

Pinewood Community Financial Services Limited

ABN 26 099 420 050



2018 Annual Report



Pinewood **Community Bank**[®] Branch

Contents

Chairman's report	2
Managers' report	4
Bendigo and Adelaide Bank report	5
Directors' report	6
Auditor's independence declaration	12
Financial statements	13
Notes to the financial statements	17
Directors' declaration	34
Independent audit report	35

Chairman's report

For year ended 30 June 2018



Dear Shareholders,

It is with great pleasure that I present to you the 2017/18 Annual Report and Financial Statements. This has been a year of significant renewal, milestones, and achievement for our **Community Bank**[®] branch. We have also achieved our best ever financial result and highest ever level of footings (loans plus deposits). Furthermore, the Board has approved a dividend of 10.00 cents per share, up 22% from last year's 8.17 cents per share which will be fully franked and paid on 25 September 2018.

In August 2017 Pinewood Community Financial Services (Pinewood) commenced a new 15 year franchise agreement with Bendigo and Adelaide Bank. The contract includes a new revenue model and three by five year terms. This year we have also renewed our lease at 65 Centreway, Mt Waverley. These contract renewals have cemented Pinewood at its current location for many years to come. This is great news for our customers, employees, shareholders, and many other stakeholders.

At about the same time as the franchise agreement renewal, Pinewood burst through the milestone of \$1 million in local community contributions. I have no doubt that all of our stakeholders are pleased that we have been able to make such a positive impact on our community here in the City of Monash. These contributions have affected hundreds of community groups and thousands of local residents, ensuring that together we can make a better local community. Shareholders should be very proud of this milestone achievement which will continue to increase for many years to come.

In November 2017, Pinewood held its first ever 'Pitch Night' where we combined with local business and donated funds to 15 deserving local community groups. This was a relaunch of our traditional Grants evening and it was a great success! Not only did Pinewood contribute \$25,000 during the night, but we leveraged our relationships with the local business community to increase funding to the \$40,000 level. It was a great evening with lots of deserving projects receiving funding. The highlight of the night was the presentation by the team from Radio Lollipop. This group provides entertainment to patients at the Monash Children's Hospital. The Pitch Night will be repeated this year with an expanded contribution.

As I noted earlier, 2017/18 has been a year of financial achievement for Pinewood! Footings have increased to over \$210 million (up 10%), Revenue has exceeded \$1.2 million (up 9%), Net Profit was the highest ever at \$120,000 (up 18%), and our dividend will be lifted to 10c per share (up 22%). These are all record results for Pinewood for which the Board and I have great pleasure in delivering to you! I think it is also worthwhile noting that over my past three years as Chairman, Pinewood's footings have increased by 38%, while profits have increased by eight times. These last three years have put your investment in Pinewood onto a sound platform, all while continuing our substantial community contributions program.

The Board has spent some time during the year investigating growth opportunities. However, the tightening of lending standards by the Australian Prudential Regulatory Authority, along with the continued reduction in branch transactions has made the Board reluctant to move forward at this time. Therefore, we are putting a proposal to shareholders this year to buy back shares at a considerable premium to the share trades in the past five years. I can recommend you review this offer and get professional advice if necessary, to see if it makes sense for you to take up the offer.

Chairman's report (continued)

I would like to thank the Board and shareholders for the opportunity to serve as Chairman for this year. We have a very experienced, stable, professional Board that has been delivering great results for many years now. In particular, I would like to thank Directors who retired in the past year Stephanie Christie and Peter Merritt. Both have made a significant contribution to Pinewood over many years. I can also welcome new Directors, Darren Paone, Peter Pan and Shruti Verma who have already had an impact on our sales and Board operations. Our Pinewood **Community Bank**[®] Branch team continues to be ably led by Branch Manager Indu Angamma, and Business Development Manager Suraj Ranaraja. The Board believes we have a strong management and **Community Bank**[®] branch team which will continue to deliver the outstanding service that our customers want and deserve.

The Board and I continue to look forward to meeting the many challenges ahead presented by the banking industry and our local community. Thank you and it has been a pleasure to serve another year as Chairman of Pinewood Community Financial Services Limited.

Yours sincerely,



Robert Davies
Chairman

Dividend payment history

Dividend to shareholders			
Financial year	Cents per share	Franking level	Date paid
2017/18	10.0	Fully franked	25 September 2018
2016/17	8.17	Fully franked	21 August 2017
2015/16	6.8	Fully franked	27 October 2016
2014/15	7.5	Fully franked	2 December 2015

Managers' report

For year ended 30 June 2018



Dear Shareholders,

It has been an historic year for the Pinewood **Community Bank**[®] Branch as the branch celebrated its 15th year in operation in August 2017. Along with this milestone we celebrated another important milestone of giving a staggering \$1 million back into the community that we operate in and we continue to be a strong supporter of the Monash community.

During the year under review, the Pinewood **Community Bank**[®] Branch has delivered a resilient performance considering some of the regulatory headwinds we faced during the year. We have delivered a balance sheet growth of \$17.8 million which is a 101% achievement of our internal KPI's. We welcomed new customers in the home loan segment as well as business banking segment and the balance sheet now stands at \$210.6 million and is continuing to grow.

We ushered in a new era of banking with the introduction of the new payment platform Osko by BPAY. Customers who have a registered PayID can now receive payments under one minute 24/7 and is available 365 days of the year. In November 2017 we launched Digital Wallets and now you can turn your phone or smart watch into your wallet by simply loading a Bendigo Bank MasterCard to your device and pay on the go. We also introduced Qantas Platinum MasterCard through which you can earn 0.6 Qantas points per dollar spent.

To strengthen our relationships with our community we introduced Designer Deals which enables our sponsorship groups to refer business back to the Pinewood **Community Bank**[®] Branch by offering their members and supporters significant discounts and fee waivers.

We maintain a very strong relationship with Bendigo and Adelaide Bank's Victorian State Office and regional support staff and they continuously provide us with necessary guidance to ensure full compliance with banking regulations.

A visionary Board charts our course and inspires our growth. Their direction and counsel have been invaluable as we focused on navigating the course and we wish to convey our sincere appreciation of their inputs.

To the team at the **Community Bank**[®] branch, we offer a heartfelt thank you for accepting the stretched goals that we set for ourselves and overcoming challenges to achieve them, with a 'can do' determination. We look forward to working together to lead the Pinewood **Community Bank**[®] Branch on the next phase of our journey.

Yours Sincerely,



Indu Angamma
Branch Manager



Suraj Ranaraja
Business Development Manager

Bendigo and Adelaide Bank report

For year ended 30 June 2018

It's been 20 years since the doors to the first **Community Bank**[®] branch opened. And it has only been a few months since the latest, the 321st, **Community Bank**[®] branch opened its doors.

In the last 20 years, much has changed. A staggering 92 per cent of our customers do their banking online and we pay for goods and services on a range of mobile phones, our watches and even our fitness devices. Many are embracing this online world with a sense of excitement and confidence. Our model will be even more accessible to people right across Australia.

Despite the change many things have also remained constant through the last two decades. Commitment within communities remains as strong today as it has ever been; from our first **Community Bank**[®] branch to the most recent one, and the 319 in between.

This year, five of our **Community Bank**[®] branches are celebrating 20 years in business. Bendigo Bank has celebrated 160 years in business. We farewelled Managing Director Mike Hirst and welcomed into the MD role long-time Bendigo employee Marnie Baker.

Our **Be the change** online marketing campaign has been the most successful online marketing campaign ever run by our organisation. The premise behind **Be the change** is simple – it thanks individual customers for banking with their **Community Bank**[®] branch.

But it's not the Bank thanking the customers. It's not the staff, volunteer directors or shareholders thanking the customers. It's the kids from the local little athletics and netball clubs, it's the man whose life was saved by a **Community Bank**[®] funded defib unit, it's members of the local community choir and the animal rescue shelter. These people whose clubs and organisations have received a share of over \$200 million in **Community Bank**[®] contributions, all because of people banking with their local **Community Bank**[®] branch.

Be the change has further highlighted the power of the model. For others, customers are important. For our **Community Bank**[®] network, customer support ensures our point of difference. It's the reason we can share in the revenue generated by their banking business. Without this point of difference, we would be just another bank.

But we're not, we're Bendigo Bank and we're Australia's only 'community bank', recently named by Roy Morgan Research as Australia's third most trusted brand and most trusted bank. As one of 70,000-plus **Community Bank**[®] company shareholders across Australia, these are outcomes we hope you too are proud of.

I'd like to thank you for your decision to support your local **Community Bank**[®] company as a shareholder. Your support has been vitally important to enhancing the prospects and outcomes within your community.

Without you, there would be no **Community Bank**[®] branch network in Australia.

We value your initial contribution and your ongoing support of your **Community Bank**[®] branch and your community. Thank you for continuing to play a role in helping your community **Be the change**.



Robert Musgrove
Bendigo and Adelaide Bank

Directors' report

For the financial year ended 30 June 2018

Your Directors submit their report of the company for the financial year ended 30 June 2018.

Directors

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



Stephanie Barbara Christie

Director/ Community Engagement Committee Member

Stephanie has run her own professional services consultancy business for several years and was a past director of RACV Credit Union. Her skills include management, leadership, marketing analysis, research and direct marketing. Stephanie serves on several local non-profit committees in the arts spheres, including secretary and sponsorship coordinator of Waverley Music Eisteddfod.

Appointed 25 September 2012

Resigned 1 July 2017



Robert Davies

Director/ Chairman/ Investment Committee Chair/ Audit & Finance Committee Member/ Community Engagement Committee Member

Robert is a stockbroker with over 20 years' experience in leadership roles in business and finance working in Europe and Australia. Robert is a member of a number of professional associations including the Australian Institute of Company Directors (GAICD), the Wheelers Hill Rotary Club, and the Liberal Party. Robert is a Monash City Councillor representing the Mulgrave Ward. Through this role, he has also served as a director of the Monash Gallery of Art and the Eastern Innovation Business Centre.

Appointed 28 August 2013



Peter Kenneth Merritt

Director/ Community Engagement Committee Chair

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.

Appointed 23 March 2015

Resigned 30 September 2017



Michelle Li James

Director/ Community Engagement Committee Member

Michelle has over 20 years' experience in business development, sales and marketing. She is the founder of AUS Career Coach, specialising in guiding new and skilled migrants through the job search process.

Appointed 2 February 2015

Directors (continued)



Yi Yu

Director/ Treasurer/ Audit & Finance Committee Chair/ Investment Committee Member
Ivy has a Bachelor of Commerce and a Master of Business Administration and is a Certified Practising Accountant (CPA) and Chartered Management Accountant. She has over 13 years' experience in financial and management accounting at operational, management and strategic levels. Ivy is also the vice chairman and secretary of CPA professional groups and serves as a member of the Waverley Music Eisteddfod.
Appointed 23 March 2015



Susan Carolyn Brown

Director/ Community Engagement Committee Member
Sue has a Bachelor of Business in Marketing and Economics and is completing a Diploma in Entrepreneurship. She has enjoyed a strong career in business management, marketing and communications, with the last 10 years as a corporate social responsibility practitioner.
Appointed 23 March 2015



Sharyn Joy Cowley

Director/ Company Secretary/ Corporate Governance Committee Chair/ Investment Committee Member
Sharyn has a Bachelor of Arts, Bachelor of Laws (Hons) and a Graduate Diploma in Applied Corporate Governance. She is an experienced corporate lawyer and company secretary. Sharyn is a Member of the Australian Institute of Company Directors and a Fellow of the Governance Institute of Australia. She has over 20 years' experience in the financial services industry and a special interest in corporate governance and risk management.
Appointed 27 July 2015



Annabelle Jill Lane

Director/ Human Resources Committee Chair
Anna has a Masters of Human Resource Management. She has over 25 years' experience in human resource management working in her own business with a broad range of organisations including the not-for-profit, education, insurance, medical, legal, financial and building sectors.
Appointed 28 September 2015



Jamie Arthur Bedelis

Director/ Investment Committee Member
Jamie has a Bachelor of Laws and operates his own legal practice in the Pinewood Shopping Centre. Raised in Mount Waverley, his family has strong ties to the Pinewood Community having owned a business in the Pinewood Shopping Centre from 1960 until 2000.
Appointed 31 March 2016

Directors (continued)



Mervyn James Ericson

Director/ Community Engagement Committee Chair

Merv has worked for over 50 years in the banking and finance industry, including 12 years as Branch Manager of Pinewood **Community Bank**[®] Branch. He has served on the Pinewood Chamber of Commerce for seven years, including five years as President and has been a member of Rotary for 27 years.

Appointed 27 March 2017



Darren John Paone

Director/ Community Engagement Committee Member

Darren has been the General Manager of a national family business in Mount Waverley since 2009. He was a founding member of Mazenod United Football Club and a member of the Mazenod Old Collegians Association since 2005. Darren also served on the board of 'Energy-On', a local energy on-selling business from 2013 to 2015.

Appointed 1 August 2017



Peter Yong Pan

Director/ Community Engagement Committee Member

Peter has worked in the property development industry for the past 15 years and also runs an import/export trading business. He currently serves as co-president of the Wesley College, Purple and Gold Parents Association and has played an integral role in the development of the Wesley College Chinese parent community.

Appointed 9 August 2017



Shruti Verma

Director

Shruti is undertaking postgraduate qualifications in accounting and finance and has previously worked as an audit associate for a multi-national corporation. She has volunteered with various student boards and communities and has been involved in ethics, responsibility and sustainability issues.

Appointed 26 February 2018

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.

Directors' report (continued)

Review of operations

The profit of the company for the financial year after provision for income tax was \$119,790 (2017 profit: \$101,402).

The net assets of the company have increased to \$713,038 (2017: \$636,737) an increase of \$76,301.

Dividends

	Year ended 30 June 2018	
	Cents per share	\$
Final dividends declared:	10.00	53,230
Dividends paid in the year:		
- As declared in the prior year report	8.17	43,489

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

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 Pinewood 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 the 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.

Directors' report (continued)

Remuneration report

Directors are paid an annual fee of \$3,000 p.a. contingent on meeting attendance. Those Directors holding the positions of Company Secretary, Treasurer and the Chair of the Human Resources and Community Engagement Committees are paid an additional fee of \$2,400 p.a. to reflect their expertise, additional responsibility and workload. The Chairman is paid \$6,000 p.a. with an additional bonus of \$6,000 p.a. contingent on meeting performance criteria. No remuneration has been paid to Shruti Verma as the first six months of her Directorship is on a voluntary basis.

The names of Directors who have held office during the year ended 30 June 2018 and the Directors fees paid are:

	2018 \$	2017 \$
Stephanie Barbara Christie	-	3,000
Robert Davies	12,000	12,000
Peter Kenneth Merritt	250	4,500
Michelle Li James	2,900	3,000
Yi Yu	5,400	4,500
Susan Carolyn Brown	3,000	3,000
Sharyn Joy Cowley	5,400	4,750
Annabelle Jill Lane	5,400	3,500
Jamie Arthur Bedelis	2,500	2,000
Mervyn James Ericson	5,400	750
Darren John Paone	2,400	-
Peter Yong Pan	2,150	-
Shruti Verma	-	-
Dianne Louise Taylor	-	1,500

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 indemnifies each Director and Officer out of the 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 a lack of good faith. The company has taken out Directors & Officers insurance cover for the benefit of Directors and Officers of the company. The policy provides cover for all defence costs and other losses which a Director or Officer may not be indemnified by the company and becomes legally obligated for during the policy period for a wrongful act committed, attempted or allegedly committed or attempted.

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:

	Directors' Meetings Attended		Committee Meetings Attended										
			Audit & Finance Committee		Investment Committee		Corporate Governance Committee		Human Resources Committee		Community Engagement Committee		
	A	B	A	B	A	B	A	B	A	B	A	B	
Stephanie Barbara Christie	-	-	-	-	-	-	-	-	-	-	-	-	-
Robert Davies	11	11	2	2	3	3	1	1	1	1	10	10	
Peter Kenneth Merritt	1	1	-	-	-	-	-	-	-	-	1	1	
Michelle Li James	11	8	-	-	-	-	-	-	-	-	10	7	
Yi Yu	11	11	2	2	3	3	-	-	-	-	-	-	
Susan Carolyn Brown	11	11	-	-	-	-	-	-	-	-	10	8	
Sharyn Joy Cowley	11	11	-	-	3	3	5	5	-	-	-	-	
Annabelle Jill Lane	11	11	-	-	-	-	-	-	10	10	-	-	
Jamie Arthur Bedelis	11	7	-	-	3	2	-	-	-	-	-	-	
Mervyn James Ericson	11	11	1	1	-	-	-	-	10	10	10	10	
Darren John Paone	9	8	-	-	-	-	-	-	-	-	7	3	
Peter Yong Pan	10	6	-	-	-	-	-	-	-	-	7	6	
Shruti Verma	4	4	-	-	-	-	-	-	-	-	2	1	

A – Eligible
B – Attended

Company Secretary

The Company Secretary is Sharyn Joy Cowley. She has a Graduate Diploma in Applied Corporate Governance, is a Fellow of Governance Institute of Australia and has over 10 years' experience as a 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 12 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 27 August 2018.



Robert Davies
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, 2018 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: 27 August, 2018

*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

Liability limited by a scheme approved under Professional Standards Legislation

gmn
international
gmn international is an associate of
legally independent accounting firms

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Revenue			
Revenue	2	1,207,474	1,100,647
Expenses			
Administration costs		215,934	189,758
IT expenses		54,292	49,002
Occupancy costs		110,756	116,443
Employee benefits expense	3	522,685	462,149
Depreciation and amortisation expense	3	39,570	44,708
Other expenses		10,847	9,799
Operating profit before charitable donations and sponsorships		253,390	228,788
Charitable donations and sponsorships		86,897	86,312
Profit before income tax expense		166,493	142,476
Income Tax expense	4	46,703	41,074
Net Profit for the year		119,790	101,402
Other comprehensive income		-	-
Total comprehensive income		119,790	101,402
Profit attributable to members of the entity		119,790	101,402
Total comprehensive income attributable to members of the entity		119,790	101,402
Earnings per share (cents per share)			
- basic for profit for the year	21	22.50	19.05
- diluted for profit for the year	21	22.50	19.05

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Financial Position as at 30 June 2018

	Notes	2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents	6	509,079	448,365
Trade and other receivables	7	99,750	94,451
Other assets	8	48,738	9,438
Total current assets		657,567	552,254
Non-current assets			
Property, plant and equipment	9	166,876	184,667
Deferred tax asset	4	46,179	41,676
Intangible assets	10	44,074	-
Total non-current assets		257,129	226,343
Total assets		914,696	778,597
Liabilities			
Current liabilities			
Trade and other payables	11	91,232	59,450
Current tax payable	4	16,318	32,128
Provisions	12	53,343	50,109
Total current liabilities		160,893	141,687
Non current liabilities			
Deferred income tax (DTL)	4	773	173
Trade and other payables	11	39,992	-
Total non current liabilities		40,765	173
Total liabilities		201,658	141,860
Net assets / (liabilities)		713,038	636,737
Equity			
Issued capital	13	532,300	532,300
Retained earnings		180,738	104,437
Total equity		713,038	636,737

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
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			
Balance at start of year		104,437	39,231
Net Profit for the year		119,790	101,402
Dividends paid	22	(43,489)	(36,196)
Balance at end of year		180,738	104,437

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from clients		1,316,165	1,194,071
Payments to suppliers and employees		(1,100,886)	(1,023,745)
Interest received		6,085	6,757
Income tax paid		(66,416)	(18,380)
Net cash flows from operating activities	15b	154,948	158,703
Cash flows used in investing activities			
Purchase of property, plant & equipment		(10,760)	(8,649)
Payments for intangible assets		(1,771)	-
Investments in listed shares		(38,214)	-
Net cash flows used in investing activities		(50,745)	(8,649)
Cash flows used in financing activities			
Dividends paid		(43,489)	(36,196)
Net cash flows used in financing activities		(43,489)	(36,196)
Net increase in cash held		60,714	113,858
Cash and cash equivalents at start of year		448,365	334,507
Cash and cash equivalents at end of year	15a	509,079	448,365

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2018

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 2018 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).

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 27 August 2018.

(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:

Class of asset	Depreciation rate
Leasehold improvements	5 - 10%
Furniture & fittings	3.75 - 50%

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

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.

Note 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.

Note 1. Summary of significant accounting policies (continued)

(i) Revenue (continued)

Ability to change financial return (continued)

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.

(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

There are a number of amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2017, and are therefore relevant for the current financial year.

AASB 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This accounting standard is not expected to have a material impact on the financial statements.

AASB 15 Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. This accounting standard is not expected to have a material impact on the financial statements.

There are also a number of accounting standards and interpretations issued by the AASB that become effective in future accounting periods.

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.

Only AASB 16 Leases, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. This revised standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Note 1. Summary of significant accounting policies (continued)

(l) Loans and borrowings

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

(m) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that the outflow of economic benefits will result and the outflow can be reliably measured.

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

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

(n) Share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(o) Comparative figures

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

(p) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (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.

(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.

	2018 \$	2017 \$
Note 2. Revenue and other income		
Revenue		
- services commissions	1,198,241	1,093,846
	1,198,241	1,093,846
Other revenue		
- interest received	8,267	6,801
- unrealised Investment Income	966	-
	9,233	6,801
Total revenue	1,207,474	1,100,647

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 3. Expenses		
Employee benefits expense		
- wages and salaries	404,395	377,188
- superannuation costs	38,620	32,604
- workers' compensation costs	1,241	1,418
- other costs	78,429	50,939
	522,685	462,149
Depreciation of non-current assets:		
- furniture & Fittings	8,442	9,707
- leasehold improvements	20,109	23,464
Amortisation of non-current assets:		
- intangible assets	11,019	11,537
	39,570	44,708
Finance costs:		
- Interest paid	3	-
Bad debts	457	216
Rental expenses on operating lease	77,193	84,411

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 before income tax at 27.5% (2017: 27.5%)	45,786	39,180
Add / (Less) tax effect of:		
- Non-deductible expenses	1,183	539
- Non-assessable income	(266)	-
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	1,355
Current income tax expense	46,703	41,074
The applicable weighted average effective tax rate is	28%	29%
Current income tax expense	50,606	43,961
Adjustment to deferred tax to reflect change to tax rate in future periods	-	1,355
Origination and reversal of temporary differences	(3,903)	(4,242)
Income tax expense	46,703	41,074

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 4. Income tax expense (continued)		
Tax Liabilities		
Current tax payable	16,318	32,128
Deferred tax asset	46,179	41,676
Deferred tax liability	773	173

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report	6,700	6,100
--	--------------	--------------

Note 6. Cash and cash equivalents

Cash at bank and on hand	136,431	98,365
Short term bank deposits	372,648	350,000
	509,079	448,365

The effective interest rate on short term bank deposits was 2.29% (2017: 2.20%)

Note 7. Trade and other receivables

Current

Trade debtors	96,937	93,820
Accrued interest	2,813	631
	99,750	94,451

Note 8. Other assets

Investments in listed securities	39,180	-
Prepayments	9,558	9,438
	48,738	9,438

Note 9. Property, plant and equipment

Leasehold improvements

At cost	263,624	263,624
Less accumulated depreciation	(158,091)	(137,982)
	105,533	125,642

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 9. Property, plant and equipment (continued)		
Furniture and fittings		
At cost	198,269	187,509
Less accumulated depreciation	(136,926)	(128,484)
	61,343	59,025
Total written down amount	166,876	184,667
Movements in carrying amounts		
Leasehold improvements		
Carrying amount at beginning of year	125,642	149,106
Additions	-	-
Disposals	-	-
Depreciation expense	(20,109)	(23,464)
Carrying amount at end of year	105,533	125,642
Furniture and fittings		
Carrying amount at beginning of year	59,025	60,083
Additions	10,760	8,649
Disposals	-	-
Depreciation expense	(8,442)	(9,707)
Carrying amount at end of year	61,343	59,025

Note 10. Intangible assets

Franchise fee

At cost	55,093	57,686
Less accumulated amortisation	(11,019)	(57,686)
	44,074	-

Note 11. Trade and other payables

Current

Other payables	14,370	9,405
Accrued expenses	63,532	50,045
Liability to Bendigo (Franchise & Training Fee)	13,330	-
	91,232	59,450

Notes to the financial statements (continued)

	Notes	2018 \$	2017 \$
Note 11. Trade and other payables (continued)			
Non-current			
Liability to Bendigo (Franchise & Training Fee)		39,992	-
		39,992	-

Note 12. Provisions

Current

Annual leave	12 (b)	18,554	18,970
Long service leave	12 (b)	34,789	31,139
		53,343	50,109

Number of employees at year end	6	7
--	----------	----------

(a) Movement in employee benefits

Opening balance		50,109	50,422
Additional provisions recognised		10,932	13,045
Amounts utilised during the year		(7,698)	(13,358)
Closing balance		53,343	50,109

(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.

	2018 \$	2017 \$
532,300 Ordinary shares fully paid of \$1 each	532,300	532,300

Notes to the financial statements (continued)

Note 13. Share capital (continued)

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.

	2018 \$	2017 \$
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	79,166	7,068
-between 12 months and five years	268,533	-
	347,699	7,068

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	509,079	448,365
As per the statement of cash flow	509,079	448,365

(b) Reconciliation of profit after tax to net cash provided from operating activities

Profit after income tax	119,790	101,402
Non cash items		
- Depreciation	28,551	33,171
- Amortisation	11,019	11,537
- Unrealised Investment Income	(966)	-

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 15. Statement of cash flows (continued)		
Changes in assets and liabilities		
- (Increase) decrease in prepayments	(120)	7,863
- (Increase) decrease in receivables	(5,299)	(9,203)
- (Increase) decrease in deferred tax asset	(3,903)	(2,888)
- Increase (decrease) in income tax	(15,810)	25,582
- Increase (decrease) in payables	18,452	(8,448)
- Increase (decrease) in provisions	3,234	(313)
Net cash flows from operating activities	154,948	158,703

Note 16. Director and related party transactions

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

Stephanie Barbara Christie (Resigned 1 July 2017)
Robert Davies
Peter Kenneth Merritt (Resigned 30 September 2017)
Michelle Li James
Yi Yu
Susan Carolyn Brown
Sharyn Joy Cowley
Annabelle Jill Lane
Jamie Arthur Bedelis
Mervyn James Ericson
Darren John Paone (Appointed 1 August 2017)
Peter Yong Pan (Appointed 9 August 2017)
Shruti Verma (Appointed 26 February 2018)

Fees paid to Directors are disclosed in the Remuneration Report.

The company has incurred costs of \$17,050 which were paid to Susan Carolyn Brown for marketing services for the company. These transactions were on normal commercial terms and no more favourable than those available to other parties.

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.

Notes to the financial statements (continued)

Note 16. Director and related party transactions (continued)

(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 are as follows:

Directors' shareholdings	2018	2017
Robert Davies	24,500	5,000
Yi Yu	1,000	-
Sharyn Joy Cowley	500	500
Mervyn James Ericson	1,000	1,000
Peter Yong Pan (Appointed 9 August 2017)	500	-

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

Note 17. Events after the reporting period

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

Note 18. Contingent liabilities and assets

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

Note 19. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being 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 (2017: 100%).

Note 20. Company details

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

Notes to the financial statements (continued)

2018
\$ **2017**
\$

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:

Profit after income tax expense	119,790	101,402
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 - 10 cents per share (2017: 8.17 cents per share)	53,230	43,489
---	--------	--------

(b) Dividends paid during the year

Previous year final		
Unfranked dividends - Nil	-	-
Franked dividends - 8.17 cents per share (2017: 6.8 cents per share)	43,489	36,196

(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	165,948	116,029
- Franking credits/(debits) that will arise from the payment of income tax payable as at the end of the financial year	16,103	32,128
- Franking debits that will arise from the payment of dividends as at the end of the financial year	(20,191)	(16,496)
- 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	-	-
	161,860	131,661

The tax rate at which dividends have been franked is 27.5% (2017: 27.5%).

Dividend proposed will be franked at a rate of 27.5% (2017: 27.5%).

Notes to the financial statements (continued)

Note 23. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables, investments in listed shares 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	2018 \$	2017 \$
Financial assets			
Cash & cash equivalents	6	509,079	448,365
Trade and other receivables	7	99,750	94,451
Other Assets - Security Investments	8	39,180	-
Total financial assets		648,009	542,816
Financial liabilities			
Trade and other payables	11	131,224	59,450
Total financial liabilities		131,224	59,450

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 and Finance Committee which regularly reports 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	
	2018 \$	2017 \$
Cash and cash equivalents	509,079	448,365
Receivables	99,750	94,451
Investments	39,180	-
	648,009	542,816

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 (2017: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

Notes to the financial statements (continued)

Note 23. Financial risk management (continued)

(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 2018	Note	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial liabilities due					
Trade and other payables	11	131,224	91,232	39,992	-
Loans and borrowings		-	-	-	-
Total expected outflows		131,224	91,232	39,992	-
Financial assets - realisable					
Cash & cash equivalents	6	509,079	509,079	-	-
Trade and other receivables	7	99,750	99,750	-	-
Other Assets - Security Investments	8	39,180	39,180		
Total anticipated inflows		648,009	648,009	-	-
Net (outflow)/inflow		516,785	556,777	(39,992)	-

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	-	-
Other Assets - Security Investments	8	-	-		
Total anticipated inflows		542,816	542,816	-	-
Net (Outflow)/Inflow on financial instruments		483,366	483,366	-	-

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at 30 June 2018 and 30 June 2017.

Notes to the financial statements (continued)

Note 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 2018		
+/- 1% in interest rates	+/- 3,610	+/- 2,617
Year ended 30 June 2017		
+/- 1% in interest rates	+/- 3,091	+/- 3,091

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.

Funds distributed to shareholders are calculated in accordance with the limits on the payment of dividends and other distributions set out in section 2.71 of the franchise agreement between the company and Bendigo and Adelaide Bank.

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 2018 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 2018 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
Chairman



Yi Yu
Director/ Treasurer

Signed at Mount Waverley on 27 August 2018

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 2018, 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 2018 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 2018, 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.

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 Stephensons Rd
PO Box 633
Mount Waverley, Vic 3149
Australia
T. +61 3 9807 7200
F. +61 3 9807 0200
E. email@mvanderson.com.au

Liability limited by a scheme approved under Professional Standards Legislation

gmm
international
GMM International is an association of
legally independent accounting firms.

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.



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



GRAEME S. DAY
Partner

Dated: 28 August, 2018

Culture
Commitment
Confidence



Liability limited by a scheme approved under Professional Standards Legislation

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: 9886 6477 Fax: 9886 6455
ABN: 26 099 420 050
Email: pinewoodmailbox@bendigobank.com.au

Share Registry:
RSD Chartered Accountants

www.bendigobank.com.au/pinewood
www.facebook.com/pinewoodcommunitybank

(BNPAR18047) (09/18)
This Annual Report has been printed on 100% Recycled Paper



bendigobank.com.au

