Annual Report 2020

Pinewood Community Financial Services Limited

Community Bank
Pinewood

ABN 26 099 420 050

Contents

Chairman's report

For year ending 30 June 2020

Dear Shareholders

2019/20 has been an eventful and volatile year, but one in which Community Bank Pinewood has come through in good shape. We started the year with a recovering housing market, moved into the Victorian bushfires, followed by the COVID-19 pandemic. We continue to operate under difficult conditions, but we have remained open throughout the year, ensuring our community has access to financial services and loans.

Despite the many challenges during the year, Pinewood Community Bank has continued to grow its business. This year has seen our footings grow by 17% to $235.9 million. Director Peter Pan has made a substantial contribution with his work developing our relationships with new communities. I would like to thank Peter for his efforts in helping deliver this growth. Revenue and net profit were down slightly (-1.6% & -9.1%) from last year as interest margins continue to be squeezed in the low interest rate environment. I am pleased to confirm a fully franked ordinary dividend for the 2019/2020 financial year of $0.14 per share. While the dividend has not increased from last year's $0.14 per share ordinary dividend, the increase in share capital has increased the total amount of ordinary dividends paid.

In November 2019, Pinewood Community Financial Services Ltd (PCFSL) held its third annual 'Pitch Night' where we combined with our local business community and donated $60,000 to many deserving local community group 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. Working with our partners, we were able to substantially increase the level of funding to these community groups from last years $50,000 contribution, with PCFSL contributing over 50% of the funding. Once again, it was a successful event with many well deserving community projects receiving funding.

In January 2020, we offered 20 people the opportunity to take up shares in PCFSL through a small-scale share offering. The offer was made to comply with our contracted minimum shareholder requirement, increase balance sheet flexibility and business development optionality. The offer, made at $1.20 per share, was fully subscribed and successfully completed with support from community members, Directors, and employees. Our original capital raising in 2002 was completed at $1.00 per share. I warmly welcome our new shareholders!

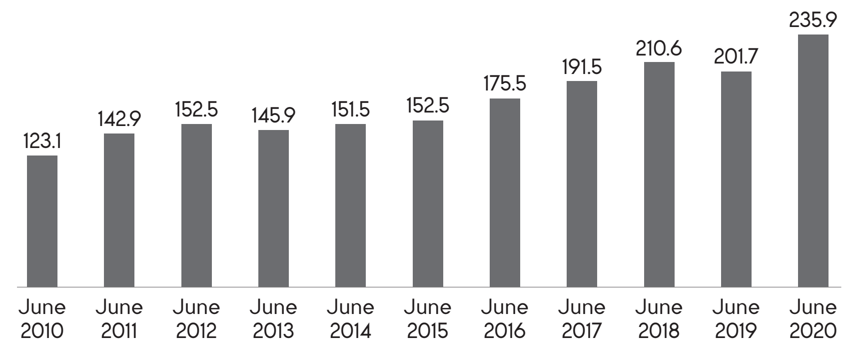
PCFSL has continued its strong track record of community contributions with an additional $84,945 expended this year on donations, sponsorships, and grants. This brings our total community contribution over our 18 years of operations to $1.23 million. Our Board and staff are very pleased that we have been able to continue such a strong level of community contributions through these difficult times.

I would like to thank the Board and shareholders for the opportunity to serve as Chairman again for this year. We have maintained a strong record of growth in footings from when I commenced as Chairman in 2015. We started with footings of $152.5 million in June 2015 and have now reached $235.9 million, 55% growth over the five years. Our two local competitors have long departed the Pinewood Village, with our Community Bank now the only bank remaining in the village (once again). We have a very experienced Board, branch management and staff along with a great cohort of community groups who continue to support us. We continue to set the standard for Bendigo Community Bank branches in Victoria having conducted the first ever Community Bank small-scale capital raising and leading our region and the Bendigo Community Bank system in results.

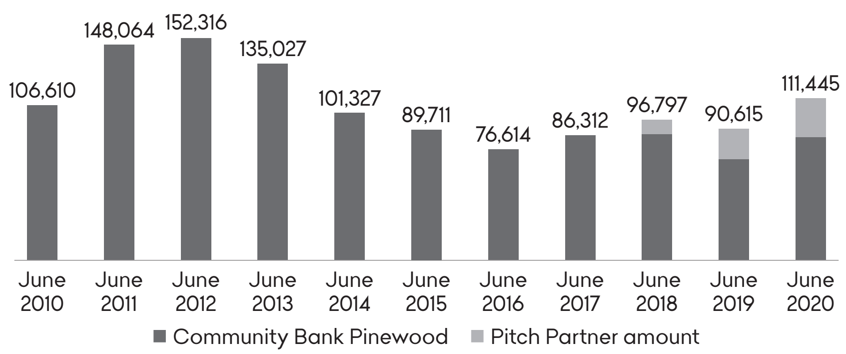
In June 2020, Director Merv Ericson retired from the Board due to health reasons. Merv was our first Branch Manager at PCFSL for many years. His leadership in managing our business along with his contribution at Board level over many years has made him very well known and loved in our community. I would like to thank Merv for his incredible contribution and the Board intends to formally recognise Merv's contribution in due course. I would also like to welcome new director Bronson Justus, who joins us with a professional background in insurance and risk, along with an active personal involvement in local sports clubs.

In 2019/20 our branch achieved a Top 10 nationwide status in supporting customers with Bendigo Bank superannuation. This is an incredible achievement and testament to the positive culture maintained by our Branch management and staff. The team continues to be led by Branch Manager Indu Angammana, and Business Development Manager Suraj Ranaraja. The Board thanks Indu and Suraj, along with the entire team for continuing to deliver high quality sales and service results through a very difficult operational period. I would also like to thank Louise Gracey, our Executive Officer and Marketing and Sponsorship Coordinator for her great work keeping our Board and Committees well supported, servicing our suppliers and community groups, and keeping us entertained and informed on PCFSL's social media.

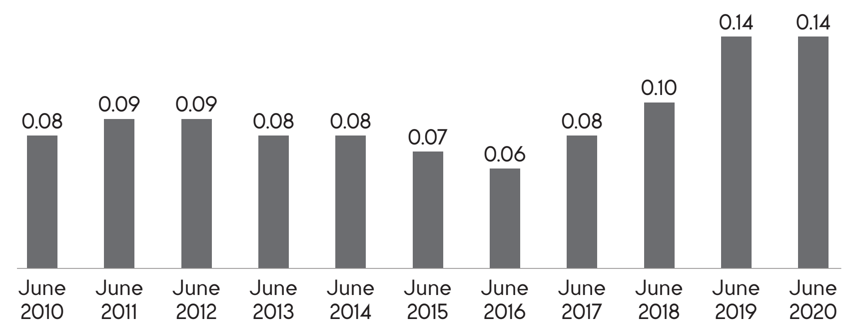
Footings growth ($million) years ending June 2010 - June 2020



Community contributions ($) years ended June 2010 - June 2020



Dividend per share (cents) years ended June 2010 - June 2020



The current COVID-19 pandemic will continue to provide a challenging sales and operational environment in the months ahead. The Board has moved to an online platform to conduct business which has worked well. We will continue to meet the many challenges and opportunities presented by the COVID-19 pandemic, 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

Manager's report

For year ending 30 June 2020

Dear Shareholders

We are pleased to report that Community Bank Pinewood delivered an exceptional performance in 2019/20 and made major progress in the execution of its strategic objectives despite the many challenges that prevailed in the operating landscape. As the Branch moved into its 18th year of operation, our customers and communities were faced with the devastating bushfires followed by the COVID-19 pandemic. During these times, Pinewood Community Bank implemented relief schemes in line with Government directives to support customers affected by the economic downturn. We maintained essential banking services uninterrupted during periods of lockdown contributing to the efforts by the Victorian Government to manage the impact of the pandemic. Our investments in digital technology continued to benefit customers during hours of need. This was proven by the extensive use of digital platforms by our customers.

Over the past financial year, Pinewood Community Bank has delivered a footings growth of $34.1 million which is a 112% achievement of our internal targets. We welcomed new customers in the home loan segment as well as the business banking segment and our footings now stand at $235.9 million.

We continue to have a strong relationship with the Bendigo and Adelaide Bank's Victorian State Office and regional support staff to ensure full compliance with banking regulations and also to deliver the Bendigo and Adelaide Bank's vision of becoming 'Australia's bank of choice'. Our purpose is to feed into the prosperity of our customers and communities, not off it.

We would like to take this opportunity to extend our appreciation to our loyal customers, community groups, business partners and other stakeholders who have partnered with us in this journey and look forward to your continued support in the years to come.

We also wish to extend our appreciation to the Chairman and Board of Directors for their continued support and confidence placed in us over the years. Special mention to Director, Merv Ericson who retired from the Board at the end of the financial year, for his dedication and unwavering support.

We offer a heartfelt thank you to the team, Paul Tyson, Cathy Torpy, Paul Lai, Emily Cheng and Louise Gracey for their passion and commitment in propelling the Pinewood Community Bank to its many achievements with their positive attitude. We also extend a warm welcome to Rhiannon Clay, our newest team member. We look forward to working with them all and our Board of Directors into the year ahead.

Yours sincerely

Indu Angammana
Branch Manager

Suraj Ranaraja
Business Development Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2020

In the 20-plus years since the opening of the very first Community Bank branch, it's fair to say we haven't seen a year quite like 2020.

After many years of drought, the 2019 calendar year ended with bushfires burning across several states. A number of our Community Bank companies were faced with an unprecedented natural disaster that impacted lives, homes, businesses and schools in local communities.

As fires took hold, Bendigo and Adelaide Bank's head office phones started to ring, emails came in from all over the world and our customers, and non-customers, headed into our branches to donate to an appeal that we were still in the process of setting up.

Our reputation as Australia's most trusted bank and the goodwill established by 321 Community Bank branches across the country meant that people instinctively knew that Bendigo, and our Community Bank partners, would be there to help. An appeal was established and donations were received in branch and online from 135,000 donors from all around the world. More than $45 million was donated.

Just as the fires had been extinguished and the Bank's foundation was working with government, not-for-profit organisations and impacted communities to distribute donations, the global COVID-19 pandemic arrived.

The impact of this pandemic was, and continues to be, more than about health. The impacts are far-reaching and banking is not immune. Your support as a shareholder, and a customer, of your local Community Bank company has never been so important.

You should be proud of your investment in your local Community Bank company. As the Australian workforce had to adjust its way of working, your Community Bank branch staff were classified as essential workers and turned up for work every day throughout the pandemic to serve your local customers.

Your Community Bank company, led by your local Directors, were committed to supporting local economies. Often it was the little things like purchasing coffees and meals from local cafes, not only for their branch staff but for other essential workers (teachers, nurses, hospital support staff, ambulance and police officers and aged care workers). This not only supported essential workers also supported many local businesses when they needed it the most.

What we've discovered in 2020 is that in times of crisis, Australia's Community Bank network has unofficially become Australia's 'second responder'. Local organisations and clubs look to their local Community Bank companies not only for financial assistance, but to take the lead in connecting groups and leading the community through a crisis.

So, what does this all mean? For Bendigo and Adelaide Bank, it reinforces the fact that you are a shareholder of a unique and caring company – run by locals to benefit not only your community but those in need.

As Australia's 5th largest bank with more than 1.9 million customers we are proud to partner with your community.

If 2020 has shown us anything, it's that we're stronger for the partnerships we have with the communities we operate in.

On behalf of Bendigo and Adelaide Bank, we thank all of our Community Bank company Directors and shareholders and your branch staff and customers for your continued support throughout the year.

Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Directors' report

For the financial year ended 30 June 2020

Your Directors submit their report of the Company for the financial year ended 30 June 2020.

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

Yi Yu

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

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. She previously served on the Waverley Music Eisteddfod Committee.

Appointed 23 March 2015

Sharyn Joy Cowley

Director/ Company Secretary/ Audit & Governance Committee Chair/ Investment Committee Member

Sharyn has a Bachelor of Arts, a 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.

Appointed 27 July 2015

Directors (continued)

Annabelle Jill Lane

Director/ Human Resources Committee Chair

Anna has a Masters of Human Resource Management. She has over 26 years' experience in human resource management including running her own business servicing 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 54 years in the banking industry, including 12 years as Manager of Community Bank Pinewood. He has previously served on the Pinewood Chamber of Commerce for 7 years, including 5 years as president. Merv also had 2 years' experience as Chair of the Board of an eastern suburbs Community Bank, before joining Pinewood.

Appointed 27 March 2017
Resigned 30 June 2020

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 was 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

Directors (continued)

Susane Martina 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 10 years community service experience as a member, including 1 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 Community Bank Pinewood opened, Sue has strong links to the local Monash community.

Appointed 26 November 2018

Charles Bela 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. In 1993 he changed careers 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

Bronson Jeffery Justus

Director / Community Engagement Committee Member/ Audit & Governance Committee member

Bronson is a passionate leader in both business and sporting sectors where he is actively involved with the Eastern Lions and Mount Waverley City Soccer Clubs and is chairperson of the Gardiners Creek Reserve Committee. He brings a wealth of knowledge in risk, governance and insurance to the PCFS Board. Bronson is currently General Manager and Public Sector trading board member at an international insurance broking and risk firm.

Appointed 6 January 2020.

Directors were in office for this entire year unless otherwise stated. No Directors have material interests in contracts or proposed contracts with the Company.

Principal activities

The principal activities of the Company during the course of the financial year were in providing Community Bank services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

There has been no significant changes in the nature of these activities during the year.

Review of operations

The profit of the Company for the financial year after provision for income tax was $116,521 (2019 profit: $128,145).

Dividends

	Year ended 30 June 2020	
	Cents per share	$
Final dividends declared:		
- Fully franked dividends	14.00	77,118
Dividends paid in the year:		
- Fully franked dividends as declared in the prior year report	14.00	59,618
- Special fully franked dividends as declared in the prior year report	5.00	21,292

New Accounting Standards implemented

The company has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: Leases (AASB 16) has been applied retrospectively without restatement of comparatives.

Therefore, the comparative information has not been restated and continues to be reported under AASB 117: Leases. See note 1(k) for further details.

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 a fee of $3,200 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, Treasurer, the Chair of the Human Resources Committee and the Chair of the Community Engagement Committee are paid an additional fee of $4,000 p.a. to reflect their expertise, additional responsibility and workload. The Chairman is paid $8,000 p.a. with an additional bonus of $8,000 p.a. contingent on meeting performance criteria. Directors fees for the period are inclusive of superannuation guarantee contributions.

The names of Directors who have held office during the year ended 30 June 2020 and the Directors fees paid are:

	2020 $	2019 $
Robert Davies	16,000	14,000
Michelle Li James (Resigned 30 June 2019)	-	3,143
Yi Yu	7,200	7,333
Sharyn Joy Cowley	7,100	7,333
Annabelle Jill Lane	7,200	5,800
Jamie Arthur Bedelis	2,200	2,100
Mervyn James Ericson	7,000	6,285
Darren John Paone (Resigned 1 December 2018)	-	1,095
Peter Yong Pan	3,200	3,033
Shruti Verma	3,200	3,033
Susane Martina Cornelissen	3,200	1,500
Charles Bela Kovess	3,200	1,500
Bronson Jeffery Justus (Appointed 6 January 2020)	1,600	-

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

			Committee Meetings Attended							
	Board Meetings Attended		Audit & Governance Committee		Investment Committee		Human Resources Committee		Community Engagement Committee	
	E	A	E	A	E	A	E	A	E	A
Robert Davies	11	11	6	6	4	4	-	-	12	12
Yi Yu	11	11	6	6	4	4	-	-	-	-
Sharyn Joy Cowley	11	10	6	6	4	4	-	-	-	-
Annabelle Jill Lane	11	11	-	-	-	-	10	10	-	-
Jamie Arthur Bedelis	11	6	-	-	4	2	-	-	-	-
Mervyn James Ericson	11	8	-	-	-	-	10	9	12	9
Peter Yong Pan	11	10	-	-	-	-	-	-	12	12
Shruti Verma	11	11	6	6	-	-	1	1	-	-
Susane Martina Cornelissen	11	10	-	-	-	-	1	1	12	11
Charles Bela Kovess	11	10	-	-	-	-	-	-	12	12
Bronson Jeffery Justus	6	5	2	2	-	-	-	-	3	3

E = Eligible
A = 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 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 2 September 2020.

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 MEMBERS OF PINEWOOD COMMUNITY FINANCIAL SERVICES LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 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: 2 September 2020

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

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walker wayland
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 2020

	Notes	2020 $	2019 $
Revenue			
Revenue	2	1,230,684	1,250,081
Expenses			
Administration costs		209,390	242,282
IT expenses		45,274	46,574
Occupancy costs		28,369	111,848
Employee benefits expense	3	573,273	541,939
Depreciation and amortisation expense	3	115,425	38,549
Finance costs	3	28,879	-
Other expenses		7,344	11,122
Operating profit before charitable donations & sponsorships		**222,730**	**257,767**
Charitable donations and sponsorships		84,945	70,115
Profit before income tax expense		**137,785**	**187,652**
Income tax expense	4	21,264	59,507
Net Profit for the year		**116,521**	**128,145**
Other comprehensive income		-	-
Total comprehensive income		**116,521**	**128,145**
Profit attributable to members of the entity		**116,521**	**128,145**
Total comprehensive income attributable to members of the entity		**116,521**	**128,145**
Earnings per share (cents per share)			
- basic for profit for the year	23	21.15	30.09
- diluted for profit for the year	23	24.27	25.12

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2020

	Notes	2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents	6	577,820	460,014
Trade and other receivables	7	94,580	97,164
Current tax assets	4	21,041	-
Other assets	8	95,486	49,396
Total current assets		**788,927**	**606,574**
Non-current assets			
Property, plant and equipment	9	116,129	139,885
Right-of-use assets	10	168,861	-
Intangible assets	11	22,038	33,056
Deferred tax asset	4	60,875	50,951
Total non-current assets		**367,903**	**223,892**
Total assets		**1,156,830**	**830,466**
Liabilities			
Current liabilities			
Trade and other payables	12	101,918	106,784
Current tax liabilities	4	-	24,107
Lease liabilities	13	76,883	-
Employee benefits	14	66,188	54,580
Total current liabilities		**244,989**	**185,471**
Non current liabilities			
Trade and other payables	12	13,330	26,661
Lease liabilities	13	86,887	-
Provisions	15	14,167	-
Deferred income tax	4	754	717
Total non current liabilities		**115,138**	**27,378**
Total liabilities		**360,127**	**212,849**
Net assets / (liabilities)		**796,703**	**617,617**
Equity			
Issued capital	16	569,315	425,840
Retained earnings		227,388	191,777
Total equity		**796,703**	**617,617**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the year ended 30 June 2020

	Notes	2020 $	2019 $
Issued capital			
Balance at start of year		425,840	532,300
Issue of share capital		150,000	-
Share buy-back		-	(106,460)
Share issue costs		(6,525)	-
Balance at end of year		**569,315**	**425,840**
Retained earnings			
Balance at start of year		191,777	180,738
Net profit for the year		116,521	128,145
Dividends paid	24	(80,910)	(117,106)
Balance at end of year		**227,388**	**191,777**

The accompanying notes form part of these financial statements.

Statement of Cash Flow
for the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		1,280,066	1,363,916
Payments to suppliers and employees		(1,051,700)	(1,143,460)
Interest received		5,570	8,849
Cashflow boost received		41,487	-
Other income received		3,141	2,282
Interest paid		(279)	-
Lease payments (interest component)		(8,617)	-
Income tax paid		(73,824)	(56,546)
Net cash flows from operating activities	**17b**	**195,844**	**175,041**
Cash flows used in investing activities			
Purchase of property, plant & equipment		(2,715)	(540)
Investments in listed securities		(61,553)	-
Net cash flows used in investing activities		**(64,268)**	**(540)**
Cash flows used in financing activities			
Dividends paid as declared in the prior year report		(80,910)	(53,230)
Dividends paid per share buy-back		-	(63,876)
Capital return paid per share buyback		-	(106,460)
Share issue		150,000	-
Share issue cost		(9,000)	-
Lease payments (principle component)		(73,860)	-
Net cash flows used in financing activities		**(13,770)**	**(223,566)**
Net increase in cash held		**117,806**	**(49,065)**
Cash and cash equivalents at start of year		460,014	509,079
Cash and cash equivalents at end of year	**17a**	**577,820**	**460,014**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2020

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 2020 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%

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.

(i) Revenue

The Company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited. The Company delivers banking and financial services of Bendigo Bank to its community. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the Company. Interest margin share is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the Company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the Company's right to receive the payment is established.

Note 1. Summary of significant accounting policies (continued)

(i) Revenue (continued)

The Company acts as an agent under the franchise agreement and revenue arises from the rendering of services through its franchise agreement.

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement. Under AASB 15 Revenue from Contracts with Customers (AASB 15), revenue recognition for the Company's revenue stream is as follows:

Revenue stream	Includes	Performance obligation	Timing of recognition
Franchise agreement profit share	Margin, commission, and fee income	When the Company satisfies its obligation to arrange for the services to be provided to the customer by the supplier (Bendigo Bank as franchisor).	On completion of the provision of the relevant service. Revenue is accrued monthly and paid within 10 business days after the end of each month.

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.

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. 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.

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 changes that 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) Application of new and amended accounting standards

The Company has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period. The Company had to change its accounting policies and make adjustments as a result of adopting AASB 16. The impact of the adoption of this Standard and the respective accounting policies is disclosed below.

Types of leases

The Company has entered into a non-cancellable lease on its branch premises, with renewal at the option of the Company. On renewal, the terms of the leases are usually renegotiated.

Impact on comparatives

The Company has applied AASB 16 using the modified retrospective approach. Accordingly, the comparative information has not been restated.

Leases

- The Company as lessee;

  At inception of a contract, the Company assess if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Company where the Company is a lessee. However, all contracts that are classified as short-term leases (i.e. leases with a remaining term of 12 months or less) and leases of low value assets are recognised as operating expenses on a straight-line basis over the term of the lease.

  Lease payments included in the measurement of the lease liability were measured at either fixed lease payments less any lease incentive or variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.

Note 1. Summary of significant accounting policies (continued)

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

Initial application of AASB 16

The Company has recognised a lease liability and right-of-use asset for all leases recognised as operating leases under AASB 117: Leases where the Company is the lessee.

Lease liabilities are shown at the present value of the remaining lease payments. The Company's incremental borrowing rate as at 1 July 2019 has been used to discount the lease payments.

The following practical expedients have been used by the Company in applying AASB 16 for the first time:

- A single discount rate has been applied.
- The use of hindsight to determine lease terms on contracts that have options to extend or terminate.

Financial impact

Impacts on the financial statements and notes as at and for the year ended 30 June 2020 are shown throughout this report. As at the date of transition the impact of the new standard is summarised below in the noted items:

	$
Balance sheet as at 1 July 2019	
Right-of-use assets	246,797
Provision for make good asset	(9,167)
Lease liabilities	(237,630)
Retained earnings / (accumulated losses)	**-**
Lease liabilities reconciliation on transition	
Operating lease disclosure as at 30 June 2019	264,919
Less: discounted to present value	(27,289)
Lease liability as at 1 July 2019	**237,630**

Lease liabilities were discounted using a weighted average discount rate of 3.77%.

(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.

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:

<u>Estimation of useful lives of assets</u>

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.

<u>Income tax</u>

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

<u>Impairment</u>

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

<u>Recognition and initial measurement</u>

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.

<u>Classification and subsequent measurement</u>

(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).

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.

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Classification and subsequent measurement (continued)

(ii) Financial Assets (continued)

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.

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.).

	2020 $	2019 $
Note 2. Revenue and other income		
Revenue		
- services commissions	1,160,771	1,237,759
	1,160,771	**1,237,759**
Other revenue		
- dividends and other investment income	3,141	2,282
- interest received	5,704	8,645
- unrealised investment income	-	1,395
- cashflow boost	61,068	-
	69,913	**12,322**
Total revenue	**1,230,684**	**1,250,081**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	460,384	414,640
- superannuation costs	44,351	38,936
- workers' compensation costs	1,432	1,282
- other costs	67,106	87,081
	573,273	**541,939**
Depreciation of non-current assets:		
- furniture & fittings	7,098	8,140
- leasehold improvements	19,373	19,391
- right-of-use assets	77,936	-
Amortisation of non-current assets:		
- intangible assets	11,018	11,018
	115,425	**38,549**
Finance costs:		
- lease interest expense	8,617	-
- make good asset interest expense	5,000	-
- ATO Interest paid	279	-
- unrealised investment loss	14,983	-
	28,879	**-**
Bad debts	**1,397**	**302**
Rental expenses on operating leases	**-**	**79,305**

	2020 $	2019 $

Note 4. Income tax expense

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5% (2019: 27.5%)	37,892	51,604
Add / (Less) tax effect of:		
- Non-deductible expenses	6,093	8,287
- Non-assessable income	(16,794)	(384)
- Other deductible expenses	(7,315)	-
- Movement in deferred tax	9,887	4,828
- Net benefit of franking credits on dividends received	212	-
Current income tax expense	**29,975**	**64,335**
The applicable weighted average effective tax rate is	22%	32%
Current income tax expense	29,975	64,335
Origination and reversal of temporary differences	(9,887)	(4,828)
Net benefit of share issue costs	2,475	-
Net benefit of franking credits on dividends received	(771)	-
Recognition of previously unrecognised benefit of franking credits on dividends received	(528)	-
Income tax expense	**21,264**	**59,507**
Tax Balances		
Current tax liability / (asset)	(21,041)	24,107
Deferred tax asset	**60,875**	**50,951**
Deferred tax liability	**754**	**717**

Note 5. Auditors' remuneration

Remuneration of the auditor for:		
- Audit or review of the financial report	**6,150**	**6,250**

Note 6. Cash and cash equivalents

Cash at bank and on hand	174,556	210,014
Short term bank deposits	403,264	250,000
	577,820	**460,014**

The effective interest rate on short term bank deposits was 1.75% (2019: 2.78%)

Note 7. Trade and other receivables

Current		
Trade debtors	91,837	94,555
Accrued interest	2,743	2,609
	94,580	**97,164**

	2020 $	2019 $

Note 8. Other Assets

	2020 $	2019 $
Investments in listed securities	87,145	40,575
Prepayments	8,341	8,821
	95,486	**49,396**

Note 9. Property, plant and equipment

	2020 $	2019 $
Leasehold improvements		
At cost	263,624	263,624
Less accumulated depreciation	(196,855)	(177,482)
	66,769	**86,142**
Furniture & Fittings		
At cost	201,524	198,809
Less accumulated depreciation	(152,164)	(145,066)
	49,360	**53,743**
Total written down amount	**116,129**	**139,885**

	2020 $	2019 $
Movements in carrying amounts		
Leasehold improvements		
Carrying amount at beginning of year	86,142	105,533
Additions	-	-
Disposals	-	-
Depreciation expense	(19,373)	(19,391)
Carrying amount at end of year	**66,769**	**86,142**
Furniture & fittings		
Carrying amount at beginning of year	53,743	61,343
Additions	2,715	540
Disposals	-	-
Depreciation expense	(7,098)	(8,140)
Carrying amount at end of year	**49,360**	**53,743**

Note 10. Right-of-use assets

Right-of-use assets are measured at amounts equal to the present value of enforceable future payments on the adoption date, adjusted for lease incentives, make-good provisions, and initial direct costs.

The Company derecognises right-of-use assets at the termination of the lease period or when no future economic benefits are expected to be derived from the use of the underlying asset.

	2020 $	2019 $
Leased buildings		
At cost	246,797	-
Less accumulated depreciation	(77,936)	-
	168,861	**-**
Total written down amount	**168,861**	**-**

	2020 $	2019 $
Note 10. Right-of-use assets (continued)		
Movements in carrying amounts		
Leased buildings		
Carrying amount at beginning	-	-
Initial recognition on transition	246,797	
Accumulated depreciation on adoption	-	
Depreciation	(77,936)	
Carrying amount at end	**168,861**	**-**

Note 11. Intangible assets

	2020 $	2019 $
Franchise fee		
At cost	55,093	55,093
Less accumulated amortisation	(33,055)	(22,037)
	22,038	**33,056**

Note 12. Trade and other payables

	2020 $	2019 $
Current		
Other payables	2,109	13,231
Accrued expenses	86,479	80,223
Liability to Bendigo (Franchise & Training Fee)	13,330	13,330
	101,918	**106,784**
Non-Current		
Liability to Bendigo (Franchise & Training Fee)	13,330	26,661
	13,330	**26,661**

Note 13. Lease Liabilities

The Company's lease portfolio include its branch premises. The lease term is as below:

- a non-cancellable term of 5 years plus an option of 5 years.

The option to extend is contained in the clauses of lease agreement. This clause provide the Company with opportunity to manage lease in order to align with its strategies. The extension option is only exercisable by the Company.

Lease liability was measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used was 3.77%.

The discount rate used in calculating the present value of enforceable future payments takes into account the particular circumstances applicable to the underlying leased assets (including the amount, lease term, economic environment, and other relevant factors).

The Company has estimated remaining lease terms excluding the effect of renewal option as it's not expected to be exercised.

	Note	2020 $	2019 $
Note 13. Lease Liabilities (continued)			
Current:			
Lease Liability		85,500	-
Unexpired interest		(8,617)	-
		76,883	**-**
Non-current			
Lease Liability		96,941	-
Unexpired interest		(10,054)	-
		86,887	**-**
Impact on the current reporting period:			
Lease liabilities			
Initial recognition on adoption		237,630	-
Interest expense		8,617	-
Payments		(82,477)	-
Lease liabilities as at 30 June 2020		**163,770**	**-**
Maturity analysis			
- not later than 12 months		76,883	-
- between 12 months and 5 years		86,887	-
		163,770	**-**

Note 14. Employee Benefits

	Note	2020 $	2019 $
Current			
Annual leave	14 (b)	39,338	29,928
Long service leave	14 (b)	26,850	24,652
		66,188	**54,580**
Number of employees at year end		**7**	**7**

(a) Movement in employee benefits

	2020 $	2019 $
Opening balance	54,580	53,343
Additional provisions recognised	16,858	16,492
Amounts utilised during the year	(5,250)	(15,255)
Closing balance	**66,188**	**54,580**

(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.

Note 15. Provisions

As at the reporting date, the make-good of the leased premises is not expected to be wholly settled within 12 months. The balance is classified as non-current.

	2020 $	2019 $
Make-good on leased premises	14,167	-
	14,167	**-**

Make-good provision

In accordance with the branch lease agreements, the Company must restore the leased premises to their original condition before the expiry of the lease term.

Provision		
Balance at the beginning	-	-
Initial recognition on transition	9,167	-
make-good costs recognised	5,000	-
	14,167	**-**

Note 16. Share capital

	2020		2019	
	Number	$	Number	$
Ordinary Shares-fully paid	550,840	575,840	425,840	425,840
Less: Share issue costs	-	(6,525)	-	-
	550,840	**569,315**	**425,840**	**425,840**

Movements in share capital

The Company approved a capital raising in December 2019 which complied with the small scale fund raising provisions in the *Corporations Act 2001* (Cth). The capital raising offered 19 people in the local Monash community the opportunity to purchase ordinary shares in the Company, at $1.20 per share. The capital raising which was fully subscribed and completed in January 2020, increased the Company's capital by $150,000, the number of ordinary shares from 425,840 to 550,840 and the number of shareholders from 155 to 173.

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.

	2020 $	2019 $
Note 17. 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	577,820	460,014
As per the statement of cash flow	**577,820**	**460,014**
(b) Reconciliation of profit after tax to net cash provided from operating activities		
Profit after income tax	116,521	128,145
Non cash items		
- Depreciation	104,407	27,531
- Amortisation	11,018	11,018
- Unrealised investment loss / (income)	14,983	(1,395)
- Make good asset provision	5,000	-
Changes in assets and liabilities		
- (Increase) decrease in prepayments	480	737
- (Increase) decrease in receivables	2,584	2,586
- (Increase) decrease in deferred tax asset	(9,887)	(4,828)
- Increase (decrease) in income tax	(42,673)	7,789
- Increase (decrease) in payables	(18,197)	2,221
- Increase (decrease) in employee benefits	11,608	1,237
Net cash flows from operating activities	**195,844**	**175,041**

Note 18. Director and related party transactions

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

Robert Davies
Yi Yu
Sharyn Joy Cowley
Annabelle Jill Lane
Jamie Arthur Bedelis
Mervyn James Ericson
Peter Yong Pan
Shruti Verma
Susane Martina Cornelissen
Charles Bela Kovess
Bronson Jeffery Justus

Fees paid to Directors are disclosed in the Remuneration Report.

The Company has incurred costs of $850 which were paid to Charles Kovess for Master of Ceremonies role at Pitch Night Community Event. This transaction was on normal commercial terms and no more favourable than those available to other parties.

Note 18. Director and related party transactions (continued)

The Company's main related parties are as follows:

(a) Key management personnel

Any persons having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that Company is considered key management personnel.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the Company.

(d) Key management personnel shareholdings

The number of ordinary shares in Pinewood Community Financial Services Limited held by each key management personnel of the Company during the financial year are as follows:

	2020	2019
Directors' shareholdings		
Robert Davies (Associated interests)	45,000	24,500
Yi Yu	1,000	1,000
Mervyn James Ericson	1,000	1,000
Peter Yong Pan	20,500	500
Susane Martina Cornelissen	1,000	1,000
Jamie Arthur Bedelis (Associated interests)	10,000	-

Note 19. Events after the reporting period

The COVID-19 outbreak has affected and will continue to affect economies, asset prices and business operations. The effects of COVID-19 on aspects of the company's future operations and performance are difficult to predict. There have been no other events after the end of the financial year that would materially affect the financial statements.

Note 20. Contingent liabilities and assets

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

Note 21. 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 (2019: 100%).

Note 22. Company details

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

Note 23. 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:

	2020 $	2019 $
Profit after income tax expense	**116,521**	**128,145**
Weighted average number of ordinary shares for basic earnings per share	**550,840**	**425,840**
Weighted average number of ordinary shares for diluted earnings per share	**480,143**	**510,133**

Note 24. Dividends paid or provided for on ordinary shares

(a) Dividends proposed and not recognised as a liability		
Franked dividends 14 cents per share (2019: 14 cents per share)	77,118	59,618
Special franked dividends - Nil (2019: 5 cents per share)	-	21,292

(b) Dividends paid during the year		
Prior year proposed final		
Franked dividends - 14 cents per share (2019: 10 cents per share)	59,618	53,230
Special franked dividends - 5 cents per share (2019: Nil)	21,292	-
Current year dividend		
Unfranked dividends - Nil (2019: 60 cents per share per buy-back)	-	63,876
	80,910	**117,106**

(c) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the beginning of the financial year	202,303	165,948
· Franking credits that arose from the payment of current year PAYG income tax instalments	50,246	40,229
· Franking credits that arose from the payment of income tax payable as at the end of the last financial year	23,578	16,317
· Franking debits that arose from the payment of final dividends proposed as at the end of the last financial year	(30,690)	(20,191)
· Unrecognised franking credits from franked dividends received prior periods	728	-
· Franking credits attached to franked dividends received	771	-
Franking account balance as at the end of the financial year	**246,936**	**202,303**

	2020 $	2019 $
Note 24. Dividends paid or provided for on ordinary shares (continued)		
(c) Franking credit balance (continued)		
· Franking credits that will arise from the payment of income tax payable as at the end of the current financial year	-	23,578
· Franking debits that will arise from the refund of income tax refundable as at the end of the current financial year	(20,377)	-
· Franking debits that will arise from the payment of proposed dividends as at the end of the financial year	(29,252)	(30,690)
	197,307	**195,191**

The tax rate at which dividends have been franked is 27.5% (2019: 27.5%).

Dividend proposed will be franked at a rate of 27.5% (2019: 27.5%).

Note 25. 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	2020 $	2019 $
Financial assets			
Cash & cash equivalents	6	577,820	460,014
Trade and other receivables and prepayments	7	94,580	97,164
Other assets - security investments	8	95,486	49,396
Total financial assets		**767,886**	**606,574**
Financial liabilities			
Trade and other payables	12	115,248	133,445
Total financial liabilities		**115,248**	**133,445**

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.

Note 25. Financial risk management (continued)

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2020 $	2019 $
Cash and cash equivalents	577,820	460,014
Trade and other receivables	94,580	97,164
Investments	87,145	40,575
	759,545	**597,753**

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 (2019: 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.

Financial liability and financial asset maturity analysis:

30 June 2020	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due					
Trade and other payables	12	115,248	101,918	13,330	-
Total expected outflows		**115,248**	**101,918**	**13,330**	**-**
Financial assets - realisable					
Cash & cash equivalents	6	577,820	577,820	-	-
Trade and other receivables	7	94,580	94,580	-	-
Other assets - security investments	8	87,145	87,145		
Total anticipated inflows		**759,545**	**759,545**	**-**	**-**
Net (outflow)/inflow		**644,297**	**657,627**	**(13,330)**	**-**

Note 25. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2019	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due					
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)**	**-**

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at 30 June 2020 and 30 June 2019.

(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 2020		
+/- 1% in interest rates	+/- 3,259	+/- 3,259
Year ended 30 June 2019		
+/- 1% in interest rates	+/- 3,113	+/- 3,113

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.

Note 25. Financial risk management (continued)

(d) Price risk

The Company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The Company does not have any unrecognised financial instruments at year end.

Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

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 2020 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 2020 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 2 September 2020

Independent audit report

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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 2020, 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 2020 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 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 2020 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.

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

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CHARTERED ACCOUNTANTS AUSTRALIA + NEW ZEALAND

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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,
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SHAUN EVANS
Partner

Dated: 2 September 2020

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