

Pinewood Community Financial Services Limited

ABN: 26 099 420 050

Financial Statements

For the half-year ended

31 December 2019

Pinewood Community Financial Services Limited

Directors' Report

Your directors submit the financial report of the company for the half-year ended 31 December 2019.

Directors

The names of directors who held office during the half-year and until the date of this report are as below:

Robert Davies	Peter Yong Pan
Yi Yu	Shruti Verma
Sharyn Joy Cowley	Susane Martina Cornelissen
Annabelle Jill Lane	Charles Bela Kovess
Jamie Arthur Bedelis	Bronson Jeffrey Justus (<i>Appointed 6 January 2020</i>)
Mervyn James Ericson	

Principal activities

The principal activities of the company during the financial period were facilitating Community Bank services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

Review of operations

Operations have continued to perform in line with expectations. The net profit of the company for the financial period after the provision of income tax was:

Half-year ended 31 December 2019	Half-year ended 31 December 2018
\$	\$
55,120	99,924

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 by recognising the cumulative effect of initially applying AASB 16. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: *Leases*.

Events after the end of the reporting period

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 150 to 173. There are no other matters or circumstances that have arisen since the end of the half year reporting period that have significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company.

Auditor's independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 2.

Signed in accordance with a resolution of the directors at Melbourne 24 on 24/2/20 Victoria February 2020.


Robert Davies, Director


Yi Yu, Director

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 during the half-year ended 31 December 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: *24* February 2020

Melbourne

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Pinewood Community Financial Services Limited

Condensed Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2019

	2019 \$	2018 \$
Revenue		
Revenue from ordinary activities	586,109	638,484
Interest and other Income	3,280	5,589
Expenses		
Employee benefits expense	(281,006)	(264,475)
Charitable donations & sponsorship	(22,765)	(13,853)
Occupancy costs	(12,858)	(56,247)
IT expenses	(22,703)	(28,424)
Depreciation and amortisation expense	(57,487)	(19,264)
Finance costs	(6,809)	-
Administration costs	(103,955)	(116,574)
Other expenses from ordinary activities	(4,839)	(6,620)
Profit before income tax	76,967	138,616
Income tax expense	(21,847)	(38,692)
Profit after income tax	55,120	99,924
Total comprehensive income for the half-year attributable to the ordinary shareholders of the company:	55,120	99,924
Earnings per share (cents per share)		
- basic earnings per share	12.94	18.80
- diluted earnings per share	12.94	18.80
- dividends paid per share	19.00	10.00

The accompanying notes form part of these financial statements

Pinewood Community Financial Services Limited

Condensed Statement of Financial Position

As at 31 December 2019

	Note	31-Dec-19 \$	30-Jun-19 \$
ASSETS			
Current assets			
Cash and cash equivalents		527,435	460,014
Trade and other receivables		100,961	97,164
Other assets		91,063	49,396
Total current assets		719,459	606,574
Non-current assets			
Property, plant and equipment		126,875	139,885
Right of use assets	7	207,829	-
Intangible assets		27,547	33,056
Deferred tax assets		59,894	50,951
Total non-current assets		422,145	223,892
TOTAL ASSETS		1,141,604	830,466
LIABILITIES			
Current liabilities			
Trade and other payables		94,400	106,784
Current tax liabilities		28,353	24,107
Lease liabilities	7	75,313	-
Provisions		63,826	54,580
Total current liabilities		261,892	185,471
Non-current liabilities			
Trade and other payables		13,330	26,661
Lease liabilities	7	125,520	-
Provisions		11,667	-
Deferred tax liabilities		568	717
Total non-current liabilities		151,085	27,378
TOTAL LIABILITIES		412,977	212,849
NET ASSETS		728,627	617,617
EQUITY			
Issued capital	9	425,840	425,840
Un-issued capital		136,800	-
Retained earnings	8	165,987	191,777
TOTAL EQUITY		728,627	617,617

The accompanying notes form part of these financial statements

Pinewood Community Financial Services Limited

Condensed Statement of Changes in Equity

For the half-year ended 31 December 2019

	Note	Issued capital	Un-issued capital	Retained earnings	Total equity
		\$	\$	\$	\$
Balance at 1 July 2018		532,300	-	180,738	713,038
Total comprehensive income for the half-year		-	-	99,924	99,924
Transactions with owners in their capacity as owners:					
Dividends paid	10	-	-	(53,230)	(53,230)
Balance at 31 December 2018		532,300	-	227,432	759,732
Balance at 1 July 2019		425,840	-	191,777	617,617
Total comprehensive income for the half-year		-	-	55,120	55,120
Capital raised during the period		-	136,800	-	136,800
Transactions with owners in their capacity as owners:					
Dividends paid	10	-	-	(80,910)	(80,910)
Balance at 31 December 2019		425,840	136,800	165,987	728,627

The accompanying notes form part of these financial statements

Pinewood Community Financial Services Limited

Condensed Statement of Cash Flows

For the half-year ended 31 December 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers		640,379	691,368
Payments to suppliers and employees		(511,197)	(562,541)
Lease payments (interest component)	7	(4,309)	-
Interest received		3,204	4,449
Income taxes paid		(26,693)	(23,079)
Net cash provided by operating activities		101,384	110,197
Cash flows from investing activities			
Dividends and other investment income		1,420	1,103
Payments for listed security investments		(41,145)	-
Payments for intangible assets		(13,331)	(13,331)
Net cash used in investing activities		(53,056)	(12,228)
Cash flows from financing activities			
Proceeds from capital raising		136,800	-
Lease payments (principal component)	7	(36,797)	-
Dividends paid	10	(80,910)	(53,230)
Net cash provided by/(used in) financing activities		19,093	(53,230)
Net cash increase in cash held		67,421	44,739
Cash and cash equivalents at the beginning of the financial year		460,014	509,079
Cash and cash equivalents at the end of the half-year		527,435	553,818

The accompanying notes form part of these financial statements

Pinewood Community Financial Services Limited

Notes to the Financial Statements

For the half-year ended 31 December 2019

Note 1. Summary of significant accounting policies

Statement of Compliance

This general purpose financial report has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: *Interim Financial Reporting*.

Basis of preparation

This financial report is intended to provide users with an update on the latest annual financial statements and does not include all the notes of the type normally included in an annual financial report. Accordingly the report shall be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by the company during the period.

Accounting policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial report and the previous corresponding interim period, apart from new Accounting Standard detailed below.

The half-year financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

New Accounting Standards Implemented

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 in Note 2.

Note 2. Changes in accounting policies

This note describes the nature and effect of the adoption of AASB 16 on the company's financial statements and discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

a) 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.

b) Impact on comparatives

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

Pinewood Community Financial Services Limited

Notes to the Financial Statements

For the half-year ended 31 December 2019

Note 2. Changes in accounting policies *(continued)*

c) 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.

d) 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.

e) Financial impact

Impacts on the financial statements and notes as at and for the half-year ended 31 December 2019 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	<u>(237,630)</u>
Retained earnings / (Accumulated losses)	<u><u>-</u></u>
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	<u><u>237,630</u></u>

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

Pinewood Community Financial Services Limited

Notes to the Financial Statements

For the half-year ended 31 December 2019

Note 3. Events subsequent to reporting date

There have been no events subsequent to reporting date that would materially affect the financial statements at the reporting date.

Note 4. Contingent assets and liabilities

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

Note 5. Segment reporting

The economic entity operates in a single service sector where it facilitates community banking services in City of Monash, Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 6. Related parties

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the Note 11.

Note 7. Leases

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.

a) Lease liabilities

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.

Pinewood Community Financial Services Limited

Notes to the Financial Statements

For the half-year ended 31 December 2019

Note 7. Leases (continued)

a) Lease liabilities (continued)	31-Dec-19	30-Jun-19
	\$	\$
Current:		
Branch operating lease	83,930	-
Unexpired interest	(8,617)	-
	<u>75,313</u>	<u>-</u>
Non-current		
Branch operating lease	139,882	-
Unexpired interest	(14,362)	-
	<u>125,520</u>	<u>-</u>
Impact on the current reporting period:		
Lease liabilities		
Initial recognition on adoption	237,630	-
Borrowing costs	4,309	-
Payments	(41,106)	-
Lease liabilities as at 31 December 2019	<u>200,833</u>	<u>-</u>
Maturity analysis		
- not later than 12 months	75,313	-
- between 12 months and 5 years	125,520	-
	<u>200,833</u>	<u>-</u>

b) Right-of-use assets

Right-of-use assets were 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. A total of \$246,797 was recognised on the adoption date.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets on the adoption date.

Impact on the current reporting period:	31-Dec-19	30-Jun-19
	\$	\$
Right-of-use assets		
Initial recognition on adoption	246,797	-
Depreciation expense	(38,968)	-
Right-of-use assets as at 31 December 2019	<u>207,829</u>	<u>-</u>

Pinewood Community Financial Services Limited

Notes to the Financial Statements

For the half-year ended 31 December 2019

Note 7. Leases (continued)

c) Impact on the profit or loss

Comparison under current AASB 16 and form AASB 117	\$
Decrease in operating lease expense	41,106
Increase in borrowing costs on lease liabilities	(4,309)
Increase in right-of-use assets depreciation	(38,968)
Increase in profit before tax	(2,171)
Increase in current income tax expense	597
Increase in current income tax expense - deferred tax	1,924
Increase in profit after tax	350

Note 8. Retained earnings	31-Dec-19	30-Jun-19
	\$	\$
Balance at the beginning of the financial year	191,777	180,738
Net profit from ordinary activities after income tax	55,120	128,145
Dividends paid	(80,910)	(117,106)
Balance at the end of the reporting period	<u>165,987</u>	<u>191,777</u>

Note 9. Issued capital	31-Dec-19		30-Jun-19	
	Number	\$	Number	\$
Balance at the beginning of the financial year	425,840	425,840	532,300	532,300
Share buy-back	-	-	(106,460)	(106,460)
Balance at the end of the reporting period	<u>425,840</u>	<u>425,840</u>	<u>425,840</u>	<u>425,840</u>

Pinewood Community Financial Services Limited

Notes to the Financial Statements

For the half-year ended 31 December 2019

Note 10. Dividends provided for or paid	31-Dec-19		30-Jun-19	
	Cents	\$	Cents	\$
a) Dividends paid during the period				
Fully franked dividend	19	80,910	10	53,230
Unfranked dividend	-	-	60	63,876
Total dividends paid during the period	19	80,910	70	117,106
b) Dividends provided for at period end				
Fully franked dividend	-	-	19	80,910
Unfranked dividend	-	-	-	-
Total dividends provided for at period end	-	-	19	80,910

The tax rate at which dividends have been franked is 27.5% (2018: 27.5%).

Note 11. Director and Related Party Disclosures

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 half year ended 31 December 2019 and the directors fees provided for are:

	2019	2018
	\$	\$
Robert Davies (Chairman)	7,500	6,500
Michelle Li James (Resigned 30 June 2019)	-	1,500
Yi Yu	3,600	3,500
Sharyn Joy Cowley	3,600	3,500
Annabelle Jill Lane	3,600	3,000
Jamie Arthur Bedelis	1,100	1,400
Mervyn James Ericson	3,600	3,000
Darren John Paone (Resigned 1 December 2018)	-	1,000
Peter Yong Pan	1,600	1,400
Shruti Verma	1,600	1,400
Susane Martina Cornelissen	1,600	-
Charles Bela Kovess	1,600	-

Pinewood Community Financial Services Limited

Notes to the Financial Statements

For the half-year ended 31 December 2019

Note 11. Director and Related Party Disclosures *(continued)*

No other director or related party has entered into a material contract with the Company.

	2019	2018
	\$	\$
Directors shareholdings		
Robert Davies (interests associated with)	24,500	24,500
Yi Yu	1,000	1,000
Sharyn Joy Cowley	-	500
Mervyn James Ericson (joint holding with spouse)	1,000	1,000
Peter Yong Pan	500	500
Susane Martina Cornelissen (joint holding with spouse)	1,000	1,000

The current directors shareholdings and movements during the period outlined as above. Each share held has a paid up value of \$1 and is fully paid.

Note 12. Fair value measurement

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability.

In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available.

Pinewood Community Financial Services Limited 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 thereto are in accordance with the *Corporations Act 2001* including:
 - a. giving a true and fair view of the financial position of the company as at 31 December 2019 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date;
 - b. complying with Australian Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. 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 declaration is made in accordance with a resolution of the Board of Directors.


Robert Davies, Director


Yi Yu, Director

Dated this 24th day of February 2020 20

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Pinewood Community Financial Services Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Pinewood Community Financial Services Limited (the company), which comprises the condensed statement of financial position as at 31 December 2019, and the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Pinewood Community Financial Services Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pinewood Community Financial Services Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.



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SHAUN EVANS
Partner

Date: 24 February 2020