Pinewood Community Financial Services Limited

ABN 26 099 420 050

2019 Annual Report

Pinewood **Community Bank**® Branch

Contents

Chairman’s report

For year ended 30 June 2019

Dear Shareholders

2018/19 has been a challenging year for banks and financial services companies generally. The Royal Commission into the banking sector set changes in place that have significantly affected the industry. The Royal Commission’s investigations and findings will see flow on effects continue. Notwithstanding these challenges, our community, employees, and our shareholders have continued to prosper from our business. I am pleased to confirm a dividend this financial year in the amount of $0.14 per share plus a $0.05 per share special dividend to all shareholders (a total of $0.19 per share). This has increased significantly from last year’s dividend of $0.10 per share.

This year was the first in my four-year stint as Chairman that our footings have not increased over the course of the year. The run of successive growth in the preceding three years saw footings grow by 38% from 2015/16 through 2017/18. Unfortunately, we have had a 4% drop in footings this year from $210.6 million to $201.7 million. While the market dynamics affected sales, the Board and branch staff have continued to focus on cost control and acquiring high quality, profitable business. As such, we have managed to increase our net profit by 7% from $119,790 to $128,145.

As you are aware, in 2018/19, Pinewood Community Financial Services Limited (PCFSL) offered shareholders the opportunity to sell their shares via a share buyback. This share buyback was one of the first conducted by a **Community Bank**® company in Australia and we had quite a number of challenges to overcome for it to be successful. Negotiations were conducted with Bendigo and Adelaide Bank, the Australian Tax Office, and the Board received independent expert advice from external parties throughout the process. The offer was approved at a General Meeting in January 2019 and completed in April 2019. The end result was a 20% reduction in shares, shareholders numbers have reduced to 155, and we expended $170,336 of cash reserves to complete the share buyback. Personally, I am quite pleased that our longstanding shareholders have been given the opportunity to realise their investment. For those 155 shareholders who have remained with PCFSL, you continue to have strong returns from your investment as demonstrated by this year’s dividend and special dividend.

In November 2018, PCFSL held its second annual ‘Pitch Night’ where we combined with local business and donated $50,000 to 14 deserving local community groups and their projects. I would like to thank our Pitch Partners, Ryman Health, Mulgrave Country Club, Barry Plant, Garry and Warren Smith Dealerships, Sharrock Pitman Legal, Bedelis Lawyers, and many others for their contributions. With our partners, we were able to substantially increase funding to these community groups through this program from last years $40,000. It was a great evening with lots of deserving projects receiving funding. The Pitch Night will be repeated again this year with another expanded contribution. Any shareholders who would like to be involved with this program are welcome to contact me.

This year has continued PCFSL’s strong track record on community investment and contributions. In 2018/19 we invested $70,115 directly into our community plus our Pitch Partners topped this up with another $21,500. This brings PCFSL’s total historical contribution to $1.15 million and with the additional $36,000 from our Pitch Partners, the total historical contribution to $1.18 million.

I would like to thank the Board and shareholders for the opportunity to serve as Chairman again for this year. We have a very experienced, stable, professional Board that has been delivering great results and setting the standard for **Community Bank**® companies in Victoria. It is testament to our strong governance, operational service delivery and financial position that we were one of the first community companies in Victoria to conduct a share buyback.

Chairman's report (continued)

I would like to thank those Directors who retired in the past year, Sue Brown and Darren Paone. Sue Brown provided the marketing experience and implementation skills to deliver our first Pitch Night, which has now been repeated by many **Community Bank**® branches throughout Victoria. I also welcome new Directors, Sue Cornelissen and Charles Kovess. Sue was involved with the project to establish PCFSL and is a longstanding shareholder and Rotarian. Charles brings many skills to the Board as an author, company director, public motivational speaker, networker and business developer.

Our branch team continues to be ably led by Branch Manager Indu Angammana and Business Development Manager Suraj Ranaraja. The Board believes we have a strong management and branch team which will continue to deliver the outstanding service that our customers demand and deserve.

The Board and I continue to look forward to meeting the many challenges and opportunities 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 the PCFSL Board.

Yours sincerely

Robert Davies
Chairman

Managers' report

For year ended 30 June 2019

Dear Shareholders

In a challenging year for the banking industry, we have delivered a credible result. As the branch moved into its 17th year of operation we are proud to say that we are the only bank in the Pinewood shopping centre. The last major bank closed its doors during the year.

While digital banking is becoming popular, for those who want to continue the tradition of coming into a branch we are not going anywhere and provide a full range of banking products and services. We continue to be a strong supporter of the Monash area and have given $1.15 million back to the local community over the past 16 years.

During the year under review, the Pinewood **Community Bank**® Branch's total footings stand at $201.7 million and we continue to attract customers who believe we are a true alternative to the major banks.

We thank all the community groups and clubs that choose to bank with us. The difference with the **Community Bank**® model is that when people and businesses bank with Pinewood **Community Bank**® Branch, their support means that the profits and subsequent community contributions increase as well.

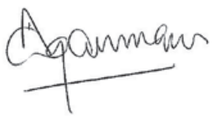
Bendigo and Adelaide Bank is Australia's fifth largest retail bank, with more than 7,200 staff helping its 1.7 million customers to achieve their financial goals.

We continue to maintain a very strong relationship with Bendigo and Adelaide Bank's Victorian state office and regional support staff. They continuously provide us with the necessary guidance to ensure full compliance with banking regulations.

Our Board members give their time and guidance to make Pinewood **Community Bank**® Branch a success and we wish to convey our sincere appreciation of their input.

We offer a heartfelt thank you to our dedicated team of Paul, Cathy and Lai for their hard work over the past year. We would also like to thank Julie for her contribution to the branch over the past eight years and warmly welcome Emily to our team. We would also like to recognise Louise, our Marketing and Sponsorship Coordinator/Executive Officer, for her valuable contribution to the company. We look forward to their continued support and to the year ahead.

Yours sincerely



Indu Angammana
Branch Manager

Suraj Ranaraja
Business Development Manager

Bendigo and Adelaide Bank report

For year ended 30 June 2019

As a Bank of 160-plus years, we're proud to hold the mantle of Australia's fifth biggest bank. In today's banking environment it's time to take full advantage of this opportunity and for even more people to experience banking with Bendigo Bank and our way of banking, and with our **Community Bank**® partners.

In promoting our point of difference it's sometimes lost that although we're different, we're represented in more than 500 communities across Australia and offer a full suite of banking and financial products and services. In many ways we're also a leader in digital technology and meeting the needs of our growing online customer base, many of whom may never set foot in a traditional bank branch.

At the centre of our point of difference is the business model you chose to support as a shareholder that supports local communities. Whether you're a shareholder of our most recent **Community Bank**® branch which opened in Smithton, Tasmania, in June 2019, or you're a long-time shareholder who, from more than 20 years ago, you all play an important role. Your support has enabled your branch, and this banking model, to prosper and grow. You're one of more than 75,000 **Community Bank**® company shareholders across Australia who are the reason today, we're Australia's only bank truly committed to the communities it operates in.

And for that, we thank you. For the trust you've not only put in Bendigo and Adelaide Bank, but the faith you've put in your community and your **Community Bank**® company local Board of Directors.

Bendigo and Adelaide Bank continues to rank at the top of industry and banking and finance sector awards. We have awards for our customer service, we have award winning products and we have a customer base that of 1.7 million-plus that not only trusts us with their money, but which respects our 'difference'.

As a Bank, we're working hard to ensure that those who are not banking with us, and not banking with your **Community Bank**® branch, make the change. It really is a unique model and we see you, the shareholder, as playing a key role in helping us grow your local **Community Bank**® business. All it takes is a referral to your local Branch Manager. They'll do the rest.

We find that our customer base is a very loyal group. It's getting people to make the change that's the challenge. In today's environment, we've never had a better chance to convince people to make the change and your support in achieving this is critical.

From Bendigo and Adelaide Bank, once again, thank you for your ongoing support of your **Community Bank**® branch and your community.

We would also like to thank and acknowledge the amazing work of your branch staff and Directors in developing your business and supporting the communities that you live and work in.

Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Directors' report

For the financial year ended 30 June 2019

Your Directors submit their report of the company for the financial year ended 30 June 2019.

Directors

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

Robert Davies

Director/Board Chair/Investment Committee Member/Audit & Governance Committee Member/Community Engagement Committee Member

Robert is councillor for the City of Monash having been elected in 2012 and 2016 to represent the 50,000 residents in the Mulgrave Ward. He has over twenty years executive and board experience across the public, commercial and not-for-profit sectors with experience in the financial services/banking, telecommunications, FMCG and local government sectors. Robert is a member of several professional associations including the Australian Institute of Company Directors (GAICD). He joined the Board in 2013 and was elected Chairman in 2015.

Appointed 28 August 2013

Michelle Li James

Director/Community Engagement Committee Member

Michelle has over 20 years 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

Resigned 30 June 2019

Yi Yu

Director/Treasurer/Audit & Governance Committee Member/Investment Committee Chair

Ivy has a Bachelor of Commerce and a Master of Business Administration. She is a Certified Practising Accountant (CPA) and Chartered Management Accountant with over 15 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 completing a Diploma in Entrepreneurship. She has enjoyed a career in business management, marketing and communications, with the last 11 years as a corporate social responsibility practitioner.

Appointed 23 March 2015

Resigned 23 July 2018

Directors' report (continued)

Directors (continued)

Sharyn Joy Cowley

Director/Company Secretary/Audit & 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 a Fellow of the Governance Institute of Australia and a member of the Australian Institute of Company Directors (GAICD). Sharyn is a corporate lawyer and company secretary with over 20 years' experience in the financial services industry. She has 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 in a broad range of organisations including in 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

Mervyn James Ericson

Director/Community Engagement Committee Chair, Human Resources Committee Member

Merv has worked for over 53 years in the banking industry, including 12 years as Manager of Pinewood **Community Bank**® Branch. He has previously served on the Pinewood Chamber of Commerce for 7 years, including 5 years as president. Merv also had two years' experience as Chair of the Board of an eastern suburbs **Community Bank**® branch, before joining Pinewood.

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

Resigned 1 December 2018

Directors' report (continued)

Directors (continued)

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/Audit & Governance Committee Member

Shruti is undertaking a postgraduate research qualification 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. Shruti has been a panellist for the United Nations Association of Australia, Victoria Division humanitarian aid project and has been involved in ethics, responsibility and sustainability issues.

Appointed 26 February 2018

Sue Cornelissen

Director/Community Engagement Committee Member

Sue holds a Bachelor of Arts and a Graduate Diploma in Management and has over 35 years' experience in customer service management and contact centre operations, in the telecommunications, electricity and gas industries. She has over 9 years community service experience as a member, including one year as president, of the Rotary Club of Waverley, and has participated in projects both in the local community and internationally. Having lived in the Pinewood area for over 25 years, including when the Pinewood **Community Bank**® Branch was started, Sue has strong links to the local Monash community.

Appointed 26 November 2018

Charles Kovess

Director/Community Engagement Committee Member

Charles holds a Bachelor of Laws (Hons) and a Master of Laws. He practised as a commercial lawyer for 20 years, and in 1993 changed career to establish a business as a professional speaker, executive coach, author and educator. Charles is the chief executive officer of Textile & Composite Industries Pty Ltd, providing processing machinery for the industrial hemp industry globally. He is the president of the Australia-Hungary Chamber of Commerce, a director of the Kids Foundation Ltd, chairman of the Australian Institute of Comedy, and the leader of a number of community organisations.

Appointed 22 January 2019

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 $128,145 (2018 profit: $119,790).

In February 2019, the company conducted an equal access Share Buyback scheme under which it offered to buy back a maximum of 20% (106,460) of the ordinary shares on issue. The Share Buyback scheme was available to all eligible shareholders of the company with preference given to shareholders with 800 shares or less. The Bendigo and Adelaide Bank gave its formal approval to the company undertaking the Share Buyback scheme.

The Share Buyback, which was completed in April 2019, was fully subscribed. After the Share Buyback, there was a $170,336 reduction in the company's cash reserves (net assets) and the number of shareholders reduced from 222 to 155. There are currently 425,840 ordinary shares on issue.

Dividend

	Year ended 30 June 2019	
	Cents per share	**$**
Final dividend declared:		
- Fully franked dividend	14.00	59,618
- Special fully franked dividend	5.00	21,292
Dividend paid in the year:		
- Fully franked dividend as declared in the prior year report	10.00	53,230
- Unfranked dividend paid per share bought back through the share buy-back	60.00	63,876

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 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 environmental 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.

Remuneration report

Directors are paid an annual fee of $3,000 p.a., a portion of which is contingent on meeting a number of key performance criteria including attendance at Board and Committee meetings and community events. Those Directors holding the positions of Company Secretary and Treasurer are paid an additional fee of $4,000 p.a. and the Chair of the Human Resources and Community Engagement Committees are paid an additional fee of $3,000 p.a. to reflect their expertise, additional responsibility and workload. The Chairman is paid $8,000 p.a. with an additional bonus of $6,000 p.a. contingent on meeting key performance criteria. Directors fees for the year are inclusive of superannuation guarantee contributions.

The names of Directors who have held office during the year ended 30 June 2019 and the Directors fees paid are:

	2019 $	2018 $
Robert Davies	14,000	12,000
Peter Kenneth Merritt (resigned 30 September 2017)	-	250
Michelle Li James	3,143	2,900
Yi Yu	7,333	5,400
Susan Carolyn Brown	-	3,000
Sharyn Joy Cowley	7,333	5,400
Annabelle Jill Lane	5,800	5,400
Jamie Arthur Bedelis	2,100	2,500
Mervyn James Ericson	6,285	5,400
Darren John Paone	1,095	2,400
Peter Yong Pan	3,033	2,150
Shruti Verma	3,033	-
Sue Cornelissen	1,500	-
Charles Kovess	1,500	-

The current Business Development Manager, Suraj Ranaraja and Branch Manager, Indu Angammana are not considered as key management personnel as they do not plan, direct and control the activities of the company. 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 provision of the contract of insurance. The company has not provided any insurance for an Auditor of the company.

Directors' report (continued)

Directors' meetings

The attendance by each Director at Board and Board Committee meetings during the year is set out in the table below.

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

A - Eligible B - Attended

Company Secretary

The Company Secretary is Sharyn Joy Cowley.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on 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 26 August 2019.

Robert Davies
Chairman

Yi Yu
Director/ Treasurer

Auditor's independence declaration

YOUR FUTURE
OUR BUSINESS

MVA Bennett

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 2019 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.

MVA Bennett

MVA BENNETT
Chartered Accountants
Level 5, North Tower,
485 La Trobe Street,
Melbourne Vic 3000

SHAUN EVANS
Partner

Dated: 26 August 2019

Incorporating MVA Bennett Pty Ltd (ABN 90 623 319 022) & MVA Bennett (ABN 48 647 105 185) & The Bennett Group Pty Ltd (41 156 082 969) & MV Anderson & Co

Liability limited by a scheme approved under Professionals Standards Legislation

6 **Melbourne**
Level 5 North Tower
485 La Trobe Street
Melbourne, Vic 3000
T. +61 9642 8000
E. info@mvabennett.com.au

walkerwayland
An independent member of Walker Wayland Australasia Limited

CHARTERED ACCOUNTANTS™ AUSTRALIA + NEW ZEALAND

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019

	Notes	2019 $	2018 $
Revenue			
Revenue	2	1,250,081	1,207,474
Expenses			
Administration costs		242,282	215,934
IT expenses		46,574	54,292
Occupancy costs		111,848	110,756
Employee benefits expense	3	541,939	522,685
Depreciation and amortisation expense	3	38,549	39,570
Other expenses		11,122	10,847
Operating profit before charitable donations & sponsorships		**257,767**	**253,390**
Charitable donations and sponsorships		70,115	86,897
Profit before income tax expense		**187,652**	**166,493**
Income Tax expense	4	59,507	46,703
Net Profit for the year		**128,145**	**119,790**
Other comprehensive income		-	-
Total comprehensive income		**128,145**	**119,790**
Profit attributable to members of the entity		**128,145**	**119,790**
Total comprehensive income attributable to members of the entity		**128,145**	**119,790**

Earnings per share (cents per share)			
- basic for profit for the year	21	30.09	22.50
- diluted for profit for the year	21	25.12	22.50

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2019

	Notes	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	6	460,014	509,079
Trade and other receivables	7	97,164	99,750
Other assets	8	49,396	48,738
Total current assets		**606,574**	**657,567**
Non-current assets			
Property, plant and equipment	9	139,885	166,876
Deferred tax asset	4	50,951	46,179
Intangible assets	10	33,056	44,074
Total non-current assets		**223,892**	**257,129**
Total assets		**830,466**	**914,696**
Liabilities			
Current liabilities			
Trade and other payables	11	106,784	91,232
Current tax payable	4	24,107	16,318
Provisions	12	54,580	53,343
Total current liabilities		**185,471**	**160,893**
Non current liabilities			
Deferred income tax	4	717	773
Trade and other payables	11	26,661	39,992
Total non current liabilities		**27,378**	**40,765**
Total liabilities		**212,849**	**201,658**
Net assets / (liabilities)		**617,617**	**713,038**
Equity			
Issued capital	13	425,840	532,300
Retained earnings		191,777	180,738
Total equity		**617,617**	**713,038**

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Issued capital			
Balance at start of year		532,300	532,300
Issue of share capital		-	-
Share buy-back		(106,460)	-
Share issue costs		-	-
Balance at end of year		**425,840**	**532,300**
Retained earnings			
Balance at start of year		180,738	104,437
Net Profit for the year		128,145	119,790
Dividends paid	22	(117,106)	(43,489)
Balance at end of year		**191,777**	**180,738**

The accompanying notes form part of these financial statements.

Statement of Cash Flow
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from clients		1,363,916	1,316,165
Payments to suppliers and employees		(1,143,460)	(1,100,886)
Interest received		8,849	6,085
Other income received		2,282	-
Income tax paid		(56,546)	(66,416)
Net cash flows from operating activities	**15b**	**175,041**	**154,948**
Cash flows used in investing activities			
Purchase of property, plant & equipment		(540)	(10,760)
Payments for intangible assets		-	(1,771)
Investments in listed shares		-	(38,214)
Net cash flows used in investing activities		**(540)**	**(50,745)**
Cash flows used in financing activities			
Dividends paid as declared in the prior year report		(53,230)	(43,489)
Dividends paid per share buy-back		(63,876)	-
Capital return paid per share buyback		(106,460)	-
Net cash flows used in financing activities		**(223,566)**	**(43,489)**
Net increase in cash held		**(49,065)**	**60,714**
Cash and cash equivalents at start of year		509,079	448,365
Cash and cash equivalents at end of year	**15a**	**460,014**	**509,079**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2019

Note 1. Summary of significant accounting policies

(a) Basis of preparation

Pinewood Community Financial Services Limited (company) is domiciled in Australia. The financial statements for the year ending 30 June 2019 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.

(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%

Notes to the financial statements (continued)

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.

Notes to the financial statements (continued)

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).

<u>Revenue calculation</u>

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income.

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.

<u>Core banking products</u>

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.

<u>Margin</u>

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.

<u>Commission</u>

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.

<u>Fee income</u>

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.

<u>Ability to change financial return</u>

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. A change may occur as a result of changes in industry or economic conditions or 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 nature and extent of 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 changes that Bendigo and Adelaide Bank Limited may make.

Notes to the financial statements (continued)

Note 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) Application of new and amended accounting standards

There are two new accounting standards which have been issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 January 2018, and are therefore relevant for the current financial year.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The existing revenue recognition through the monthly Bendigo and Adelaide Bank Limited profit share provides an accurate reflection of consideration received in exchange for the transfer of services to the customer. Therefore based on our assessment this accounting standard has not materially affected any of the amounts recognised in the current period and is not likely to affect future periods.

AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement. For additional information about accounting policies relating to financial instruments, see Note 1 q).

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(k) Application of new and amended accounting standards (continued)

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.

<u>AASB 16 Leases</u>

Only AASB 16 Leases, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. AASB 16 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. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

AASB 16 replaces existing leases guidance, including AASB 117 Leases and related Interpretations. This standard is mandatory for annual reporting periods beginning on or after 1 January 2019.

The company plans to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earning at 1 July 2019, with no restatement of comparative information.

The company has assessed the estimated impact that initial application of AASB 16 will have on its financial statements. The actual impacts of adopting the standard on 1 July 2019 may change.

The company will recognise new assets and liabilities for its operating leases of its branch. The nature of expenses related to those leases will now change because the company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the company recognised operating lease expense on a straight-line basis over the term of the lease.

(l) Loans and borrowings

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

(m) Provisions

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

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

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

(n) Share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(o) Comparative figures

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(p) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

The company assesses impairment at the end of each reporting period by calculating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(q) Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. Financial instruments (except for trade receivables) 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 profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement

(i) Financial liabilities

Financial liabilities include borrowings, trade and other payables and non-derivative financial liabilities (excluding financial guarantees). They are subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

(ii) Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit and loss (FVTPL).

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Classification and subsequent measurement (continued)

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle amount outstanding on specified dates.

The company's trade and most other receivables are measured at amortised cost as well as deposits that were previously classified as held-to-maturity under AASB 139.

A financial asset is subsequently measured at FVOCI if it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle amount outstanding on specified dates; and
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the conditions of amortised cost and FVOCI's measurement condition are subsequently measured at FVTPL.

The company's investments in equity instruments are measured at FVTPL unless the company irrevocably elects at inception to measure at FVOCI.

Derecognition

(i) Derecognition of financial liabilities

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(ii) Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Impairment

The company recognises a loss allowance for expected credit losses on:

- financial assets that are measured at fair value through other comprehensive income;
- lease receivables;
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.
- financial assets measured at fair value through profit of loss; or
- equity instruments measured at fair value through other comprehensive income.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Impairment (continued)

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The company uses the simplified approach to impairment, as applicable under AASB 9. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- trade receivables that result from transactions that are within the scope of AASB 15, that contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables is used, taking into consideration various data to get to an expected credit loss, (i.e. diversity of its customer base, appropriate groupings of its historical loss experience etc.).

	2019 $	2018 $

Note 2. Revenue and other income

	2019 $	2018 $
Revenue		
- services commissions	1,237,759	1,198,241
	1,237,759	**1,198,241**
Other revenue		
- Dividends and other investment income	2,282	-
- interest received	8,645	8,267
- unrealised Investment Income	1,395	966
	12,322	**9,233**
Total Revenue	**1,250,081**	**1,207,474**

Note 3. Expenses

	2019 $	2018 $
Employee benefits expense		
- wages and salaries	414,640	404,395
- superannuation costs	38,936	38,620
- workers' compensation costs	1,282	1,241
- other costs	87,081	78,429
	541,939	**522,685**

Notes to the financial statements (continued)

	2019 $	2018 $
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- furniture & Fittings	8,140	8,442
- leasehold improvements	19,391	20,109
Amortisation of non-current assets:		
- intangible assets	11,018	11,019
	38,549	**39,570**
Finance costs:		
- Interest paid	**-**	**3**
Bad debts	**302**	**457**
Rental expenses on operating lease	**79,305**	**77,193**

Note 4. Income tax expense

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

	2019 $	2018 $
Prima facie tax on profit before income tax at 27.5% (2018: 27.5%)	51,604	45,786
Add / (Less) tax effect of:		
- Non-deductible expenses	8,287	1,183
- Non-assessable income	(384)	(266)
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	-
Current income tax expense	**59,507**	**46,703**
The applicable weighted average effective tax rate is	32%	28%
Current income tax expense	64,335	50,606
Adjustment to deferred tax to reflect change to tax rate in future periods	-	-
Origination and reversal of temporary differences	(4,828)	(3,903)
Income tax expense	**59,507**	**46,703**
Tax Balances		
Current tax payable	**24,107**	**16,318**
Deferred tax asset	**50,951**	**46,179**
Deferred tax liability	**717**	**773**

Notes to the financial statements (continued)

	2019 $	2018 $

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report	**6,250**	**6,700**

Note 6. Cash and cash equivalents

Cash at bank and on hand	210,014	136,431
Short term bank deposits	250,000	372,648
	460,014	**509,079**

The effective interest rate on short term bank deposits was 2.78% (2018: 2.29%)

Note 7. Trade and other receivables

Current		
Trade debtors	94,555	96,937
Accrued interest	2,609	2,813
	97,164	**99,750**

Note 8. Other assets

Investments in listed securities	40,575	39,180
Prepayments	8,821	9,558
	49,396	**48,738**

Note 9. Property, plant and equipment

Leasehold improvements		
At cost	263,624	263,624
Less accumulated depreciation	(177,482)	(158,091)
	86,142	**105,533**
Furniture & Fittings		
At cost	198,809	198,269
Less accumulated depreciation	(145,066)	(136,926)
	53,743	**61,343**
Total written down amount	**139,885**	**166,876**

Notes to the financial statements (continued)

	2019 $	2018 $

Note 9. Property, plant and equipment (continued)

Movements in carrying amounts

	2019 $	2018 $
Leasehold improvements		
Carrying amount at beginning of year	105,533	125,642
Additions	-	-
Disposals	-	-
Depreciation expense	(19,391)	(20,109)
Carrying amount at end of year	**86,142**	**105,533**
Furniture & fittings		
Carrying amount at beginning of year	61,343	59,025
Additions	540	10,760
Disposals	-	-
Depreciation expense	(8,140)	(8,442)
Carrying amount at end of year	**53,743**	**61,343**

Note 10. Intangible assets

Franchise fee

	2019 $	2018 $
At cost	55,093	55,093
Less accumulated amortisation	(22,037)	(11,019)
	33,056	**44,074**

Note 11. Trade and other payables

Current

	2019 $	2018 $
Other payables	13,231	14,370
Accrued expenses	80,223	63,532
Liability to Bendigo (Franchise & Training Fee)	13,330	13,330
	106,784	**91,232**
Non-Current		
Liability to Bendigo (Franchise & Training Fee)	26,661	39,992
	26,661	**39,992**

	Notes	2019 $	2018 $

Note 12. Provisions

	Notes	2019 $	2018 $
Current			
Annual leave	12(b)	29,928	18,554
Long service leave	12(b)	24,652	34,789
		54,580	**53,343**
Number of employees at year end		**7**	**6**

(a) Movement in employee benefits

	2019 $	2018 $
Opening balance	53,343	50,109
Additional provisions recognised	16,492	10,932
Amounts utilised during the year	(15,255)	(7,698)
Closing balance	**54,580**	**53,343**

(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.

Note 13. Share capital

	2019 $	2018 $
425,840 Ordinary Shares fully paid of $1 each (2018: 532,300 Ordinary Shares fully paid of $1 each)	**425,840**	**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. In February 2019, the company conducted an equal access Share Buyback scheme under which it offered to buy back a maximum of 20% (106,460) of the ordinary shares on issue. The Share Buyback, which was completed in April 2019, was fully subscribed. After the Share Buyback, there was a 106,460 reduction in the company's Share Capital and the number of shareholders reduced from 222 to 155 and there are currently 425,840 ordinary shares on issue.

Notes to the financial statements (continued)

	2019 $	2018 $

Note 14. Leases

Operating Lease Commitments

	2019 $	2018 $
Non-cancellable operating lease contracted for but not capitalised in the financial statements:		
Payable-minimum lease payments:		
-not later than 12 months	82,362	79,166
-between 12 months and five years	186,172	268,533
	268,533	**347,699**

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

	2019 $	2018 $
Cash at bank and on hand	460,014	509,079
As per the statement of cash flow	**460,014**	**509,079**

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

	2019 $	2018 $
Profit after income tax	128,145	119,790
Non cash items		
- Depreciation	27,531	28,551
- Amortisation	11,018	11,019
- Unrealised Investment Income	(1,395)	(966)
Changes in assets and liabilities		
- (Increase) decrease in prepayments	737	(120)
- (Increase) decrease in receivables	2,586	(5,299)
- (Increase) decrease in deferred tax asset	(4,828)	(3,903)
- Increase (decrease) in income tax	7,789	(15,810)
- Increase (decrease) in payables	2,221	18,452
- Increase (decrease) in provisions	1,237	3,234
Net cash flows from operating activities	**175,041**	**154,948**

Notes to the financial statements (continued)

Note 16. Director and related party transactions

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

Robert Davies
Michelle Li James
Yi Yu
Susan Carolyn Brown
Sharyn Joy Cowley
Annabelle Jill Lane
Jamie Arthur Bedelis
Mervyn James Ericson
Darren John Paone
Peter Yong Pan
Shruti Verma
Sue Cornelissen
Charles Kovess

Fees paid to Directors are disclosed in the Remuneration Report.

The company has incurred costs of $2,420 which were paid to Sharyn Cowley for services related to the Share buy-back of 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.

(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	2019	2018
Robert Davies (Interests associated with)	24,500	24,500
Yi Yu	1,000	1,000
Sharyn Joy Cowley	-	500
Mervyn James Ericson	1,000	1,000
Peter Yong Pan	500	500
Susane Cornelissen	1,000	1,000

Susane Cornelissen acquired her shares some years prior to being appointed a Director on 26 November 2018

Note 17. Events after the reporting period

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

Notes to the financial statements (continued)

Note 18. Contingent liabilities and assets

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

Note 19. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being City of Monash, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2018: 100%).

Note 20. Company details

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

Note 21. Earnings per share

Basic earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

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

	2019 $	2018 $
Profit after income tax expense	128,145	119,790
Weighted average number of ordinary shares for basic earnings per share	425,840	532,300
Weighted average number of ordinary shares for diluted earnings per share	510,133	532,300

Note 22. Dividends paid or provided for on ordinary shares

(a) Dividends proposed and not recognised as a liability		
Franked dividends 14 cents per share (2018: 10 cents per share)	59,618	53,230
Special franked dividends 5 cents per share (2018: NIL)	21,292	-
(b) Dividends paid during the year		
Prior year proposed final		
Unfranked dividends - Nil	-	-
Franked dividends - 10 cents per share (2018: 8.17 cents per share)	53,230	43,489
Current year dividend		
Unfranked dividends - 60 cents per share per buy-back (2018: NIL)	63,876	-
Franked dividends - Nil	-	-
	117,106	**43,489**

	2019 $	2018 $

Note 22. Dividends paid or provided for on ordinary shares (continued)

(c) Franking credit balance

	2019 $	2018 $
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the beginning of the financial year	165,948	116,029
- Franking credits that arose from the payment of current year PAYG income tax instalments	40,229	34,288
- Franking credits that arose from the payment of income tax payable as at the end of the last financial year	16,317	32,127
- Franking debits that arose from the payment of final dividends proposed as at the end of the last financial year	(20,191)	(16,496)
Franking account balance as at the end of the financial year	**202,303**	**165,948**
- Franking credits that will arise from the payment of income tax payable as at the end of the current financial year	24,107	16,317
- Franking debits that will arise from the payment of proposed dividends as at the end of the financial year	(30,690)	(20,191)
- 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	-	-
	195,720	**162,074**

The tax rate at which dividends have been franked is 27.5% (2018: 27.5%).
Dividend proposed will be franked at a rate of 27.5% (2018: 27.5%).

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 9 as detailed in the accounting policies are as follows:

	Note	2019 $	2018 $
Financial assets			
Cash & cash equivalents	6	460,014	509,079
Trade and other receivables and prepayments	7	97,164	99,750
Other Assets - Security Investments	8	49,396	48,738
Total financial assets		**606,574**	**657,567**
Financial liabilities			
Trade and other payables	11	133,445	131,224
Total financial liabilities		**133,445**	**131,224**

Notes to the financial statements (continued)

Note 23. Financial risk management (continued)

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	
	2019	**2018**
	$	**$**
Cash and cash equivalents	460,014	509,079
Trade and other receivables	97,164	99,750
Investments	40,575	39,180
	597,753	**648,009**

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 (2018: 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.

(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.

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis:

30 June 2019	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Trade and other payables	11	133,445	106,784	26,661	-
Loans and borrowings		-	-	-	-
Total expected outflows		**133,445**	**106,784**	**26,661**	**-**
Financial assets - realisable					
Cash & cash equivalents	6	460,014	460,014	-	-
Trade and other receivables	7	97,164	97,164	-	-
Other Assets - Security Investments	8	40,575	40,575		
Total anticipated inflows		**597,753**	**597,753**	**-**	**-**
Net (outflow)/inflow		**464,308**	**490,969**	**(26,661)**	**-**

30 June 2018	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
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)**	**-**

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at 30 June 2019 and 30 June 2018.

(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.

Notes to the financial statements (continued)

Note 23. Financial risk management (continued)

(c) Market risk (continued)

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 2019		
+/- 1% in interest rates	+/- 3,113	+/- 3,113
Year ended 30 June 2018		
+/- 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.

Under the Franchise Agreement with Bendigo and Adelaide Bank Limited, there is a limit on the profits that can be distributed to shareholders. In overview, the limit is the higher of:

(a) 20% of the profits of the company otherwise available for distribution to shareholders (after adding back community contributions during the year) and

(b) the weighted average interest rate on 90 day bank bills plus 5% during the year, multiplied by the value of the share capital on issue at the end of the financial year.

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 2019 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 2019 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 26 August 2019

Independent audit report

YOUR FUTURE
OUR BUSINESS

MVA Bennett

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

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 2019, 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 2019 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 2019, 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.

YOUR FUTURE
OUR BUSINESS

MVA Bennett

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 asses 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.

MVA Bennett

MVA BENNETT
Chartered Accountants
Level 5, North Tower,
485 La Trobe Street,
Melbourne Vic 3000

SHAUN EVANS
Partner

Dated: 27 August 2019

Incorporating MVA Bennett Pty Ltd (ABN 90 623 319 022) & MVA Bennett (ABN 48 647 105 185) & The Bennett Group Pty Ltd (41 156 082 969) & MV Anderson & Co

Liability limited by a scheme approved under Professionals Standards Legislation

Melbourne
Level 5 North Tower
485 La Trobe Street
Melbourne, Vic 3000
T. +61 9642 8000
E. info@mvabennett.com.au

An independent member of Walker Wayland Australasia Limited

CHARTERED ACCOUNTANTS AUSTRALIA + NEW ZEALAND

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 Registry, Lead Advisory Group
32 Garsed Street, Bendigo VIC 3550
Postal Address: PO Box 30, Bendigo VIC 3552
Phone: (03) 5445 4222 Fax: (03) 5444 4344
Email: shares@rsdregistry.com.au
www.leadgroup.com.au

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

(BNPAR19017) (09/19)
This Annual Report has been printed on 100% Recycled Paper

Bendigo Bank
Bigger than a bank.

bendigobank.com.au