

HOMEBUSH FINANCIAL SERVICES LIMITED  
ACN 097 923 807

## NOTICE OF ANNUAL GENERAL MEETING

The Tenth Annual General Meeting of shareholders of Homebush Financial Services Limited will be held at Homebush Boys High School, Bridge Road, Homebush on Monday 28th November at 7.00pm.

### AGENDA

#### ITEM ORDINARY BUSINESS & CHAIRMAN'S ADDRESS

Chairman's Report presented by Mrs Marlene Doran OAM, for the year ended 30th June 2011.

#### ITEM ADOPTION OF ACCOUNTS

To receive and consider the Financial Statements and Reports to the shareholders comprising:-  
Statement of financial performance and financial position of the Company as at 30th June 2011  
Directors declaration and report by auditors for the financial year ended 30th June 2011  
Directors report for the financial year ended 30th June 2011

#### ITEM ELECTION OF DIRECTORS

see page

#### ITEM GENERAL BUSINESS

To consider any other business of matters that may lawfully be brought forward by the members of the Company.

#### ITEM APPOINTMENT OF AUDITOR

To consider reappointment of Company Auditor, AFS & Associates Pty. Ltd.

By order of the Board

Vivian Hudson  
Secretary Dated 31 October, 2011

### Chairman's letter

2011

In September 2011, the Board of Homebush Financial Services Limited, which owns and operates the Homebush **Community Bank**<sup>®</sup> Branch received an indicative proposal from Bendigo and Adelaide Bank Limited (BEN) which if pursued was expected to result in a material change to the current shareholder composition of Homebush Financial Services Limited (HFSL). The proposal followed discussions between BEN and the Board of HFSL over several months.

BEN is proposing to acquire a 49% interest in HFSL at a price of \$1.24 per share. If approved the issue would raise \$782,302 to extinguish the debt that HFSL is carrying and place the company in a position to better achieve its goals and capitalise on future opportunities, now that profitability has been achieved. Should the proposal be approved BEN's voting rights will be equal to those of all other shareholders as the Constitution of the Company provides for only one vote per shareholder irrespective of the number of shares held. It is important to note that the proposal does not involve the sale of any shares by current shareholders, rather the issue of new shares.

The HFSL Board believes there are significant benefits to the proposal for all stakeholders, including shareholders,

employees, customers and the greater Homebush community. Professional advice was sought from accountants AFS & Associates Pty Ltd (AFS), to value HFSL shares. Bendigo Bank's offer for \$1.24 a share is a significant premium to the current market value per share as assessed by AFS, at \$0.93-\$1.04.

Your Board commends the proposal to you for the following reasons:

- ◆ The proposal is expected to enhance HFSL's capacity to grow its business;
- ◆ A professional independent Valuer, AFS, found that Bendigo Bank's offer for \$1.24 a share was a significant premium to the current market value of HFSL shares.
- ◆ There will be no operational changes to the branch as a result of the proposal; and
- ◆ All Homebush **Community Bank**<sup>®</sup> customers will continue to experience the personalised, industry-leading customer satisfaction that is synonymous with Bendigo Bank.

While we are heartened by the support the Homebush **Community Bank**<sup>®</sup> has received to date from the Homebush community your Board sees significant untapped opportunity for your **Community Bank**<sup>®</sup> branch. There remains a great deal more the Homebush **Community Bank**<sup>®</sup> can do to make a strong contribution to the vibrancy and prosperity of the Homebush community.

The growth experienced by your **Community Bank**<sup>®</sup> has been challenged on several occasions since its inception for a host of reasons which has placed pressure on the financial position of your company. Your **Community Bank**<sup>®</sup> has significant scope for future growth. The proposal is seen as a crucial step to unlock this potential growth at Homebush through shoring up the financial position of the Company. Your Board expects the proposal will ensure the Homebush **Community Bank**<sup>®</sup> can provide employment opportunities for local people, keep local capital in the community, provide an investment option for its members and supply a very worthwhile source of funding for community projects. It is expected that the proposed share issue will allow the distribution of dividends to shareholders to commence in the short to medium term.

Please read this Notice of Meeting and Explanatory Memorandum carefully as they contain important information in relation to the merger and will assist you in making an informed decision on how to vote at the Meeting of shareholders.

It is important that you cast your vote, either by attending the Meeting of shareholders or by completing and returning the relevant proxy form(s) accompanying this Notice of Meeting.

We would like to take this opportunity to thank you for your support as shareholders and customers of your **Community Bank**<sup>®</sup> branch over many years. We recognise this support is a privilege not a right. We look forward to your ongoing support.

In closing, your Board is confident the proposal can build on the strong foundations of your **Community Bank**<sup>®</sup> branch and we commend the opportunity to shareholders. We are looking forward to doing more to make a real difference in the greater Homebush community.

If you have any questions about the proposal or this notice, please contact HFSL Chairman, Marlene Doran, 02 9764 1037.

Regards,

Marlene Doran  
Chairman

## **Homebush Chairman's Agenda Annual General Meeting**

### **1. Welcome**

CHAIRMAN: Good evening ladies and gentlemen. It is my pleasure to welcome you to the Annual General Meeting of Homebush Financial Services Ltd.

### **2. Chair**

CHAIRMAN: My name is Marlene Doran, the Chairman of the Company. I would like to introduce to you those seated with me . . . Homebush Directors, Homebush Staff, Bendigo Bank reps

This year's AGM is a significant one for a number of reasons.

First of all I am pleased to be able to report that our Company has recorded a financial year profit for the first time in its history. It has taken much longer than we had hoped to reach this milestone however it is still a significant occasion.

Secondly, we will be voting tonight on a proposal that has the potential to drastically change the fortunes of our company. This proposal has been detailed in the notice of meeting.

However before we get to that matter of business there are a number of other items that must be attended to.

### **3. Quorum**

CHAIRMAN: I confirm that a quorum is present and now declare the Meeting open for business

### **4. Notice of Meeting**

CHAIRMAN: The Notice of Meeting was made available to all members. Can I take it that the Notice convening this Meeting be taken as read? Thank you.

### **5. Minutes of previous Annual General Meeting**

CHAIRMAN: The minutes of the previous Annual General Meeting of members of Homebush Financial Services Ltd held on 29<sup>th</sup> November 2010, were approved by the Board and signed by the Chairman in accordance with the provisions of section 251A of the Corporations Act.

A copy of the minutes is available for inspection should any member wish to see the minutes.

### **6. Proxies**

CHAIRMAN: I ask the Company Secretary to report to you on the matter of proxies.

COMPANY SECRETARY: I report that the number of valid Proxy Forms received at the Registered Office of the Company.

### **7. Annual Report**

CHAIRMAN: The first item of business is the consideration of the Company's Financial Report for the year ended 30 June 2011 and Directors' Report and the Auditor's Report, which are now before the Meeting.

#### **Chairman's address**

#### **Bendigo Bank address**

CHAIRMAN: I now invite, Peter English, to address the Meeting.

#### **Discussion**

CHAIRMAN: The subject of the Company's annual Financial Report is now open for discussion. If you wish to ask a question, would you please indicate this by raising your hand and wait until you are acknowledged? When asking your question, start your question by identifying yourself by name.

- Are there any questions or comments on the annual Financial Report or the reports of the Directors and Auditor?
- Are there any questions or comments on the management of the Company?
- Are there any questions to be put to the Auditor relevant to any of the following?
  - the conduct of the audit
  - the preparation and content of the Auditor's Report
  - the accounting policies adopted by the Company in relations to the preparation of financial statements
  - the independence of the Auditor in relation to the conduct of the audit

## 8. Election of Directors

CHAIRMAN: The next item of business is the election of Directors.

### **Re-election of Directors appointed since last AGM**

The first resolution concerns the election of Leanne Doran, a Director appointed by the Board since the last Annual General Meeting, who retires in accordance with the Company's Constitution and being eligible, offers herself for election.

*[Chairman may offer Leanne an opportunity to speak to the Meeting, recapping their qualifications, skills and experience set out in the Notice of Meeting].*

I now ask for someone to move the motion that Leanne be elected as a Director of the Company.

Is there a seconder?

Is there any discussion?

*If no discussion*

Those in favour, please raise your hand ...

Those against ...

I declare the resolution carried.

### **Rajaratnam Ganeshratnam**

The next resolution concerns the election of Rajaratnam Ganeshratnam, a Director appointed by the Board since the last Annual General Meeting, who retires in accordance with the Company's Constitution and being eligible, offers himself for election.

*[Chairman may offer Rajaratnam an opportunity to speak to the Meeting, recapping their qualifications, skills and experience set out in the Notice of Meeting].*

I now ask for someone to move the motion that Rajaratnam Ganeshratnam be elected as a Director of the Company.

Is there a seconder?

Is there any discussion?

*If no discussion*

Those in favour, please raise your hand ...

Those against ...

I declare the resolution carried.

### **Re-election of Directors retiring by rotation**

The next resolution concerns the election of Peter English, a Director appointed by the Board since the last Annual General Meeting, retires in accordance with the Company's Constitution and being eligible, offers himself for election.

*[Chairman may offer Peter an opportunity to speak to the Meeting, recapping their qualifications, skills and experience set out in the Notice of Meeting].*

I now ask for someone to move the motion that [name] be elected as a Director of the Company.

Is there a seconder?

Is there any discussion?

*If no discussion*

Those in favour, please raise your hand ...

Those against ...

I declare the resolution carried.

The next resolution concerns the election of Chris Hasseldine, a Director appointed by the Board since the last Annual General Meeting, retires in accordance with the Company's Constitution and being eligible, offers himself for election.

*[Chairman may offer Chris an opportunity to speak to the Meeting, recapping their qualifications, skills and experience set out in the Notice of Meeting].*

I now ask for someone to move the motion that [name] be elected as a Director of the Company.

Is there a seconder?

Is there any discussion?

*If no discussion*

Those in favour, please raise your hand ...

Those against ...

I declare the resolution carried.

The next resolution concerns the election of Vivian Hudson, a Director appointed by the Board since the last Annual General Meeting, retires in accordance with the Company's Constitution and being eligible, offers himself for election.

*[Chairman may offer Viv an opportunity to speak to the Meeting, recapping their qualifications, skills and experience set out in the Notice of Meeting].*

I now ask for someone to move the motion that [name] be elected as a Director of the Company.

Is there a seconder?

Is there any discussion?

*If no discussion*

Those in favour, please raise your hand ...

Those against ...

I declare the resolution carried.

Thank you for your support of these motions. I am confident that these changes will place the Company in a much stronger position to achieve ongoing success.

I would also like to say that I will not be seeking re-election as Chairman of the Company at our next Board meeting. I believe that it is time for some one else to take the reigns and guide the company through the next chapter of its evolution. I will be continuing as a director and I look forward to working along side the new Chairman who will be selected by the directors of the Board at our next meeting.

I would also like to acknowledge my Husband Graham who will be stepping down from the Board. Graham has served our company as treasurer for the past 10 years.

## CONTINUING AGENDA

### **Item 1. Approval of an acquisition of a 49% interest in the ordinary shares of the Company by Bendigo and Adelaide Bank Limited**

At the Meeting, the Company will ask all members to consider and, if thought fit, to pass the following resolution (Resolution 1) as an ordinary resolution:

*“That, subject to the members of the Company resolving to amend clause 9(1) of the Company's*

*constitution as proposed in Item 2 of the Notice of Meeting the Company be authorised to issue 630,188 ordinary shares in the Company to Bendigo and Adelaide Bank Limited on the terms and conditions more particularly described in the Explanatory Memorandum accompanying this Notice of Annual General Meeting.””*

## **Item 2. Modification to the Company’s constitution**

At the Meeting, the Company will ask all members to consider and, if thought fit, to pass the following resolution (Resolution 2) as a special resolution:

*“That, subject to the members of the Company passing the resolution to approve the issue of 630,188 ordinary shares in the Company to Bendigo and Adelaide Bank Limited as proposed in Item 1 of the Notice of Meeting, clause 9(1) of the Company’s constitution be amended by addition of the words underlined as follows:*

*9 (1) A person other than Bendigo and Adelaide Bank Limited must not have a Prohibited Shareholding Interest*

Further information relevant to a member’s decision on how to vote on the above resolutions (including a description of the structure of the proposed acquisition and its effect on members and the Company) is set out in the Explanatory Memorandum which accompanies this Notice of the Meeting.

### **Voting Entitlement**

The Board has determined that, for the purposes of the Meeting (including voting at the Meeting), Members are those persons who are the registered members in the Company at 5.00 pm EST Thursday 24<sup>th</sup> November 2011 (Members).

### **Voting by proxy**

A Member who is entitled to attend and vote at the Meeting may appoint a proxy to attend and vote on behalf of that member. A proxy need not be a Member. A Member can appoint an individual or a body corporate as a proxy.

If a body corporate is appointed as a proxy, it must ensure that it appoints a corporate representative as required by *the Corporations Act 2001 (Cth)* to exercise its powers as proxy at the Meeting. The appointment may be a standing one. Unless otherwise specified in the appointment, the representative may exercise, on the body corporate’s behalf, all of the powers the body corporate could exercise at a meeting or in voting on a resolution.

A proxy appointment form accompanies this notice. Proxy appointments (and the originals or certified copies of any powers of attorney under which they are signed) must be received by the Company no later than 5.00 pm EST on Thursday 24<sup>th</sup> November 2011.

To be effective, proxy appointments (and the originals or certified copies of any powers of attorney under which they are signed) must be received at least 48 hours before the time specified for the scheduled Meeting. Any proxy form received after that time will not be valid for the scheduled Meeting. Proxy forms and other documents may be lodged by posting, delivery or facsimile to: 37 Howard Street, Strathfield, NSW 2135, facsimile: 02 9764 3020. For more information regarding the appointment of proxies, refer to the proxy form.

### **Close of Meeting**

CHAIRMAN: That concludes the business of the Meeting.

Light refreshments will be available for members immediately after this Meeting has closed.

I now close this Meeting and thank you for your attendance.

**DATED THIS 28 November 2011**

BY ORDER OF THE BOARD

**Vivian Hudson**

Company Secretary

## Explanatory Memorandum

This Explanatory Memorandum should be read in conjunction with the accompanying notice of annual general meeting of Homebush Financial Services Limited (**Company**). The purpose of this Explanatory Memorandum is to provide Shareholders with all information known to the company which is material to a decision on how to vote on the resolution in the accompanying Notice of General meeting.

---

### **Resolutions 1 and 2 – Approval of modification of the Company’s constitution and the issue of shares to BEN**

This Explanatory Memorandum is intended to provide Shareholders with sufficient information to assess the merits of the resolutions contained in the accompanying Notice of Annual General Meeting of the Company.

A valuation report prepared by Chartered Accountants AFS & Associates Pty Ltd comments on whether the proposals set out in Resolutions 1 is reasonable to those Shareholders not associated with BEN.

The Directors recommend that Shareholders read this Explanatory Memorandum and the Valuer’s report in full before making any decision in relation to Resolutions 1 and 2.

Certain abbreviations and other defined terms are used throughout this Explanatory Memorandum. Defined terms are generally capitalised. Details of the definitions and abbreviations are set out in the glossary to the Explanatory Memorandum.

---

#### **1 Background**

Homebush **Community Bank**<sup>®</sup> opened on 29 April 2002. Since opening Homebush’s business has not grown as expected as a result of numerous operational challenges including site location and security issues.

Delays to HFSL achieving profitability and the resultant impact on financial performance has led to the Homebush branch as at June 2011 retaining losses of \$1.1 million<sup>1</sup>, having expended all shareholder equity (\$591,521), and amassing \$782,302 of debt provided by BEN. As a result the net equity of the company was negative as at 30 June 2011 at (\$207,874). While the balance sheet position is challenged, importantly the business is now generating operating profits and experiencing healthy footings growth.

The HFSL Board believes the prospects for the business are attractive however these are dampened by the Company’s debt burden which severely impacts profits and correspondingly the Company’s ability to generate shareholder and community support through payment of dividends to shareholders and grants and sponsorships to deserving community focused organisations.

The proposal follows discussions between BEN and your Board over several months to explore options to address the level of debt that HFSL is carrying and to place the company in a sustainable position to better achieve its goals and capitalise on future opportunities now that profitability has been achieved.

The funds raised from the share issue would allow Homebush to remove its debt burden and in so doing restore its balance sheet and allow for the payment of dividends and community grants and sponsorships.

The Constitution of the Company sets out the rules and procedures according to which the Company is governed and includes a provision (clause 9) which prevents any person having an interest in 10% or more of the Company. This provision requires amendments to allow BEN to acquire a 49% interest in the Company.

This provision was purposefully included in the Constitution in an effort to encourage broad ownership within the community of Homebush of the Company. Your Board remains committed to encouraging broad ownership of the Company and post the issue of new shares to BEN the Company will continue to be owned broadly across the community of Homebush.

## 2 Overview of the proposed transaction and Share Subscription Agreement

The proposal involves the issue of 630,188 new ordinary HFSL shares to BEN for consideration of \$782,302. The shares are to be issued immediately upon receipt of the consideration and no later than one month following the General Meeting, or such date as the Company and BEN agree. The effect of the transaction on the Company's capital structure is summarised in the table below.

<b>HFSL Shareholder Composition</b>				
	<b>Pre Share Issue</b>		<b>Post Share Issue</b>	
	# shares	%	# shares	%
Community shareholders	655,910	100	655,910	51
Bendigo and Adelaide Bank Limited	-	-	630,188	49
<b>Total</b>	<b>650,910</b>	<b>100</b>	<b>1,286,098</b>	<b>100</b>

Note. The above table is based on the issued Shares of the Company at the date of this Notice.

It has been agreed with BEN that the funds received by the Company will be used to extinguish HFSL's debt facilities provided by BEN.

The HFSL Board currently includes a representative of BEN. As part of the proposal an additional representative of BEN will be invited to join the HFSL Board.

Your Board has also agreed to a refreshment of the HFSL Board and BEN's input into the future composition of the HFSL Board.

BEN strongly believes that the **Community Bank**<sup>®</sup> model is best served by ownership residing broadly across the communities in which they operate, as this maximises the extent to which a **Community Bank**<sup>®</sup> feeds into a community's prosperity. BEN aspires to have full ownership of HFSL returned to the community of Homebush.

BEN is committed to actively working with the Company to maximise the commercial success of the Homebush **Community Bank**<sup>®</sup> Branch.

## 3 Details of the pro forma financial position of HFSL post the share issue

A pro-forma Statement of Financial Position of the Company post the proposed issue of new shares is set out below:

### **HOME BUSH FINANCIAL SERVICES LIMITED**

#### **Statement of Financial Position as at 30 June**

<b>\$'000</b>	<b>2010 Actual</b>	<b>2011 Actual</b>	<b>2011 Pro Forma</b>
<b>Current Assets</b>			
Receivables	56	54	54
	<hr/>	<hr/>	<hr/>
	56	54	54
<b>Non-Current Assets</b>			
Property, plant and equipment	272	260	260
Deferred tax assets	-	322	322
Intangible assets (net)	15	5	5
	<hr/>	<hr/>	<hr/>
	288	588	588
<b>Total Assets</b>	<b>344</b>	<b>641</b>	<b>641</b>

<b>Current Liabilities</b>			
Payables	38	23	23
Loans and borrowings	205	192	-
Provisions	34	33	33
	<u>278</u>	<u>249</u>	<u>56</u>
<b>Non-Current Liabilities</b>			
Loans and borrowings	590	590	-
Provisions	10	10	10
	<u>600</u>	<u>600</u>	<u>10</u>
<b>Total Liabilities</b>	<b>878</b>	<b>849</b>	<b>67</b>
<b>Net Assets</b>	<b>(533)</b>	<b>(208)</b>	<b>574</b>
<b>Equity</b>			
Issued capital	592	592	1,374
Retained profits / (accumulated losses)	(1,125)	(799)	(799)
<b>Total Equity</b>	<b>(533)</b>	<b>(208)</b>	<b>574</b>

The pro-forma Statement of Financial Position of the Company shows that the Company's equity position will improve from negative \$207,874 to positive \$574,428 as a result of the proposal.

Included in HFSL's assets is a large projected deferred tax asset of \$322,150 which represents future income tax benefits arising from historical tax losses. In the financial year ending 30 June 2011 a future tax benefit equal to \$322,150 was brought to account, increasing the Company's profit after tax and net assets by \$322,150. Liabilities include a \$783,302 overdraft facility provided by Bendigo which will be extinguished as part of the proposal. The costs associated with implementing the proposal are not included.

---

#### 4 **Information about BEN**

Bendigo and Adelaide Bank Limited (BEN) was formed in November 2007 as a result of the merger between Bendigo Bank and Adelaide Bank. A publicly listed company, the group is owned by more than 82,000 shareholders.

Under the Bendigo and Adelaide Bank umbrella, the various parts of its business operate under four distinct brands.

Its retail arm, Bendigo Bank, provides banking and wealth management services to individual and small to medium businesses.

Bendigo Bank is represented in all states and territories with almost 900 outlets, including more than 190 company-owned branches, 275 locally-owned Community Bank branches, 90 agencies and 1900 ATMs.

Bendigo Bank continues its tradition of adding value for customers through quality personal service and a philosophy of giving back to those communities in which we operate.

Through Adelaide Bank, the group operates a substantial wholesale banking business, providing mortgages to a large number of Australians via a network of brokers and mortgage managers. In addition, Adelaide Portfolio Lending funds aged care and third party credit providers.

In the wealth management area, the Bank is represented by Sandhurst Trustees, its trustee company and funds

manager; margin lender Leveraged Equities; Oxford Funding, Bendigo Financial Planning and debenture company, Victorian Securities.

The Bank also participates in a range of joint ventures, including Community Sector Banking (with a consortium of 20 partners from the not-for-profit sector).

Bendigo and Adelaide Bank had assets under management of \$55 billion as at 30 June 2011 and market capitalisation of around \$[3.3] billion as at [date].

---

## 5 Proposed modification to the Company's constitution

The Constitution includes a provision (clause 9) which prevents any person having an interest in 10% or more of the Company.

Clause 9(1) states: *"A person must not have a Prohibited Shareholding Interest."*

Clause 9(2) defines a Prohibited Shareholding Interest: *"A person has a Prohibited Shareholding Interest if the person's voting power in the Company is 10% or more."*

The Constitution, clause 45(b), provides each shareholder only one vote (i.e. number of votes not equal to the number of shares held) and thus the proposed issue of new shares to BEN will not confer voting rights of 49%. However, the meaning of voting power in clause 9(10) of the Constitution has the effect that BEN is deemed to be able to vote the voting shares in which BEN has a legal or beneficial interest, thus triggering the prohibition under clause 9(1).

Hence clause 9(1) requires amendments to allow BEN to effect the proposal.

This provision was purposefully included in the Constitution in an effort to encourage broad ownership within the community of Homebush of the Company. Your Board remains committed to encouraging broad ownership of the Company and post the issue of new shares to BEN the Company will continue to be owned broadly across the community of Homebush.

The proposed amendment to be made to the Company's constitution is the addition of the words underlined in clause 9(10) as follows:

9 (1) A person other than Bendigo and Adelaide Bank Limited must not have a Prohibited Shareholding Interest

No other amendments are proposed to the Constitution.

---

## 6 Potential advantages and key benefits of passing resolution

Homebush's current financial position is challenged. In the absence of the share issue or an extensive uplift in the financial performance of the Homebush branch, it is unlikely in the short to medium term that Homebush will be in a position to support its community through donations and sponsorships in a meaningful way, nor compensate its shareholders with dividends.

The proposal if approved will place the company in a position to better achieve its goals and capitalise on future opportunities, now that profitability has been achieved.

The proposal will not result in any operational changes to the business, often a consequence of initiatives (such as mergers and takeovers) to restore a company's financial position.

- There will be no operational changes to the branch as a result of the proposal; and
  - All Homebush Community Bank customers will continue to experience the personalised, industry-leading customer satisfaction that is synonymous with Bendigo Bank.

The proposed share issue will result in the extinguishment of the debt that HFSL currently carries of \$782,302. The cost of servicing this debt (\$54,233 for the Year ended 30 June 2011) comprised near 10% of the Company's revenue for the last financial year and represented a major impediment to the Company restoring its financial position. In the absence of a dramatic boost to the Company's future growth profile the need to service the debt will mean the capacity for the Company to reduce its debt is constrained and resultantly the likelihood of the Company restoring its equity position to positive (negative \$207,874 at 30 June 2011) in the foreseeable future is low. Your Company is prohibited from paying dividends whilst its equity position is negative and thus in the absence of the Company's debt position being substantially reduced the likelihood of the Company paying dividends in the foreseeable future is considered low.

Should the proposal be approved it is the Board's intention to commence the payment of dividends to shareholders at the earliest time appropriate, and for the Company to substantially increase donations, grants and sponsorships for community projects from current levels.

The proposal will also enhance the level of commitment and support provided by BEN, the key partner to the Company, as a result of its ownership and increased representation on the Board.

---

## 7 **Potential disadvantages or risks of passing resolution**

The primary disadvantage of the proposal is that the financial interests of current shareholders in the company will be reduced (i.e. diluted) by the addition of new shares. The voting interest and control of existing shareholders will not be diluted by the addition of new shares as the Constitution of the Company provides for only one vote per person irrespective of the number of shares held. The Company is not expected to be in a position to commence payments of dividends to shareholders for the foreseeable future in the absence of a substantial reduction in its debt. Thus while the proposal will result in the dilution of any distribution paid by the Company to shareholders, the proposal will permit such distributions to commence.

BEN as a result of its ownership interest and associated increased Board representation may seek greater influence over the strategy of the Company. While BEN as a shareholder will be directly impacted by the financial performance of the Company, its position as the key Partner to the Company, may conflict on occasion with the objectives of its wider business.

Your Board believe the potential disadvantage and risks associated with the proposal are substantially outweighed by the expected benefits of the proposal.

---

## 8 **Valuer opinion**

The Board sought professional advice from accountants AFS & Associates Pty Ltd (AFS) on the current market value of the business in support of the proposed share issue. AFS prepared a valuation report a copy of which is provided in Annexure A.

AFS determined that current market value of HFSL shares was \$0.93-1.04 per share as at 30 June 2011. Bendigo Bank's offer for \$1.24 a share represents a significant premium to AFS's current valuation of HFSL shares.

For the purposes of AFS's opinion, market value was defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious seller acting at arm's length.

The valuation was undertaken independently and the compensation paid to AFS & Associates was not contingent on the conclusion, content or future use of the valuation report. Neither an Independent Expert's Report nor a Valuer's Report was required to be prepared as under the proposal control of HFSL would not pass to BEN and BEN's voting interest in HFSL would be equivalent to any other shareholder (i.e. one person one vote). Notwithstanding the proposal was not subject to the requirements of Chapter 6 of the Corporations Act, the parties believe given the magnitude of the change proposed we should to the maximum extent practical meet those requirements.

## Chapter 6 of the Corporations Act

Chapter 6 of the Corporations Act imposes a number of restrictions on the acquisition of control over voting shares in particular types of companies, including the Company. Some of the purposes of these restrictions are to ensure that such acquisitions take place in an efficient, competitive and informed market and that, as far as practicable, existing shareholders have a reasonable and equal opportunity to participate in the benefits of a proposal under which a person would acquire a substantial interest in the company.

Given that voting rights in the Company are not determined by the number of shares held, due to the fact that each shareholder has only one vote on a resolution decided by a show of hands or by a poll, the prohibition under section 606 of the Corporations Act does not apply to the proposed issue of shares to BEN.

Whilst approval of shareholders is not required for the purposes of section 606 of the Corporations Act, the Directors have decided to ensure that all relevant information regarding the proposed issue of shares to BEN that would otherwise be required for a resolution under this provision is provided to Shareholders to assist them in considering how to vote on the proposed modification to the Company's constitution.

### Why is approval being sought?

The Board and BEN believe given the magnitude of the change to the ownership and financial position of the Company proposed it is appropriate that shareholder approval be sought.

Further, a modification of the Company's Constitution is required for the Company to proceed with the proposal as the proposal would result in a person, BEN, having a legal or beneficial interest of 10% or more of the Company's share which is currently prohibited under the Company's Constitution.

Pursuant to section 136(2) of the Corporations Act, the Company may only modify or repeal its constitution, or a provision of its constitution, by special resolution of Shareholders.

### What majority of votes is required for Resolutions 1 and 2?

Resolution [1] requires an ordinary resolution, which will be passed if a simply a majority of those Shareholders present and voting (either in person or by proxy) at the meeting, and who are eligible to vote, vote in favour of Resolution [1]. This applies whether the vote is determined on a show of hands or on a poll (if one is called in accordance with the applicable legal requirements).

Resolution [2] requires a special resolution, which will be passed if at least 75% of those Shareholders present and voting (either in person or by proxy) at the meeting, and who are eligible to vote, vote in favour of Resolution [2]. This applies whether the vote is determined on a show of hands or on a poll (if one is called in accordance with the applicable legal requirements).

### Further Information required to be given to shareholders

In order to ensure that all matters are disclosed that are material and necessary for shareholders to make an informed decision on Resolutions [1 and 2], the Directors have followed the guidance provided by the Australian Securities and Investments Commission on the disclosure of information for resolutions put to shareholders under Chapter 6 of the Corporations Act. In particular, the following information is provided to assist Shareholders in considering how to vote on Resolutions 1 and 2:

- ◆ The identity of the persons who will hold a relevant interest in the shares to be allotted:  
Bendigo and Adelaide Bank Limited (BEN)

- ◆ The terms of the proposed allotment of shares (including the number and percentage of shares to be issued):

It is proposed that 630,188 shares would be allotted to BEN. The shares are to be allotted on the same terms as those issued to current shareholders.

- ◆ The identity, associations and qualifications of any proposed new directors of the Company  
[#]

- ◆ BEN's future intentions as a shareholder in the Company

BEN is committed to working actively with the Company to maximise the commercial success of the Community Bank branch operated by the Company. BEN does not view itself as a longer term holder of HFSL shares and aspires to return full ownership of HFSL to the community of Homebush.

- ◆ When the allotment of shares to BEN is to be completed

The shares are to be issued immediately upon receipt of the consideration and no later than one month following the General Meeting, or such date as the Company and BEN agree.

- ◆ Explanation of the reasons for the proposed allotment of shares to BEN

The Board believes there are significant benefits to the proposal for all stakeholders, including shareholders, employees, customers and the greater Homebush community.

The allotment of shares will raise \$782,302 to extinguish the debt that HFSL is carrying and place the company in a position to better achieve its goals and capitalise on future opportunities, now that profitability has been achieved.

For further information see Section 5.

- ◆ Interests and recommendations of Directors

See Section 10.

---

## 10 Board recommendation

The Company's directors do not have any material personal interest in the outcome of the proposed resolutions other than as a result of their interest solely as members.

Based on the information available to them at the date of this Explanatory Memorandum, the Board considers that the approval of the proposed resolutions are in the best interests of the Company and recommends that the shareholders vote in favour of this resolution. The Board has approved the proposal to put the resolution to the shareholders and has also approved the information contained in this Explanatory Memorandum.

### (Footnotes)

<sup>1</sup> Excluding the value of deferred tax assets of \$322,150

## **CHAIRMAN'S REPORT 2010---2011**

As Chairman of the company, I must say that we have had many challenges, albeit, more 'highs' than 'lows'. Ten years ago I stated that Homebush Shopping Centre would only survive, if we had a bank. You the shareholders supported this statement and Homebush Community Bank was created. Whilst lack of 'dividends' has been apparent, with the input of and collaboration with Bendigo & Adelaide Bank Ltd., we ( all shareholders) now have the opportunity to reverse this situation. We seek your approval for the proposal as stated in the letter to shareholders, under my signature dated October 2011 and set out in the Notice of Meeting. This is the "way forward" as the proposal will eventually result in dividends sooner rather than later.

Your Board of Directors have been involved in the discussions with BABL and I know that they support the proposal and they feel relieved that such a result will vindicate you, the shareholder's persistence and their belief in the Bank, YOUR BANK.

I thank you for your attention, consideration and with your approval to the proposal, we will move forward to a bigger and better future.

I thank the staff for their work ethics, performance and diligence in dealing with some testing circumstances throughout the year, but because of their standards they have achieved success and added to the 'bottom line' of the branch. Well Done !!

I must also thank Rick Webb, branch manager, who had resigned last month to return to his former habitat in country New South Wales. Myself and the Board of Directors, wish you every success and thank you for setting this branch on a successful platform, for future profits and ensuing dividends.

I believe the bottom line shows a small profit for the year, but this is significant, very significant.

I wish all and sundry, a very Merry Christmas and a safe, healthy and Happy New Year.

**Marlene Doran OAM, JP**  
**Chairman**

**Homebush Financial Services Limited**  
**ABN 55 097 923 807**  
**Directors' Report**

Your directors submit the financial statements of the company for the financial year ended 30 June 2011.

#### **Directors**

The names and details of the company's directors who held office during or since the end of the financial year:

**Marlene Anne Doran**

Chairman  
Age: 71  
Retired  
Active Community Group sponsor. Retired shop proprietor.  
Interest in shares: 12,000

**Frank Edward Burriss**

Deputy Chairman  
Age: 79  
Retired  
Former sales manager  
Interest in shares: 1,000

**Graham Agar Doran**

Treasurer  
Age: 74  
Retired Manager  
Former company manager  
Interest in shares: 10,000

**Vivian Thomas Hudson**

Secretary  
Age: 67  
Manager Administration  
Employed in local government for 49 years. 35 years in senior managerial rolls.  
Interest in shares: 1,000

**Karthigesu Sivapragasam**

Director  
Age: 63  
Technician  
Actively involved as a volunteer in Homebush and Strathfield areas.  
Interest in shares: 2,000

**William John Hilliard**

Director  
Age: 59  
Teacher  
Bachelor of Commerce, Dip Ed, Deputy Principal Homebush Boys High 1996-2011.  
Interest in shares: 1,500

**Christopher John Haseldine**

Director  
Age: 67  
Solicitor  
LL.B. Rotary Club of Bankstown (37 years).  
Voluntary legal aid.  
Interest in shares: Nil

**Peter Edmund English**

Director  
Age: 61  
Senior Bank Manager  
28 years in Management in banking industry. Diploma Business/Accounting.  
Interest in shares: Nil

**Phillip Raftos**

Director (*Resigned 25 January 2011*)

**Edward Robert Francis**

Director (*Resigned 28 September 2010*)

Directors were in office for this entire year unless otherwise stated.

No directors have material interests in contracts or proposed contracts with the company.

#### **Company Secretary**

The company secretary is Vivian Hudson. Viv was appointed to the position of secretary on 22 February 2006 and has 48 years administration experience with local government and municipal council, 35 years of which have been in senior managerial roles.

#### **Principal Activities**

The principal activities of the company during the course of the financial year were in facilitating **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.

**Homebush Financial Services Limited**  
**ABN 55 097 923 807**  
**Directors' Report**

**Operating Results**

Operations have continued to perform in line with expectations. The profit/(loss) of the company for the financial year after provision for income tax was:

Year ended 30 June 2011	Year ended 30 June 2010
\$ 325,442	\$ (63,395)

**Remuneration Report**

Graham Doran in the capacity as treasurer of Homebush FSL, received a treasurers allowance for administration services provided during the period on a ad hoc basis totalling \$3,069 (2010: \$1,791).

No other directors received remuneration for services during the period.

**Dividends**

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

**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.

**Matters Subsequent to the End of the Financial Year**

There are no matters or circumstances that have arisen since the end of the financial year 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, in future years.

**Likely Developments**

The company will continue its policy of facilitating banking services to the community.

**Environmental Regulation**

The company is not subject to any significant environmental regulation.

**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, except as noted above and in note 19 to the financial statements.

**Indemnification and Insurance of Directors and Officers**

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

**Homebush Financial Services Limited**  
**ABN 55 097 923 807**  
**Directors' Report**

**Directors Meetings**

The number of directors meetings attended by each of the directors of the company during the year were:

	<b>Number of Board Meetings</b>	
	<u>Eligible to attend</u>	<u>Number attended</u>
Marlene Anne Doran	10	10
Frank Edward Burriss	10	7
Graham Agar Doran	10	10
Vivian Thomas Hudson	10	10
Karthigesu Sivapragasam	10	6
William John Hilliard	10	7
Christopher John Haseldine	10	9
Peter Edmund English	10	9
Phillip Raftos ( <i>Resigned 25 January 2011</i> )	5	2
Edward Robert Francis ( <i>Resigned 28 September 2010</i> )	3	2

The Board has 2 sub-committees which are OHS & Audit and Sponsorship & Marketing. Sub-committees have elected Directors who meet on a regular, or as needs, basis and present reports/recommendations to the monthly Board meetings where required.

**Non Audit Services**

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

**Auditors' Independence Declaration**

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

Signed in accordance with a resolution of the board of directors at Homebush, New South Wales on 21 September 2011.



**Marlene Anne Doran, Chairman**

**Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001  
to the directors of Homebush Financial Services Limited**

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the audit.



**DAVID HUTCHINGS**

**ANDREW FREWIN & STEWART**

61-65 Bull Street Bendigo 3550

21 September 2011

**Homebush Financial Services Limited**  
**ABN 55 097 923 807**  
**Statement of Comprehensive Income**  
**for the Year Ended 30 June 2011**

	<u>Notes</u>	<b>2011</b> <b>\$</b>	<b>2010</b> <b>\$</b>
Revenues from ordinary activities	4	623,554	558,096
Employee benefits expense		(341,340)	(322,424)
Charitable donations, sponsorship, advertising and promotion		(27,104)	(14,007)
Occupancy and associated costs		(58,308)	(73,734)
Systems costs		(36,039)	(27,810)
Depreciation and amortisation expense	5	(26,691)	(36,301)
Finance costs	5	(54,233)	(70,185)
General administration expenses		(76,547)	(77,030)
		<hr/>	<hr/>
<b>Profit/(loss) before income tax credit</b>		<b>3,292</b>	<b>(63,395)</b>
Income tax credit	6	322,150	-
		<hr/>	<hr/>
<b>Profit/(loss) after income tax credit</b>		<b>325,442</b>	<b>(63,395)</b>
		<hr/>	<hr/>
<b>Total comprehensive income for the year</b>		<b>325,442</b>	<b>(63,395)</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Earnings per share (cents per share)</b>		<b>c</b>	<b>c</b>
- basic for profit for the year	20	49.62	(9.67)

The accompanying notes form part of these financial statements

Homebush Financial Services Limited  
 ABN 55 097 923 807  
 Balance Sheet  
 as at 30 June 2011

	<u>Notes</u>	2011 \$	2010 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Trade and other receivables	7	53,652	56,304
<b>Total Current Assets</b>		<u>53,652</u>	<u>56,304</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	259,921	272,456
Intangible assets	9	5,452	15,452
Deferred tax assets	10	322,150	-
<b>Total Non-Current Assets</b>		<u>587,523</u>	<u>287,908</u>
<b>Total Assets</b>		<u>641,175</u>	<u>344,212</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	11	23,140	38,389
Borrowings	12	192,302	205,070
Provisions	13	33,203	34,379
<b>Total Current Liabilities</b>		<u>248,645</u>	<u>277,838</u>
<b>Non-Current Liabilities</b>			
Borrowings	12	590,000	590,000
Provisions	13	10,404	9,690
<b>Total Non-Current Liabilities</b>		<u>600,404</u>	<u>599,690</u>
<b>Total Liabilities</b>		<u>849,049</u>	<u>877,528</u>
<b>Net Assets</b>		<u>(207,874)</u>	<u>(533,316)</u>
<b>Equity</b>			
Issued capital	14	591,521	591,521
Accumulated losses	15	(799,395)	(1,124,837)
<b>Total Equity</b>		<u>(207,874)</u>	<u>(533,316)</u>

The accompanying notes form part of these financial statements

**Homebush Financial Services Limited**  
**ABN 55 097 923 807**  
**Statement of Changes in Equity**  
**for the Year Ended 30 June 2011**

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
<b>Balance at 1 July 2009</b>	591,521	(1,061,442)	(469,921)
<b>Total comprehensive income for the year</b>	-	(63,395)	(63,395)
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
<b>Balance at 30 June 2010</b>	<u>591,521</u>	<u>(1,124,837)</u>	<u>(533,316)</u>
<b>Balance at 1 July 2010</b>	591,521	(1,124,837)	(533,316)
<b>Total comprehensive income for the year</b>	-	325,442	325,442
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
<b>Balance at 30 June 2011</b>	<u>591,521</u>	<u>(799,395)</u>	<u>(207,874)</u>

The accompanying notes form part of these financial statements

**Homebush Financial Services Limited**  
**ABN 55 097 923 807**  
**Statement of Cashflows**  
**for the Year Ended 30 June 2011**

	<u>Notes</u>	2011 \$	2010 \$
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		626,573	601,741
Payments to suppliers and employees		(545,612)	(567,917)
Interest paid		(54,037)	(69,104)
<b>Net cash provided by/(used in) operating activities</b>	16(b)	<u>26,924</u>	<u>(35,280)</u>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(4,156)	-
Payments for intangible assets		(10,000)	(10,000)
<b>Net cash used in investing activities</b>		<u>(14,156)</u>	<u>(10,000)</u>
<b>Net increase/(decrease) in cash held</b>		12,768	(45,280)
Cash and cash equivalents at the beginning of the financial year		(205,070)	(159,790)
<b>Cash and cash equivalents at the end of the financial year</b>	16(a)	<u>(192,302)</u>	<u>(205,070)</u>

The accompanying notes form part of these financial statements

## Note 1. Summary of Significant Accounting Policies

### a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standard Boards and the Corporations Act 2001.

#### Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

#### Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

#### Financial statement presentation

The company has applied revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The company has elected to present all items of income and expense recognised in the period in a single statement of comprehensive income.

#### Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

#### Comparative figures

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

#### Adoption of new and revised Accounting Standards

During the current year the entity has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the company.

#### *AASB 101 Presentation of Financial Statements*

In September 2007 the Australian Accounting Standards Board revised AASB 101, and as a result there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the company's financial statements.

#### *Disclosure impact*

*Terminology changes* – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

*Reporting changes in equity* – The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

*Statement of comprehensive income* – The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

**Note 1. Summary of Significant Accounting Policies (continued)**

**a) Basis of Preparation (continued)**

The company's financial statements contain a single statement of comprehensive income.

*Other comprehensive income* – The revised version of AASB 101 introduces the concept of "other comprehensive income" which comprises of income and expense that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

New Accounting Standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods, as follows:

- AASB 9: *Financial Instruments* and AASB 2009-11: *Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013)*
- AASB 2009-12: *Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011)*

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The company has determined these amendments will have no impact on the preparation of the financial statements and therefore they have not been applied.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Homebush, New South Wales.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank®** branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch;
- training for the branch manager and other employees in banking, management systems and interface protocol;
- methods and procedures for the sale of products and provision of services;
- security and cash logistic controls;
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs; and
- sales techniques and proper customer relations.

Going concern

The company has, as part of its normal operations, obtained a two overdraft facility with Bendigo and Adelaide Bank Limited to help finance operations. The company has also obtained an undertaking of support from Bendigo and Adelaide Bank Limited that it will continue to support the company and its operations for the 2011/12 financial year. This support is provided on the basis that the company continues to fulfill its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank to further develop its business.

**Note 1. Summary of Significant Accounting Policies (continued)**

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

**b) Revenue**

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as "day to day" banking business (ie 'margin business'). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (ie 'commission business'). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its Community Bank® partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and Community Bank® companies remain balanced.

The third source of revenue is a proportion of the fees and charges (ie, what are commonly referred to as 'bank fees and charges') charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

**c) Income Tax**

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company entity intends to settle its tax assets and liabilities on a net basis.

**Note 1. Summary of Significant Accounting Policies (continued)**

**c) Income Tax (continued)**

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

**d) Employee Entitlements**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

**e) Cash and Cash Equivalents**

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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**f) Trade Receivables and Payables**

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. 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.

**g) Property, Plant and Equipment**

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements	40 years
- plant and equipment	2.5 - 40 years
- furniture and fittings	4 - 40 years

**h) Intangibles**

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

**Note 1. Summary of Significant Accounting Policies (continued)**

**i) Payment Terms**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

**j) Borrowings**

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

**k) Financial Instruments**

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Classification and subsequent measurement

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

**l) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**m) Provisions**

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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.

**Note 1. Summary of Significant Accounting Policies (continued)**

**n) Contributed Equity**

Ordinary shares are 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) Earnings Per Share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

**p) 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 taxation authority. 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 with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

**Note 2. Financial Risk Management**

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

**(i) Market risk**

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

**(ii) Price risk**

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

**(iii) Credit risk**

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

**(iv) Liquidity risk**

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

**(v) Cash flow and fair value interest rate risk**

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

**Note 2. Financial Risk Management (continued)**

(vi) 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 balance sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the distribution limit.

- (i) the distribution limit is the greater of:
  - (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
  - (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period; and
- (ii) the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2011 can be seen in the statement of comprehensive income.

There were no changes in the company's approach to capital management during the year.

**Note 3. Critical Accounting Estimates and Judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

Homebush Financial Services Limited  
 ABN 55 097 923 807  
 Notes to the Financial Statements  
 for the Year Ended 30 June 2011

**Note 3. Critical Accounting Estimates and Judgements (continued)**

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

<b>Note 4. Revenue from Ordinary Activities</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Operating activities:		
- services commissions	573,554	558,096
- other revenue	50,000	-
Total revenue from operating activities	<b>623,554</b>	<b>558,096</b>
<b>Note 5. Expenses</b>		
Depreciation of non-current assets:		
- plant and equipment	10,346	9,977
- leasehold improvements	6,345	16,324
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
- franchise renewal fee	8,000	8,000
	<b>26,691</b>	<b>36,301</b>
Finance costs:		
- interest paid	<b>54,233</b>	<b>70,185</b>
Bad debts	<b>5,227</b>	<b>1,952</b>

Homebush Financial Services Limited  
 ABN 55 097 923 807  
 Notes to the Financial Statements  
 for the Year Ended 30 June 2011

	2011	2010
	\$	\$
<b>Note 6. Income Tax Expense/Credit</b>		
The components of tax expense comprise:		
- Current tax		-
- Future income tax benefit attributed to losses	(955)	(13,436)
- Movement in deferred tax	1,943	(2,582)
- Recoup of prior year tax loss	(323,138)	-
- Losses not brought to account	-	16,018
	<u>(322,150)</u>	<u>-</u>
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit/(loss)	3,292	(63,395)
Prima facie tax on profit/(loss) from ordinary activities at 30%	988	(19,019)
Add tax effect of:		
- non-deductible expenses	-	3,000
- timing difference expenses	(1,943)	2,583
- other deductible expenses	-	-
	<u>(955)</u>	<u>(13,436)</u>
Movement in deferred tax	10 1,943	(2,582)
Losses not brought to account	-	16,018
Prior year tax losses brought to account as a deferred tax asset	(323,138)	-
	<u>(322,150)</u>	<u>-</u>
<b>Income tax losses</b>		
Future income tax benefits arising from tax losses not previously recognised at reporting date as realisation of the benefit was not regarded as virtually certain.	-	<u>323,138</u>
<b>Note 7. Trade and Other Receivables</b>		
Trade receivables	47,710	53,035
Prepayments	5,942	3,269
	<u>53,652</u>	<u>56,304</u>
<b>Note 8. Property, Plant and Equipment</b>		
<u>Plant and equipment</u>		
At cost	68,902	65,782
Less accumulated depreciation	(46,358)	(38,880)
	<u>22,544</u>	<u>26,902</u>
<u>Leasehold improvements</u>		
At cost	297,026	296,990
Less accumulated depreciation	(89,430)	(83,085)
	<u>207,596</u>	<u>212,905</u>
<u>Office Furniture &amp; Equipment</u>		
At cost	62,513	62,513
Less accumulated depreciation	(32,732)	(29,864)
	<u>29,781</u>	<u>32,649</u>
Total written down amount	<u>259,921</u>	<u>272,456</u>

Homebush Financial Services Limited  
 ABN 55 097 923 807  
 Notes to the Financial Statements  
 for the Year Ended 30 June 2011

**Note 8. Property, Plant and Equipment (continued)**

Movements in carrying amounts:	2011	2010
	\$	\$
<u>Plant and equipment</u>		
Carrying amount at beginning	26,902	34,011
Additions	3,120	-
Disposals	-	-
Less: depreciation expense	(7,478)	(7,109)
Carrying amount at end	<u>22,544</u>	<u>26,902</u>
<u>Leasehold improvements</u>		
Carrying amount at beginning	212,905	229,229
Additions	1,036	-
Disposals	-	-
Less: depreciation expense	(6,345)	(16,324)
Carrying amount at end	<u>207,596</u>	<u>212,905</u>
<u>Leasehold improvements</u>		
Carrying amount at beginning	32,649	35,517
Additions	-	-
Disposals	-	-
Less: depreciation expense	(2,868)	(2,868)
Carrying amount at end	<u>29,781</u>	<u>32,649</u>
Total written down amount	<u>259,921</u>	<u>272,456</u>

**Note 9. Intangible Assets**

<u>Franchise fee</u>		
At cost	60,000	60,000
Less: accumulated amortisation	(58,833)	(56,833)
	<u>1,167</u>	<u>3,167</u>
<u>Renewal processing fee</u>		
At cost	40,000	40,000
Less: accumulated amortisation	(35,715)	(27,715)
	<u>4,285</u>	<u>12,285</u>
Total written down amount	<u>5,452</u>	<u>15,452</u>

**Note 10. Tax**

<u>Deferred tax assets</u>		
- accruals	660	2,464
- employee provisions	13,082	13,221
- tax losses carried forward	308,408	307,453
	<u>322,150</u>	<u>323,138</u>
Future income tax benefit not previously brought to account	-	323,138
Net deferred tax asset	<u>322,150</u>	<u>-</u>
Movement in deferred tax charged to statement of comprehensive income	<u>1,943</u>	<u>(2,582)</u>

Homebush Financial Services Limited  
 ABN 55 097 923 807  
 Notes to the Financial Statements  
 for the Year Ended 30 June 2011

<b>Note 11. Trade and Other Payables</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Trade creditors	15,053	11,000
Other creditors and accruals	8,087	27,389
	<u>23,140</u>	<u>38,389</u>

**Note 12. Borrowings**

**Current:**

Bank overdraft	192,302	205,070
	<u>192,302</u>	<u>205,070</u>

The bank overdraft has an approved limit of \$230,000 and following a two year interest free period which ceased during June 2009, now attracts an interest rate of 9.033% per agreement with Bendigo and Adelaide Bank Limited.

**Non-Current:**

Bank overdraft	590,000	590,000
	<u>590,000</u>	<u>590,000</u>

The bank overdraft has an approved limit of \$590,000 and following a two year interest free period which ceased during June 2009, now attracts an interest rate of 9.033% per agreement with Bendigo and Adelaide Bank Limited.

**Note 13. Provisions**

**Current:**

Provision for annual leave	<u>33,203</u>	<u>34,379</u>
----------------------------	---------------	---------------

**Non-Current:**

Provision for long service leave	<u>10,404</u>	<u>9,690</u>
----------------------------------	---------------	--------------

Number of employees at year end	<u>4</u>	<u>5</u>
---------------------------------	----------	----------

**Homebush Financial Services Limited**  
**ABN 55 097 923 807**  
**Notes to the Financial Statements**  
**for the Year Ended 30 June 2011**

<b>Note 14. Contributed Equity</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
655,910 Ordinary shares fully paid (2010: 655,910)	637,910	637,910
Less: equity raising expenses	(46,389)	(46,389)
	<b>591,521</b>	<b>591,521</b>

Rights attached to shares

(a) *Voting rights*

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** have the same ability to influence the operation of the company.

(b) *Dividends*

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) *Transfer*

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if they control or own 10% or more of the shares in the company (the "10% limit").

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

Homebush Financial Services Limited  
 ABN 55 097 923 807  
 Notes to the Financial Statements  
 for the Year Ended 30 June 2011

Note 15. Accumulated Losses	2011 \$	2010 \$
Balance at the beginning of the financial year	(1,124,837)	(1,061,442)
Net profit/(loss) from ordinary activities after income tax	325,442	(63,395)
Dividends paid or provided for	-	-
Balance at the end of the financial year	<u>(799,395)</u>	<u>(1,124,837)</u>

**Note 16. Statement of Cashflows**

The below figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

**16(a) Reconciliation of cash**

Bank overdraft	<u>(192,302)</u>	<u>(205,070)</u>
----------------	------------------	------------------

**16(b) Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by/(used in) operating activities**

Profit/(loss) from ordinary activities after income tax	325,442	(63,395)
Non cash items:		
- depreciation	16,691	26,301
- amortisation	10,000	10,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	2,652	(15,043)
- increase in other assets	(322,150)	(1,750)
- increase/(decrease) in payables	(5,249)	8,607
- decrease in provisions	(462)	-
Net cashflows provided by/(used in) operating activities	<u>26,924</u>	<u>(35,280)</u>

**Note 17. Leases**

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments		
- not later than 12 months	36,000	36,000
- between 12 months and 5 years	72,000	108,000
- greater than 5 years	-	-
	<u>108,000</u>	<u>144,000</u>

The rental lease on the branch premises is a non-cancellable lease with a five-year term, commencing on 1 July 2009. There is an option available for a further five year term to be exercised at the conclusion of the current lease. Minimum rent payable is currently \$36,000 per annum.

**Note 18. Auditors' Remuneration**

Amounts received or due and receivable by the auditor of the company for:

- audit and review services	3,400	4,000
- share registry services	1,450	1,331
- non audit services	2,798	1,610
	<u>7,648</u>	<u>6,941</u>

Homebush Financial Services Limited  
 ABN 55 097 923 807  
 Notes to the Financial Statements  
 for the Year Ended 30 June 2011

**Note 19. Director and Related Party Disclosures**

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

Marlene Anne Doran  
 Frank Edward Burriss  
 Graham Agar Doran  
 Vivian Thomas Hudson  
 Karthigesu Sivapragasam  
 William John Hilliard  
 Christopher John Haseldine  
 Peter Edmund English  
 Phillip Raftos (*Resigned 25 January 2011*)  
 Edward Robert Francis (*Resigned 28 September 2010*)

Graham Doran in the capacity as treasurer of Homebush FSL, received a treasurers allowance for administration services provided during the period on a ad hoc basis totalling \$3,069 (2010: \$1,791).

No other director have been paid as the positions are held on a voluntary basis. No director or related entity has entered into a material contract with the company.

<b>Directors Shareholdings</b>	<u>2011</u>	<u>2010</u>
Marlene Anne Doran	12,000	12,000
Frank Edward Burriss	1,000	1,000
Graham Agar Doran	10,000	10,000
Vivian Thomas Hudson	1,000	1,000
Karthigesu Sivapragasam	2,000	2,000
Christopher John Haseldine	-	-
William John Hilliard	1,500	1,000
Peter Edmund English	-	-
Phillip Raftos ( <i>Resigned 25 January 2011</i> )	7,000	7,000
Edward Robert Francis ( <i>Resigned 28 September 2010</i> )	1,500	1,500

**Note 20. Earnings Per Share**

	<u>2011</u>	<u>2010</u>
	<u>\$</u>	<u>\$</u>
(a) Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	325,442	(63,395)
	<u>Number</u>	<u>Number</u>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	655,910	655,910

**Note 21. Events Occurring After the Balance Sheet Date**

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

**Note 22. Contingent Liabilities**

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

**Note 23. Segment Reporting**

The economic entity operates in the service sector where it facilitates Community Bank® services in Homebush, New South Wales pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

**Note 24. Registered Office/Principal Place of Business**

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

<u>Registered Office</u>	<u>Principal Place of Business</u>
37 Howard Street Strathfield NSW 2135	27 Rochester Street Homebush NSW 2140

**Note 25. Financial Instruments**

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in				Non interest bearing		Weighted average effective interest rate		
	2011 \$	2010 \$	1 year or less	Over 1 to 5 years	Over 5 years	2011 \$	2010 \$	2011 \$	2010 \$	2011 %	2010 %
<b>Financial Assets</b>											
Receivables	-	-	-	-	-	-	-	47,709	56,304	N/A	N/A
<b>Financial Liabilities</b>											
Interest bearing liabilities	692,302	795,070	-	-	-	-	-	-	-	6.94	9.12
Payables	-	-	-	-	-	-	-	15,053	38,389	N/A	N/A

**Homebush Financial Services Limited**  
**ABN 55 097 923 807**  
**Directors' Declaration**

In accordance with a resolution of the directors of Homebush Financial Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are 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 2011 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.



---

**Marlene Anne Doran, Chairman**

Signed on the 21st of September 2011.

## **Independent Auditor's Report To The Members Of Homebush Financial Services Limited**

### **Report on the Financial Report**

We have audited the accompanying financial report of Homebush Financial Services Limited, which comprises the balance sheet as at 30 June 2011, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration.

### **Directors' Responsibility for the Financial Report**

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These auditing standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

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

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | [afs@afsbendigo.com.au](mailto:afs@afsbendigo.com.au) | [www.afsbendigo.com.au](http://www.afsbendigo.com.au)

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

## **Independence**

In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

## **Auditor's Opinion on the Financial Report**

In our opinion:

- 1) The financial report of Homebush Financial Services Limited is in accordance with the Corporations Act 2001 including giving a true and fair view of the company's financial position as at 30 June 2011 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
- 2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## **Auditor's Opinion**

In our opinion, the Remuneration Report of Homebush Financial Services Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

  
**DAVID HUTCHINGS**

**ANDREW FREWIN & STEWART**

61-65 Bull Street Bendigo 3550

21 September 2011



**ASIC**

Australian Securities & Investments Commission

DAVID CHRISTOPHER HUTCHINGS  
c/o C/- AFS & ASSOCIATES PTY LTD  
61 BULL STREET  
BENDIGO VIC 3550  
AUSTRALIA

Page No : 1  
Lodgement No. : 33212662  
Date Received : 21/09/2011  
Time Received : 09:31:17

**DOCUMENT ACKNOWLEDGEMENT**

**DOCUMENTS LODGED**

Document Number	Organisation/Person Details	Form Type & Description
7E3963465	A.C.N. 097 923 807 HOMEBUSH FINANCIAL SERVICES LTD.	FORM 388 Copy of financial statements and reports

## VOTING INFORMATION

### Attending the Meeting

All shareholders may attend the Annual General Meeting.

In the case of joint shareholders, all holders may attend the meeting. If only one holder attends the meeting, that shareholder may vote at the meeting in respect of the relevant shares (including by proxy) as if the shareholder were solely entitled to them. If more than one joint holder is present (including by proxy), the joint holder whose name appears first in the register in respect of the relevant shares is entitled to vote in respect of them.

A corporate shareholder may appoint one or more person to act as its representative(s), but only one representative may exercise the corporate shareholder's power at any one time. The Company requires appropriate evidence of appointment.

### Not Attending The Meeting

If unable to attend the meeting shareholders are encouraged to vote using the enclosed proxy form. A shareholder who is entitled to attend and cast a vote at a meeting of the Company may appoint a person as proxy to attend and vote on their behalf.

### Voting Rights

For the purposes of the Corporations Act, in order to establish the identity of members of the Company eligible to vote at the meeting, the Directors have determined that the shareholding of each shareholder for the purposes of ascertaining voting entitlements for the Annual General Meeting will be as it appears in the Share Register at 7.00pm (EST) on 27 November 2011.

### Corporations

Corporate members wishing to appoint a representative to attend the Annual General Meeting on behalf of the member should ensure that their representative can provide appropriate evidence of their appointment.

By Order of the Board  
Vivian Hudson  
Company Secretary  
31 October 2011

Please read these notes prior to completion of the Proxy Form

1. A member entitled to attend and vote at the meeting may appoint a proxy.
2. The chairman of the meeting will act as your proxy if you do not appoint someone.
3. A proxy need not be a member of the Company.
4. The Proxy Form must be signed by the member or the member's attorney. Proxies given by corporations must be signed in accordance with the corporation's constituent documents, or as authorized by the Corporations Act.
5. Proxies will only be accepted by the Company if they are received:
  - a. by mail addressed to the Secretary
  - b. at the Company's registered office at:  
37 Howard Street  
Strathfield NSW 2135
  - c. or facsimile number: 02 9764 3020

no later than 7.00pm on 27 November 2011
6. If this Proxy Form is executed under a power of attorney which has not been noted by the Company, the power of attorney must accompany the Proxy Form. If a member is a body corporate, this form must be executed in accordance with its constitution or otherwise in accordance with the Corporations Act.
7. In the case of joint members, any one holder may sign the Proxy form.

# PROXY FORM

ANNUAL GENERAL MEETING 28 NOVEMBER 2011

If attending the meeting please bring this proxy form with you to enable prompt registration. If you want to appoint a proxy, use this form and return it by 7.00pm on Sunday 27 November 2011.

**1. Appointment of Proxy (Please Print)**

I/We being a member of Homebush Financial Services Limited, hereby appoint

(Proxy's name): \_\_\_\_\_

of:

(Proxy's Address) \_\_\_\_\_

or the Chairman of the Meeting

(Tick the box if you wish to appoint the chairman of the Meeting to act as your proxy.)

Failing such appointment or in the absence of that person in the capacity of my/our proxy, or if no person is named, the Chairman of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at Homebush Boys High School on 28 November at 7.00pm.

**2. Directions to Proxy**

If you wish to direct your proxy how to vote, you should place a mark (X) in the appropriate box against each item, otherwise, the proxy may vote as he/she thinks fit or abstain from voting. If you mark the abstain box you are directing your proxy not to vote on your behalf on that resolution on a show of hands or on a poll and your abstention will not be counted for the purpose of calculating the percentage of votes cast for, or against, a resolution.

<b>Agenda</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>
ITEM 2 Receipt of accounts and reports	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ITEM 3 Election of Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ITEM 5 Election of Auditors AFS & Associates Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**3. Your signature - (Note: This form will be treated as invalid unless this section is completed)**

Signature of Shareholder/s

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

Date / /

Date / /

Companies Only

COMPANY SEAL (If applicable)

\_\_\_\_\_  
Director 1 / Sole Director and Sole Secretary

\_\_\_\_\_  
Director 2 / Secretary

Date / /

NB for notes on completion of this Proxy form see previous page.

*INTENTIONALLY BLANK*