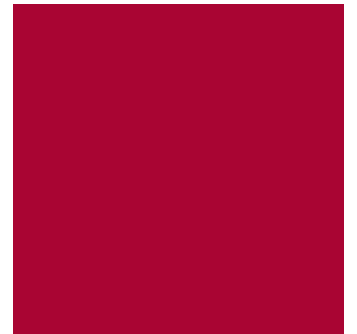
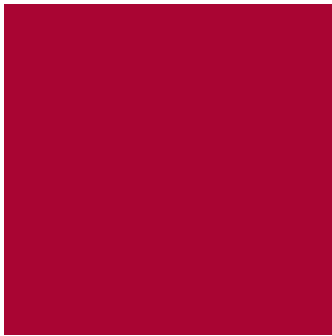


Homebush Financial Services Limited

ABN 55 097 923 807

Annual Report 2013



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Chairman's report

For year ending 30 June 2013



It is my pleasure to report on the progress of Homebush Financial Services Limited (the company) during the year ended 30 June 2013.

Highlights

The company achieved several new milestones during the 2012/13 financial year.

Our banking portfolio grew in value to \$88.5 million as at 30 June 2013. This represented a banking portfolio increase of \$7.9 million during 2012/13.

Of the \$88.5 million of banking business as at 30 June, more than \$20 million comprises lending to local residents and businesses in the form of home loans, business loans, investment loans and personal loans.

However, the company's revenue fell by \$46,531 (7%) to \$599,196 during 2012/13.

This revenue reduction occurred due to the cumulative effect of reduced rates of commission the company receives from Bendigo and Adelaide Bank in respect of two income streams which comprise more than \$65 million of our total portfolio as at 30 June 2013.

As forecast in last year's Annual Report, the reduction of commission rates originally introduced by Bendigo Bank with effect from April 2012 reduced the company's revenue by approximately \$60,000 during 2012/13.

In February 2013 Bendigo and Adelaide Bank announced that it would further reduce the commission rates that it pays to **Community Bank**[®] companies in respect of these income streams by one-third - with effect from 1 April 2013.

These reduced commission rates result from the continuing pressure on margins across the Australian financial services industry due to extremely competitive markets. These markets are characterised by strong price-based competition to secure deposit funds as well as intense competition from the 'Big 4' and new entrants in the home / property loans segments.

These pressures on margins impact on the company due to our 50/50 profit-sharing arrangements with Bendigo and Adelaide Bank Limited.

This second round of commission reductions adversely affected the company's income stream by a further \$15,000 during the final three months of 2012/13.

In the absence of these commission reductions, the revenue of the company would have increased by \$28,000 in 2012/13.

The adverse impact on the company's revenue arising from these cumulative commission rate reductions will be in the order of \$120,000 during 2013/14.



Chairman's report (continued)

Table 1 summarises our achievements during the past 12 months.

Table 1: Achievements during the past 12 months			
DESCRIPTION	2013 \$000	2012 \$000	Incr/Decr %
Revenue	599	646	-7%
Net profit/loss before tax	-36	52	-170%
Net profit/loss after tax	-25	46	-155%
		\$million	%
Total portfolio	88.5	80.6	10%
Total loans	20.3	18.3	11%
Total deposits	62.8	61.0	3%
Other	5.4	1.3	315%
	NO.		
Number of customers	2,199	2,156	2%
Number of accounts	3,142	3,082	2%
	\$000		
Cash on hand	61.1	49.6	n/a
	\$000		
Community contributions:			
Sponsorship, donations	26.9	20.2	6%

Operating results

As indicated above, our Homebush **Community Bank**[®] Branch finished the 2012/13 financial year with a total portfolio of \$88.5 million and with 2,199 customers and 3,142 customer accounts on our books.

The net growth of only 2% for the number of customers and customer accounts achieved during this period was disappointing but reflected wide-spread consumer behaviour wherein many customers are consolidating their banking arrangements.

Notwithstanding portfolio growth in excess of \$7.9 million (10%) the company's revenue from ordinary activities decreased by \$46,531 (7%) to \$599,196 during this period.

As indicated above, reduced commission rates adversely impacted our revenue by approximately \$75,000 during 2012/13.

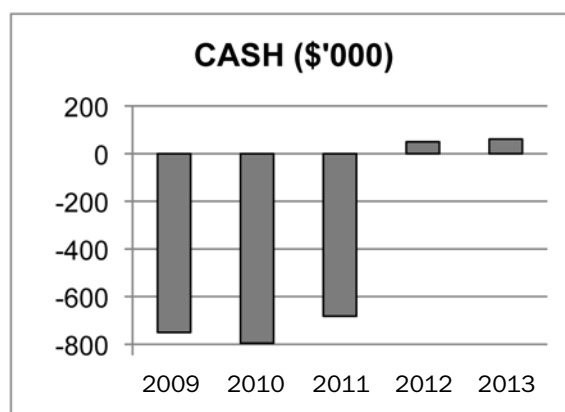
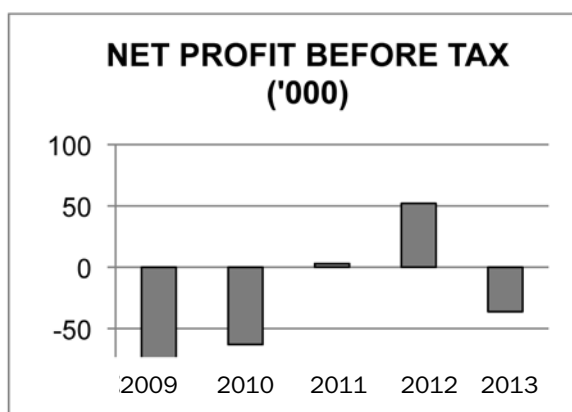
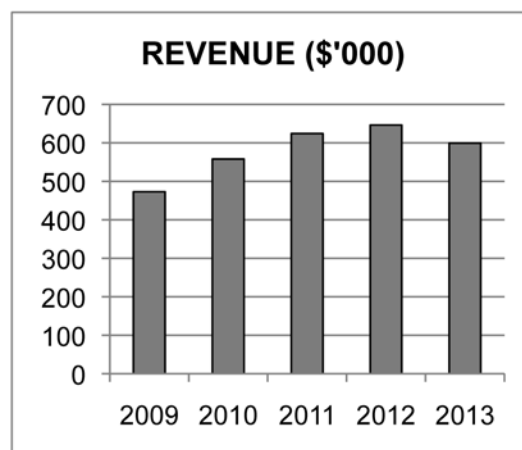
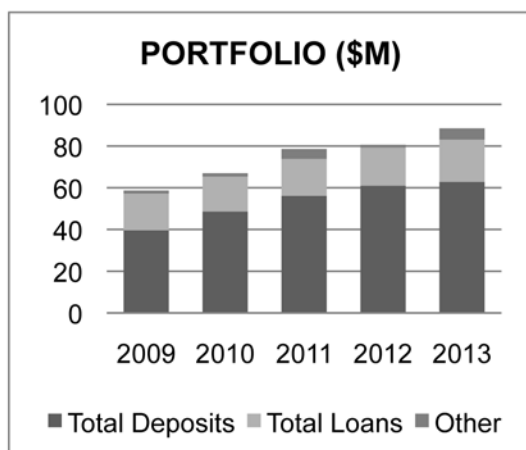
The company was also required to make a financial provision to the value of \$24,602 in our accounts for 2012/13 in respect of a prospective financial loss arising from an operational incident which occurred during February. This provision represents the company's share (50%) of the total exposure whereby Bendigo Bank has indemnified the company for the remaining 50%.

To the extent that these funds are successfully recovered via continuing joint Homebush / Bendigo and Adelaide Bank initiatives, this provision will be reversed or reduced in our 2013/14 accounts.

The company achieved a pre-tax loss of \$36,267 which is inclusive of this provision and community contributions in excess of \$26,000 made during this period.

After provision for income tax, the net loss attributable to members was \$25,387 which represents a reversal of more than \$71,000 over 2011/12.

Chairman's report (continued)



Notwithstanding the above issues, our balance sheet remained satisfactory to the extent that our year-end cash reserves increased from \$49,621 to \$61,104.

No dividend

In recognition of the company's net loss for 2012/13 and the challenges to profitability the company will continue to face in 2013/14 associated with the full-year impact of this year's commission reductions, the Directors have resolved to not pay a final dividend in respect of the year ended 30 June 2013.

Investing in our community

As indicated above, the company returned more than \$26,000 to the local community in the form of community grants, donations and sponsorships during 2012/13.

Staff Grants

Staff Grants is an exciting community strengthening initiative where each member of our staff nominates a local community group to receive a small grant to be invested in a community project.

Our Homebush **Community Bank**[®] Branch conducted two Staff Grants presentation evenings during 2012/13.

Approximately 25 people attended another very special Staff Grants evening at Homebush **Community Bank**[®] Branch on 29 August during which cheques were presented to Bethany Health Centre, Breakfast Point Men's Shed, Concord West Public School P&C, Integricare Child Care Centre and Strathfield West Senior Citizens Club.

By providing an opportunity to tell their wonderful and compelling stories, these events have also helped recipients and their supporters to publicise the services provided by their respective community groups and thereby help to connect these community champions to like-minded community service providers.

Chairman's report (continued)

The supportive media coverage provided by our local media has also been beneficial to our company as well as the recipient groups.



ANZAC Research Institute Medical Appeal

The ANZAC Research Medical Institute is based at Concord Hospital and has recently made world-class advances in medical research which will enhance the fight against leukaemia and the eventual development of a cancer antibody.

Bendigo and Adelaide Bank and all Sydney Metropolitan **Community Bank**[®] companies are engaging with the Sydney community at large to raise an initial \$150,000 before the appeal expands nationally to achieve the eventual target of \$5 million required to fund the Institute's pre-clinical research.

Reflecting the leadership role played by Emmanuel Vatalis and our Directors, this appeal was officially launched in our Homebush **Community Bank**[®] Branch premises.



Sponsorships and donations

The company also continued to provide financial contributions in the form of sponsorship support and donations to a number of youth, sporting and other local community groups during 2012/13.

Recipients included ANZAC Research Institute Medical Appeal, BPW Strathfield, Canada Bay Mayors' Golf Day, Chalmers Road School, Friends of Strathfield Library, Gladesville United Soccer Club, Greenlees Park Bowling Club, Homebush Boys High School, Homebush Public School, Homebush West Public School, Kenpo 4 Kids, Rotary Strathfield, St Anne's Anglican Church, Strathfield Cricket Club, Strathfield Croquet Club, Strathfield Council 2012 HSC Arts Prize, Strathfield Girls High School, Strathfield Raiders, Strathfield Soccer Club and the Tamil Study Centre as well as the 2013 Bushfire Appeal.

Our strategy

Our strategy continues to be founded on the following key foundations:

- Provide excellent customer service and solutions, and grow our business
- Improve our operational performance and manage our business risks
- Manage our cost exposures and improve profitability
- Invest in and build our local community; and encourage them to invest in us, and
- Strengthen the Board and the overall governance and direction of the company.

Chairman's report (continued)



Outlook and aspirations

Notwithstanding the continuing highly competitive state of the markets for financial services products, the Directors have again budgeted for strong portfolio growth outcomes to be achieved by our Homebush **Community Bank®** Branch during 2013/14.

However, the company's projected financial outcomes will continue to be adversely impacted by the reduction in budgeted commission income.

Accordingly, the Directors have undertaken a detailed review of all operating costs and our management of community investments.

We are also investing in the capabilities of our staff to become more proficient in lending products and advisory services and thereby increase our banking portfolio in higher-yielding products.

Nevertheless, the Directors expect that the company will continue to struggle to achieve a net profit before tax during fiscal 2013/14 despite the budgeted portfolio growth and the prudent management of our operating expenses and community investments.



Acknowledging our staff

Emmanuel Vatalis and his team have continued to deliver excellent customer service and achieve solid portfolio growth. They do this by providing local residents, traders and businesses with professional and friendly face-to-face banking and other financial services which are highly valued and appreciated by our community.

I sincerely thank and congratulate Emmanuel and the continuing members of his team for their passion and commitment to servicing the needs of our customers, and for the new milestones that they have personally and collectively achieved during the past year.

Directors' contribution

As in recent years, the Directors and Branch Manager have met on a monthly basis, with the exception of December, to plan and monitor the operations of our increasingly complex business.

We conducted our annual Strategic Planning Meeting during February 2013. This year's meeting focussed on maximising the growth opportunities across an expanded Homebush / Strathfield / Canada Bay geography along with other strategic initiatives. This meeting also assisted in the establishment of our budgets, plans and strategic imperatives and priorities for the 2013/14 financial year.

There have again been substantial changes in the composition of the company's Board during the past 12 months.

Chairman's report (continued)

As part of our continuing Board Succession Planning initiatives, we were delighted to welcome Carly Chant (November 2012), Bernie Seth (July 2013) and Alison Taylor (July 2013) as new Directors following their initial appointments as Board Observers.

We also appointed Tina Webster Keane as a Board Observer in August 2013.

On the other hand, we farewelled retiring long-term Directors Viv Hudson (November 2012), Chris Haseldine, Peter Cipolla and Leanne Doran (February 2013) and Frank Burriss (April 2013). Each of these individuals had made a significant contribution to the success of the company.

In particular, Frank Burriss was a founding member of the Homebush Steering Committee and a founding Director of the company and along with Marlene and Graham Doran made a profound contribution to the company over a period of more than 12 years.

Viv Hudson has also made a major contribution as a Director and Company Secretary for more than seven years.

We thank each of these retired Directors for their individual and collective contributions as long-serving servants of the company.

I also once again extend my sincere thanks to each and every one of our past and continuing Directors for the time, expertise and energy that they have contributed, both individually and collectively.

I also thank Jenni Wray for her important contribution to the design and publication of our informative and widely-read newsletters as our Newsletter and Annual Report Editor.

Bendigo and Adelaide Bank

Our relationship with Bendigo and Adelaide Bank Limited (the Bank) continues to strengthen and I again thank the NSW/ACT Manager Phil Jones, our Regional Manager Rob Chittick, Regional Operations Manager Amy Land and their now Sydney CBD-based NSW State Office colleagues for the counsel, expertise and assistance provided to our staff and Directors throughout the past 12 months.

It is also pleasing that the Bank continues to be rated "A" by all three of the world's leading credit rating agencies and remains one of only a few banks in the world to have received a rating upgrade since the advent of the Global Financial Crisis (GFC).

The Bank has recently announced a major project to design and develop a new vision and framework to replace Bendigo Bank's unique and proprietary **Community Bank**[®] model which has been operating since June 1998 and which continues to be an integral part of Bendigo and Adelaide Bank's business model.

The attendance of more than 700 delegates representing almost 300 **Community Bank**[®] Branch at the 2013 National **Community Bank**[®] Conference conducted in Brisbane is testimony to the continuing support for this model.

Conclusion

As we continue to grapple with the vagaries of post-GFC financial markets and the unintended consequences (reduced commission income for our Homebush **Community Bank**[®] Branch) arising from the record low global interest rates designed to boost the struggling economies of North America, Europe and now Australia, the Directors will continue to strengthen the foundations of community support which will enable our Homebush **Community Bank**[®] Branch to take full advantage of future opportunities when interest rates return to "normal".

In the meantime, I once again thank all of our 350+ shareholders including Bendigo and Adelaide Bank Limited for your continuing support of our Homebush **Community Bank**[®] Branch.

I again remind all shareholders that your support as a customer of our Homebush **Community Bank**[®] Branch remains invaluable in ensuring our future success as it is our customers' banking activity that ultimately determines the level of our future returns to our community.

Chairman's report (continued)

I look forward to seeing as many shareholders as possible at our Twelfth Annual General Meeting which will be conducted at the Homebush Boys High School on Monday, 18 November 2013 commencing at 7:00pm.

In the meantime, I once again thank you for your continuing support and encouragement.



David A. Langdon
Chairman



ANZAC Research Institute Medical Appeal launched at the Homebush **Community Bank**[®] Branch.

Manager's report

For year ending 30 June 2013



It is my pleasure to provide my Branch Manager's report for Homebush Financial Services Limited for the year ended 30 June 2013.

The current and forecast financial environment continues to make my role as Branch Manager both rewarding and challenging and I am pleased to report that our business portfolio has now eclipsed \$88.5 million which represents a growth of 10% in the last 12 months.

I would like to acknowledge and thank my staff for their support and the exceptional customer service that they provide to all our customers on a daily basis. We are committed to building meaningful relationships with our customers that will enhance their banking experience. Customers often remark on the friendly, old-fashioned services that our Branch provides and the extra-mile that we are willing to go on their behalf.

We are continuing to engage and strengthen our ties within our local community. Over the past 12 months Homebush **Community Bank**[®] Branch, its staff and Board members have significantly increased the number and value of our contributions to local community groups.

In addition to the donations and sponsorships that we have provided to local community groups, we have also held 2 very successful Staff Grants evenings over the last 12 months where 10 community and not-for-profit organisations were recognised for their wonderful work within the community.

The Branch also hosted a Wealth Seminar evening and attendees included customers, numerous business owners as well as PAYE employees and self-funded retirees. The seminar focussed on the self-managed superannuation market and how to build a retirement portfolio and was very well received.

I am excited about the direction that our Homebush **Community Bank**[®] Branch is taking and the opportunities ahead of us to grow our business.

On behalf of my dedicated staff, I wish to convey our appreciation to the shareholders, the Board of Directors and customers for their continued support of Homebush **Community Bank**[®] Branch.

A handwritten signature in black ink, appearing to read 'Emmanuel Vatalis'.

Emmanuel Vatalis
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2013

This year has marked two very significant milestones for our **Community Bank**[®] network, celebrating its 15th anniversary of operation while also reaching \$100 million in community contributions. Both achievements could not have been accomplished without your ongoing support as shareholders and customers.

The **Community Bank**[®] network has grown considerably since it was first launched in 1998, in partnership with the people from the western Victorian farming towns of Rupanyup and Minyip. For these communities the **Community Bank**[®] model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. But in the years since, the **Community Bank**[®] model has become so much more.

The **Community Bank**[®] network has returned more than \$20 million in contributions to local communities in this financial year alone. Our branches have been able to fund health services, sports programs, aged care facilities, education initiatives, community events and much more.

These contributions have come at a time of continued economic uncertainty, and shows the high level of support the **Community Bank**[®] model has in the communities in which it operates.

While our established branches grow their business at a healthy rate, demand for the model in other communities continues to be strong. There are currently another 40 **Community Bank**[®] sites in development, and 15 new branches are expected to open in the next 12 months.

At the end of the financial year 2012/13 the **Community Bank**[®] network had achieved the following:

- Returns to community – \$102 million
- **Community Bank**[®] branches – 298
- **Community Bank**[®] branch staff – more than 1,460
- **Community Bank**[®] company Directors – 1,925
- Banking business – \$24.46 billion
- Customers – 640,159
- Shareholders – 72,062
- Dividends paid to shareholders since inception – \$30.88 million.

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, to not only enhance banking services, but more importantly take the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community. This \$100 million goes to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including the Community Enterprise Foundation[™] (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green[™] (environment and sustainability initiative), Community Telco[®] (telecommunications solution), tertiary education scholarships and Community Enterprises that provide **Community Bank**[®] companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank**[®] company has a committed and strong partner and over the last financial year our company has continued its solid performance.

Bendigo and Adelaide Bank report (continued)

Bendigo and Adelaide Bank remains one of the few banks globally to be awarded an upgraded credit rating since the onset of the Global Financial Crisis. Our Bank continues to be rated at least “A-” by Standard & Poor’s, Moody’s and Fitch in recognition of its strong performance in the face of what continues to be a challenging economic environment.

While continued ratings affirmation is a welcome boost for the Bank and its partners, trading conditions are still difficult, with consumer confidence and demand for credit remaining low, and competition remaining very strong for retail deposits.

Not surprisingly, these factors continue to place pressure on the 50/50 margin share agreement between the Bank and our **Community Bank**[®] partners. As a result some **Community Bank**[®] companies are receiving much more than 50 per cent of revenue earned.

In April, the Bank took a further step to restore this balance, ensuring that the **Community Bank**[®] model produced a more appropriate balance of return for all stakeholders within this partnership model. The Bank will continue to review this remuneration model to ensure it is fair and equitable for all parties and is as resilient as possible to the fast changing economic environment.

It continues to be Bendigo and Adelaide Bank’s vision to be Australia’s leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer’s choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank**[®] shareholders to support us as we work with your community to deliver on our goals and ensure our sustained and shared success.

As **Community Bank**[®] shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about banking and the role it plays in modern society.

With the community’s support, there really is no limit to what can be achieved under the **Community Bank**[®] model, and I look forward to seeing what the next 15 years will bring.

I thank you for your important support of your local **Community Bank**[®] branch.



Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2013

Your Directors submit the financial statements of the company for the financial year ended 30 June 2013.

Directors

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

David Andrew Langdon

Chairman

Retired

David is a Fellow of the Australian Institute of Company Directors and a Member of the Australian Society of Certified Practising Accountants and the Australian Computer Society. He was a CEO and Managing Partner in a global consulting firm before his retirement. David has been Chairman of Ku-ring-gai Financial Services Limited since its incorporation in 2002 and Chairman of Homebush Financial Services Limited since his appointment to the Board in December 2011.

Interest in shares: Nil

Marlene Anne Doran

Director

Retired

Active Community Group sponsor. Retired shop proprietor. Member of Community Engagement Committee.

Interest in shares: 12,000

Christopher Bone

Director

Head of Retail Operations & Lending

Chris is a career banker and has been working with Bendigo for over 25 years. He has worked in both the Victorian and NSW/ACT markets and brings a strong mix of retail, business banking and wealth experience. Chris has participated in numerous community and sporting groups.

Interest in shares: Nil

Rajaratnam Ganesharatnam

Director

Consulting Engineer

Experience in Structural Engineering Design, Part Time TAFE teacher.

Interest in shares: 2,500

Chris Naylor

Company Secretary

Bank Officer

Over 25 years of banking experience/experienced lender. He has been an employee with Bendigo & Adelaide Bank for 10 years. He has been and remains involved in various sporting clubs.

Interest in shares: Nil

Carly Melinda Chant

Treasurer (Appointed 27 November 2012)

Accountant Chartered Accountant who owns and manages Build on Bookkeeping, a professional outsourced bookkeeping company based in Sydney. Worked in audit with PwC for 6 years before becoming a Financial Controller with a Project Management Company. Has taken on the role of Company Treasurer for Homebush FSL in 2012.

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Bernie Seth

Director (Appointed 23 July 2013)
Company Director
Bachelor of Engineering (Honours), MBA, Certificate IV in Training and Assessment. Involved in PMP Ltd, Sema Ltd, Utilux Pty Ltd, Repco Ltd.
Interest in shares: Nil

Frank Edward Burriss

Director (Resigned 23 March 2013)
Retired
Former sales manager in transport companies.
Interest in shares: 1,000

Peter Cipolla

Director (Resigned 5 February 2013)
Company Director
A Director of Uniform Distribution Company Direct Uniforms and has been very involved in Marketing and internet online sales. Holds a Real Estate Certificate (TAFE).
Interest in shares: 2,000

Vivian Thomas Hudson

Director (Resigned 27 November 2012)
Manager Administration
Employed in local government for 50 years. Over 40 years in senior managerial roles.
Interest in shares: 1,000

Alison Taylor

Director (Appointed 23 July 2013)
Alison Taylor has worked for 18 years in Marketing and Business Development for large educational institutes such as universities and most recently, Sydney TAFE.
Interest in shares: Nil

Christopher John Haseldine

Deputy Chairman (Resigned 26 February 2013)
Solicitor
L.L.B. Rotary Club of Bankstown (38 years). Solicitor for 45 years, a Local Court Arbitrator for 24 years.
Voluntary legal aid.
Interest in shares: Nil

Leanne Doran

Director (Resigned 20 February 2013)
Payroll/HR Manager
Holds a Diploma of Accounting, Diploma of HR Management. Over 20 years in the finance industry.
Interest in shares: 2,000

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 Chris Naylor. Chris was appointed to the position of Secretary on 27 November 2012. Chris is an experienced manager and has been employed by Bendigo Bank for more than 10 years.

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.

Directors' report (continued)

Operating Results

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

	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
	(25,387)	46,486

Remuneration Report

Build on Bookkeeping (a company associated with Carly Chant) provides bookkeeping services for Homebush FSL in which Carly receives \$4,320 for the year.

David Langdon receives a consulting fee from Bendigo & Adelaide Bank Limited to fulfill his role as Chairman of the Board. This role has been approved until 31 July 2013. David received consulting fees totalling \$46,000 (2012:\$23,000).

Vivian Hudson provided stationery for the Homebush FSL branch totalling \$100 (2012:Nil)

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.

Directors' report (continued)

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.

Directors' Meetings

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

Director	Number of Board Meetings	
	Eligible to attend	Number attended
David Andrew Langdon	11	11
Marlene Anne Doran	11	8
Christopher Bone	11	6
Rajaratnam Ganesharatnam	11	10
Chris Naylor	11	8
Carly Melinda Chant (Appointed 27 November 2012)	7	7
Bernie Seth (Appointed 23 July 2013)	-	-
Alison Taylor (Appointed 23 July 2013)	-	-
Frank Edward Burriss (Resigned 23 April 2013)	9	6
Christopher John Haseldine (Resigned 26 February 2013)	7	6
Leanne Doran (Resigned 20 February 2013)	6	2
Peter Cipolla (Resigned 5 February 2013)	6	4
Vivian Thomas Hudson (Resigned 27 November 2012)	5	5

The Board has 5 Committees which are Governance, Finance, HR and Operations, Community Engagement and Marketing/Business Development respectively. 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.

Directors' report (continued)

Non Audit Services (continued)

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 16.

Signed in accordance with a resolution of the board of Directors at Homebush, New South Wales on 25 September 2013.



**David Andrew Langdon,
Chairman**



**Carly Melinda Chant,
Director**

Auditor's independence declaration



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 2013 there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'David Hutchings', is positioned above the printed name.

David Hutchings
Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 25 September 2013

Liability limited by a scheme approved under Professional Standards Legislation. ABRN: 51 661 795 337.

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www.afsbendigo.com.au

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
Revenues from ordinary activities	4	599,196	645,727
Employee benefits expense		(338,125)	(331,332)
Charitable donations, sponsorship, advertising and promotion		(60,402)	(25,690)
Occupancy and associated costs		(67,329)	(60,485)
Systems costs		(32,912)	(34,921)
Depreciation and amortisation expense	5	(25,312)	(22,298)
Finance costs	5	-	(27,328)
General administration expenses		(111,383)	(91,701)
Profit/(loss) before income tax (expense)/credit		(36,267)	51,972
Income tax (expense)/credit	6	10,880	(5,486)
Profit/(loss) after income tax (expense)/credit		(25,387)	46,486
Total comprehensive income for the year		(25,387)	46,486
Earnings per share (cents per share)		c	c
- basic for profit for the year	20	(1.97)	4.83

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2013

	Note	2013 \$	2012 \$
ASSETS			
Current Assets			
Cash on hand	7	61,104	49,612
Trade and other receivables	8	45,175	51,732
Total Current Assets		106,279	101,344
Non-Current Assets			
Property, plant and equipment	9	233,439	246,689
Intangible assets	10	44,289	55,842
Deferred tax assets	11	327,544	316,664
Total Non-Current Assets		605,272	619,195
Total Assets		711,551	720,539
LIABILITIES			
Current Liabilities			
Trade and other payables	12	84,068	66,570
Provisions	13	25,513	21,223
Total Current Liabilities		109,581	87,793
Non-Current Liabilities			
Provisions	13	7,312	12,701
Total Non-Current Liabilities		7,312	12,701
Total Liabilities		116,893	100,494
Net Assets		594,658	620,045
Equity			
Issued capital	14	1,372,954	1,372,954
Accumulated losses	15	(778,296)	(752,909)
Total Equity		594,658	620,045

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the Year Ended 30 June 2013

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2011	591,521	(799,395)	(207,874)
Total comprehensive income for the year	-	46,486	46,486
Transactions with owners in their capacity as owners:			
Shares issued during period	781,433	-	781,433
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2012	1,372,954	(752,909)	620,045
Balance at 1 July 2012	1,372,954	(752,909)	620,045
Total comprehensive income for the year	-	(25,387)	(25,387)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2013	1,372,954	(778,296)	594,658

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cashflows for the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
Cash Flows From Operating Activities			
Receipts from customers		667,103	711,363
Payments to suppliers and employees		(655,197)	(620,427)
Interest paid		-	(27,328)
Interest received		95	116
Net cash provided by operating activities	16(b)	12,001	63,724
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(509)	(1,689)
Payments for intangible assets		-	(11,554)
Net cash used in investing activities		(509)	(13,243)
Cash Flows From Financing Activities			
Proceeds of share issues		-	781,433
Repayment of borrowings		-	(590,000)
Net cash provided by financing activities		-	191,433
Net increase in cash held		11,492	241,914
Cash and cash equivalents at the beginning of the financial year		49,612	(192,302)
Cash and cash equivalents at the end of the financial year	16(a)	61,104	49,612

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2013

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 and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

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

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.

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

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. Amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met. This amendment has not affected the presentation of the statement of comprehensive income of the company in the current period and is not likely to affect future periods.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2012.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

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**[®] branch 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.

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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (i.e. '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 and February 2013 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.

Homebush FSL was granted a 12 month exemption from being subjected to the first reduction but the reduced commission rate of 0.375% was applied to Homebush FSL from April 1 2012. The company was subject to the second reduction from 1 April 2013.

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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

Deferred tax (continued)

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.

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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

g) Property, Plant and Equipment (continued)

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.

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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

k) Financial Instruments (continued)

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.

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.

Notes to the financial statements (continued)

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.

(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%.

Notes to the financial statements (continued)

Note 2. Financial Risk Management (continued)

(vi) Capital management (continued)

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 2013 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.

Notes to the financial statements (continued)

Note 3. Critical Accounting Estimates and Judgements (continued)

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.

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.

	2013	2012
	\$	\$

Note 4. Revenue from Ordinary Activities

Operating activities:

- services commissions	549,196	595,727
- other revenue	50,000	50,000
Total revenue from operating activities	599,196	645,727

Notes to the financial statements (continued)

	Note	2013 \$	2012 \$
Note 5. Expenses			
Depreciation of non-current assets:			
- plant and equipment		7,330	8,476
- leasehold improvements		6,428	6,445
Amortisation of non-current assets:			
- franchise agreement		2,312	1,552
- franchise renewal fee		9,242	5,825
		25,312	22,298
Finance costs:			
- interest paid		-	27,328
Bad debts		4,913	1,684

Note 6. Income Tax Expense/Credit

The components of tax expense comprise:

- Future income tax benefit attributed to losses		(10,204)	-
- Movement in deferred tax		(676)	2,905
- Recoupment of prior year tax loss		-	12,945
- Adjustments to tax expense of prior periods		-	(10,364)
		(10,880)	5,486

The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense/(credit) as follows:

Operating profit/(loss)		(36,267)	51,972
Prima facie tax on profit/(loss) from ordinary activities at 30%		(10,880)	15,592
Add tax effect of:			
- non-deductible expenses		-	258
- timing difference expenses		676	(2,905)
		(10,204)	12,945
Movement in deferred tax	11	(676)	2,905
Prior year tax losses brought to account as a deferred tax asset		-	-
Adjustments to tax expense of prior periods		-	(10,364)
		(10,880)	5,486

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 7. Cash and Cash Equivalents		
Cash on hand	61,104	49,612
Note 8. Trade and Other Receivables		
Trade receivables	37,998	46,090
Prepayments	7,177	5,642
	45,175	51,732
Note 9. Property, Plant and Equipment		
Plant and equipment		
At cost	68,902	69,045
Less accumulated depreciation	(55,837)	(51,928)
	13,065	17,117
Leasehold improvements		
At cost	297,026	297,026
Less accumulated depreciation	(102,303)	(95,875)
	194,723	201,151
Office Furniture & Equipment		
At cost	64,567	64,059
Less accumulated depreciation	(38,916)	(35,638)
	25,651	28,421
Total written down amount	233,439	246,689
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	17,117	22,544
Additions	-	-
Less: depreciation expense	(4,052)	(5,427)
Carrying amount at end	13,065	17,117
Leasehold improvements		
Carrying amount at beginning	201,151	207,596
Additions	-	-
Less: depreciation expense	(6,428)	(6,445)
Carrying amount at end	194,723	201,151

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 9. Property, Plant and Equipment (continued)		
Office Furniture		
Carrying amount at beginning	28,421	29,781
Additions	508	1,546
Less: depreciation expense	(3,278)	(2,906)
Carrying amount at end	25,651	28,421
Total written down amount	233,439	246,689

Note 10. Intangible Assets

Franchise fee		
At cost	71,554	71,554
Less: accumulated amortisation	(62,696)	(60,385)
	8,858	11,169
Renewal processing fee		
At cost	86,214	86,214
Less: accumulated amortisation	(50,783)	(41,541)
	35,431	44,673
Total written down amount	44,289	55,842

Note 11. Tax

Deferred tax assets		
- accruals	1,666	660
- employee provisions	9,848	10,177
- tax losses carried forward	316,030	305,827
Net deferred tax asset	327,544	316,664
Movement in deferred tax charged to statement of comprehensive income	(10,880)	5,486

Note 12. Trade and Other Payables

Trade creditors	53,913	62,876
Other creditors and accruals	30,155	3,694
	84,068	66,570

Trade creditors includes missing cheques valued at \$24,602 which have been incurred during the ordinary course of business. Amount is to be written off in profit share over the next six months.

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 13. Provisions		
Current:		
Provision for annual leave	22,513	21,223
Provision for bonus	3,000	-
	25,513	21,223
Non-Current:		
Provision for long service leave	7,312	12,701

Note 14. Contributed Equity

655,910 Ordinary shares fully paid (2012: 655,910)	637,910	637,910
Less: equity raising expenses	(46,389)	(46,389)
Plus: 630,188 shares issued on 5 January 2012	781,433	781,433
	1,372,954	1,372,954

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**[®] branch 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).

Notes to the financial statements (continued)

Note 14. Contributed Equity (continued)

Rights attached to shares (continued)

(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.

The members approved a motion at the Company's 2011 Annual General Meeting held on 28 November 2011 to issue additional shares representing a 49% interest in the Company to Bendigo and Adelaide Bank. On 5 January 2012 630,188 shares were issued to Bendigo and Adelaide Bank Limited for consideration of \$781,433,12.

	2013 \$	2012 \$
Note 15. Accumulated Losses		
Balance at the beginning of the financial year	(752,909)	(799,395)
Net profit/(loss) from ordinary activities after income tax	(25,387)	46,486
Dividends paid or provided for	-	-
Balance at the end of the financial year	(778,296)	(752,909)

Notes to the financial statements (continued)

	2013 \$	2012 \$
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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

Cash on hand	61,104	49,612
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16(b) Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by operating activities

Profit/(Loss) from ordinary activities after income tax	(25,387)	46,486
Non cash items:		
- depreciation	13,758	14,921
- amortisation	11,554	7,377
Changes in assets and liabilities:		
- decrease in receivables	6,557	1,920
- increase/(decrease) in other assets	(10,880)	5,486
- increase/(decrease) in payables	17,498	(2,783)
- decrease in provisions	(1,099)	(9,683)
Net cashflows provided by operating activities	12,001	63,724

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	-	36,000
- greater than 5 years	-	-
	36,000	72,000

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.

Notes to the financial statements (continued)

	2013	2012
	\$	\$
Note 18. Auditor's Remuneration		
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,700	3,900
- share registry services	1,550	1,450
- non audit services	6,347	7,204
	12,597	12,554

Note 19. Director and Related Party Disclosures

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

David Andrew Langdon
Marlene Anne Doran
Christopher Bone
Rajaratnam Ganesharatnam
Chris Naylor
Carly Melinda Chant (Appointed 27 November 2012)
Bernie Seth (Appointed 23 July 2013)
Alison Taylor (Appointed 23 July 2013)
Frank Edward Burriss (Resigned 23 April 2013)
Christopher John Haseldine (Resigned 26 February 2013)
Leanne Doran (Resigned 20 February 2013)
Peter Cipolla (Resigned 5 February 2013)
Vivian Thomas Hudson (Resigned 27 November 2012)

Build on Bookkeeping (a company associated with Carly Chant) provides bookkeeping services for Homebush FSL in which Carly receives \$4,320 for the year.

David Langdon receives a consulting fee from Bendigo & Adelaide Bank Limited to fulfill his role as Chairman of the Board. This role has been approved until 31 July 2013. David received consulting fees totalling \$46,000 (2012:\$23,000).

Vivian Hudson provided stationery for the Homebush FSL branch totalling \$100 (2012:Nil)

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.

Notes to the financial statements (continued)

Note 19. Director and Related Party Disclosures (continued)

Directors Shareholdings	2013	2012
David Andrew Langdon	-	-
Marlene Anne Doran	12,000	12,000
Christopher Bone	-	-
Rajaratnam Ganesharatnam	2,500	2,500
Chris Naylor	-	-
Carly Melinda Chant (Appointed 27 November 2012)	-	-
Bernie Seth (Appointed 23 July 2013)	-	-
Alison Taylor (Appointed 23 July 2013)	-	-
Frank Edward Burriss (Resigned 23 April 2013)	1,000	1,000
Christopher John Haseldine (Resigned 26 February 2013)	-	-
Leanne Doran (Resigned 20 February 2013)	2,000	2,000
Peter Cipolla (Resigned 5 February 2013)	2,500	2,500
Vivian Thomas Hudson (Resigned 27 November 2012)	1,000	1,000

There was no movement in Directors shareholdings during the year.

	2013	2012
	\$	\$

Note 20. Earnings Per Share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	(25,387)	46,486
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,286,098	961,508

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.

Notes to the financial statements (continued)

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:

Registered Office	Principal Place of Business
27 Rochester Street	27 Rochester Street
Homebush NSW 2140	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	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 %	2012 %
Financial Assets												
Cash and cash equivalents	61,104	49,612	-	-	-	-	-	-	-	-	0.16	-
Receivables	-	-	-	-	-	-	-	-	37,748	45,840	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	-	-	-	-	-	-	-	-	-	-	-	(0.19)
Payables	-	-	-	-	-	-	-	-	53,913	62,876	N/A	N/A

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 2013 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.



David Andrew Langdon,
Chairman



Carly Melinda Chant,
Director

Signed on the 25th September 2013.

Signed on the 25th September 2013.

Independent audit report



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 2013, 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. ABRN: 51 061 795 337.

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Independent audit report (continued)

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.

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 2013 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 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.



David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 25 September 2013



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