bank Limited with effect from August 2017 for further 15 years is the only significant change in the company's state of affairs that 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 \$1,750 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:

	2017 \$	2016 \$
Robert Davies	12,000	7,500
Dianne Louise Taylor	1,500	4,500
Michelle Li James	3,000	3,000
Stephanie Barbara Christie	3,000	3,000
Susan Carolyn Brown	3,000	2,250
Peter Kenneth Merritt	4,500	4,500
Annabelle Jill Lane	3,500	2,916
Yi Yu	4,500	3,500
Sharyn Joy Cowley	4,750	4,500
Jamie Arthur Bedelis	2,000	500
Cynthia Marie Lahiff	-	3,000
Serah Van Haeften	-	375
Mervyn James Ericson	750	-

The current business development manager, Suraj Ranaraja and Branch Manager, Indu Angamma are not considered as key management personnel as they do 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	4	5
Michelle Li James	9	11
Stephanie Barbara Christie	11	11
Susan Carolyn Brown	9	11
Peter Kenneth Merritt	11	11
Annabelle Jill Lane	9	11
Yi Yu	11	11
Sharyn Joy Cowley	11	11
Jamie Arthur Bedelis	9	11
Mervyn James Ericson	3	4

Company Secretary

The company secretary is Sharyn Joy Cowley. She is an experienced lawyer specialising in financial services law and a qualified company secretary. Currently senior legal counsel and assistant company secretary at Australia's largest corporate superannuation fund.

Auditor independence declaration

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

Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Mount Waverley on 28th August 2017



Robert Davies
Director/Chairman



Yi Yu
Director/Treasurer

Auditor's independence declaration



M V ANDERSON & CO

Chartered Accountants

www.mvanderson.com.au

**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

I declare that, to the best of my knowledge and belief, during the year ended 30 June, 2017 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

GRAEME S. DAY
Partner

Dated: 28 August, 2017

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue			
Revenue	2	1,100,647	1,043,666
Expenses			
Administration costs		189,758	193,861
IT expenses		49,002	50,495
Occupancy costs		116,443	112,469
Employee benefits expense	3	462,149	526,301
Depreciation and amortisation expense	3	44,708	44,559
Other expenses		9,799	9,915
Operating profit before charitable donations & sponsorships		228,788	106,066
Charitable donations and sponsorships		86,312	76,614
Profit before income tax expense		142,476	29,452
Income Tax expense	4	41,074	9,449
Net Profit for the year		101,402	20,003
Other comprehensive income		-	-
Total comprehensive income		101,402	20,003
Profit attributable to members of the entity		101,402	20,003
Total comprehensive income attributable to members of the entity		101,402	20,003
Earnings per share			
		¢	¢
- basic for profit for the year	21	19.05	3.76
- diluted for profit for the year	21	19.05	3.76

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2017

	Notes	2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents	6	448,365	334,507
Trade and other receivables	7	94,451	85,248
Other assets	8	9,438	17,301
Total current assets		552,254	437,056
Non-current assets			
Property, plant and equipment	9	184,667	209,189
Deferred tax asset	4	41,676	38,782
Intangible assets	10	-	11,537
Total non-current assets		226,343	259,508
Total assets		778,597	696,564
Liabilities			
Current liabilities			
Trade and other payables	11	59,450	67,898
Current tax payable	4	32,128	6,546
Provisions	12	50,109	50,422
Total current liabilities		141,687	124,866
Non current liabilities			
Deferred income tax (DTL)	4	173	167
Total non current liabilities		173	167
Total liabilities		141,860	125,033
Net assets / (liabilities)		636,737	571,531
Equity			
Issued capital	13	532,300	532,300
Retained earnings		104,437	39,231
Total equity		636,737	571,531

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
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		39,231	59,151
Net Profit for the year		101,402	20,003
Dividends paid		(36,196)	(39,923)
Balance at end of year		104,437	39,231

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from clients		1,194,071	1,129,504
Payments to suppliers and employees		(1,023,745)	(1,066,558)
Interest received		6,757	7,075
Income tax (paid)/refund		(18,380)	(13,257)
Net cash flows from/(used in) operating activities	15b	158,703	56,764
Cash Flows From Investing Activities			
Purchase of property, plant & equipment		(8,649)	-
Net cash flows from/(used in) investing activities		(8,649)	-
Cash flows from financing activities			
Dividends paid		(36,196)	(39,923)
Net cash flows from/(used in) financing activities		(36,196)	(39,923)
Net increase/(decrease) in cash held		113,858	16,841
Cash and cash equivalents at start of year		334,507	317,666
Cash and cash equivalents at end of year	15a	448,365	334,507

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2017

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 2017 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 28th August 2017.

(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)

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.

(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.

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

(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

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.

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.

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.

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

(i) Revenue (continued)

Ability to change financial return (continued)

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.

(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)

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 (i.e. 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.

	2017 \$	2016 \$
2. Revenue and other income		
Revenue		
- services commissions	1,093,846	1,036,586
	1,093,846	1,036,586
Other revenue		
- interest received	6,801	7,080
	6,801	7,080
Total Revenue	1,100,647	1,043,666

3. Expenses

Employee benefits expense

- wages and salaries	377,188	418,356
- superannuation costs	32,604	35,009
- workers' compensation costs	1,418	662
- other costs	50,939	72,274
	462,149	526,301

Notes to the financial statements (continued)

	2017 \$	2016 \$
3. Expenses (continued)		
Depreciation of non-current assets:		
- furniture & Fittings	9,707	9,535
- leasehold improvements	23,464	23,486
Amortisation of non-current assets:		
- intangible assets	11,537	11,538
	44,708	44,559
Finance costs:		
- Interest paid	-	-
Bad debts	216	354
Rental expenses on operating lease	84,411	81,291

4. Income tax expense

b. The prima facie tax on profit from ordinary activities

before income tax is reconciled to the income tax expense as follows:

Prima facie tax on profit/(loss) before income tax at 27.5% (2016: 28.5%)	39,180	8,394
Add tax effect of:		
- Non-deductible expenses	539	1,055
- Adjustment to deferred tax to reflect change to tax rate in future periods	1,355	-
Current income tax expense	41,074	9,449
The applicable weighted average effective tax rate is	29%	32%
Current income tax expense	43,961	15,474
Adjustment to deferred tax to reflect change to tax rate in future periods	1,355	-
Origination and reversal of temporary differences	(4,242)	(6,025)
Income tax expense	41,074	9,449
Tax Liabilities		
Current tax payable/(refundable)	32,128	6,546
Deferred tax asset	41,676	38,782
Deferred tax liability	173	167

5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report	6,100	6,827
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Notes to the financial statements (continued)

	2017 \$	2016 \$
6. Cash and cash equivalents		
Cash at bank and on hand	98,365	60,083
Short term bank deposits	350,000	274,424
	448,365	334,507

The effective interest rate on short term bank deposits was 2.20% (2016: 2.60%)

7. Trade and other receivables

Current

Trade debtors	93,820	84,661
Accrued Interest	631	587
	94,451	85,248

8. Other Assets

Prepayments	9,438	17,301
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9. Property, plant and equipment

Leasehold improvements

At cost	263,624	263,624
Less accumulated depreciation	(137,982)	(114,518)
	125,642	149,106

Furniture & Fittings

At cost	187,509	178,860
Less accumulated depreciation	(128,484)	(118,777)
	59,025	60,083

Total written down amount	184,667	209,189
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Movements in carrying amounts

Leasehold improvements

Carrying amount at beginning of year	149,106	172,592
Additions	-	-
Disposals	-	-
Depreciation expense	(23,464)	(23,486)
Carrying amount at end of year	125,642	149,106

Notes to the financial statements (continued)

	2017 \$	2016 \$
9. Property, plant and equipment (continued)		
Furniture & fittings		
Carrying amount at beginning of year	60,083	69,618
Additions	8,649	-
Disposals	-	-
Depreciation expense	(9,707)	(9,535)
Carrying amount at end of year	59,025	60,083

10. Intangible assets

Franchise fee		
At cost	57,686	57,686
Less accumulated amortisation	(57,686)	(46,149)
	-	11,537

11. Trade and other payables

Current

Other payables	9,405	23,544
Accrued expenses	50,045	44,354
	59,450	67,898

12. Provisions

Current

Annual leave	12 (b)	18,970	21,960
Long service leave	12 (b)	31,139	28,462
		50,109	50,422

Number of employees at year end	7	7
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(a) Movement in employee benefits

Opening balance		50,422	45,452
Additional provisions recognised		13,045	16,985
Amounts utilised during the year		(13,358)	(12,015)
Closing balance		50,109	50,422

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.

	2017 \$	2016 \$
13. Share capital		
532,300 Ordinary Shares fully paid of \$1 each	532,300	532,300

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.

	2017 \$	2016 \$
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	7,068	84,540
-between 12 months and five years	-	7,068
	7,068	91,608

The existing property lease expires as at 16 August 2017. A new lease is currently being negotiated.

Notes to the financial statements (continued)

	2017 \$	2016 \$
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	448,365	334,507
As per the statement of cash flow	448,365	334,507
(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities		
Profit after income tax	101,402	20,003
Non cash items		
- Depreciation	33,171	33,021
- Amortisation	11,537	11,538
Changes in assets and liabilities		
- (Increase) decrease in prepayments	7,863	(9,867)
- (Increase) decrease in receivables	(9,203)	(10,746)
- (Increase) decrease in deferred tax asset	(2,888)	(6,025)
- Increase (decrease) in income tax	25,582	2,217
- Increase (decrease) in payables	(8,448)	11,653
- Increase (decrease) in provisions	(313)	4,970
Net cash flows from/(used in) operating	158,703	56,764

16. Director and related party transactions

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

Robert Davies
Dianne Louise Taylor (Resigned 31st December 2016)
Michelle Li James
Stephanie Barbara Christie
Susan Carolyn Brown
Peter Kenneth Merritt
Annabelle Jill Lane
Yi Yu
Sharyn Joy Cowley
Jamie Arthur Bedelis
Mervyn James Ericson (Appointed 27th February 2017)

Fees paid to directors are disclosed in the Remuneration Report.

The company has incurred costs of \$9,914 which were paid to Susan Carolyn Brown for marketing services. These transactions were on normal commercial terms and no favourable than those available to other parties.

Notes to the financial statements (continued)

Note 16. Director and related party transactions (continued)

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	5,000	2,500
Dianne Louise Taylor (Resigned 31st December 2016)	10,000	10,000
Michelle Li James	-	-
Stephanie Barbara Christie	-	-
Susan Carolyn Brown	-	-
Peter Kenneth Merritt	-	-
Annabelle Jill Lane	-	-
Yi Yu	-	-
Sharyn Joy Cowley	500	500
Jamie Arthur Bedelis	-	-
Mervyn James Ericson (Appointed 27th February 2017)	1,000	1,000

Each share held has a paid up value of \$1 and is fully paid.

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.

18. Contingent liabilities and assets

There were no contingent liabilities or assets at the date of this report to affect the financial statements.

Notes to the financial statements (continued)

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 (2016: 100%).

20. Company details

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

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:

	2017 \$	2016 \$
Profit after income tax expense	101,402	20,003
Weighted average number of ordinary shares for basic and diluted earnings per share	532,300	532,300

22. Dividends paid or provided for on ordinary shares

(a) Dividends proposed and not recognised as a liability

Franked dividends - 8.17 cents per share (2016: 6.8 cents per share)	43,489	36,196
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(b) Dividends paid during the year

Previous year final		
Unfranked dividends - Nil	-	-
Franked dividends - 6.8 cents per share (2016: 7.5 cents per share)	36,196	39,923

(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	116,029	111,378
- Franking credits/(debits) that will arise from the payment of income tax payable as at the end of the financial year	32,128	6,546
- Franking debits that will arise from the payment of dividends as at the end of the financial year	(16,496)	(13,730)
- 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	-	-
	131,661	104,194

The tax rate at which dividends have been franked is 27.5% (2016: 30%).

Dividend proposed will be franked at a rate of 27.5% (2016: 30%).

Notes to the financial statements (continued)

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 accordance with AASB 139 as detailed in the accounting policies are as follows:

	Note	2017 \$	2016 \$
Financial assets			
Cash & cash equivalents	6	448,365	334,507
Trade and other receivables	7	94,451	85,248
Total financial assets		542,816	419,755
Financial liabilities			
Trade and other payables	11	59,450	67,898
Total financial liabilities		59,450	67,898

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	
	2017 \$	2016 \$
Cash and cash equivalents	448,365	334,507
Receivables	94,451	85,248
	542,816	419,755

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 (2016: 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)

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:

30 June 2017	Note	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial liabilities due					
Trade and other payables	11	59,450	59,450	-	-
Loans and borrowings		-	-	-	-
Total expected outflows		59,450	59,450	-	-
Financial assets - realisable					
Cash & cash equivalents	6	448,365	448,365	-	-
Trade and other receivables	7	94,451	94,451	-	-
Total anticipated inflows		542,816	542,816	-	-
Net (outflow)/inflow		483,366	483,366	-	-

30 June 2016	Note	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial liabilities due					
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	-	-

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at 30 June 2017 and 30 June 2016.

Notes to the financial statements (continued)

23. Financial risk management (continued)

(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 2017		
+/- 1% in interest rates	+/- 3,091	+/- 3,091
Year ended 30 June 2016		
+/- 1% in interest rates	+/- 2,723	+/- 2,723

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.

(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.

Notes to the financial statements (continued)

23. Financial risk management (continued)

(d) Price risk (continued)

Capital management (continued)

(i) the Distribution Limit is the greater of:

- (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2017 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

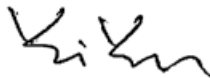
In accordance with a resolution of the Directors of Pinewood Community Financial Services Limited, the Directors of the company declare that:

- 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 2017 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 28th August 2017

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**



M V ANDERSON & CO
Chartered Accountants
www.mvanderson.com.au

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pinewood Community Financial Services Limited (the company), which comprises the statement of financial position as at 30 June 2017, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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 2017 and of its financial performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability of the company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent audit report (continued)

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of entities or business activities within the company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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GRAEME S. DAY
Partner

Dated: 29 August, 2017

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