



Annual Report 2017

Homebush Financial Services Limited

ABN 55 097 923 807

Homebush Community Bank® Branch

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Chairman's report

for year ending 30 June 2017

"The bad years are over."

- Marlene Doran OAM following last year's Annual General Meeting

It is my pleasure on behalf of the Board to provide this report to shareholders on the performance of the company Homebush Financial Services Limited (HFSL), for the year ended 30 June 2017.

As our Ambassador, Marlene Doran OAM, correctly observed following last year's Annual General Meeting (AGM), the company's turbulent past appears to be behind us.

For the first time in the company's 15-year history Homebush Financial Services Limited has posted a profit at the end of a financial year. The profit of \$19,944 before tax (\$13,944 after tax) is cause for celebration.

There are two major factors which have contributed to this encouraging result:

- (a) A new Franchise Agreement has seen the branch's monthly financial results swing from losses to profits, and
- (b) The appointment of Ms Belinda English as Branch Manager.

Having the right people in positions of responsibility is the key to financial success. We are fortunate in having a highly skilled Branch Manager, a hard working branch team and a Board which is determined to see the company achieve sustained profitability.

While this year's profit is wonderful news for staff, Directors and shareholders, it is vital that this success not be a "flash in the pan". Now is not the time for complacency. Sustained effort is needed if the business is to continue to grow.

Homebush **Community Bank**[®] Branch provides quality service to customers and local businesses five days a week plus Saturday mornings. A wide range of products are available at competitive rates.

As a **Community Bank**[®] company, we have a special interest in supporting local community groups, not-for-profit organisations and local schools. After all, Homebush **Community Bank**[®] Branch was established by the local community for the local community. Funding is provided through the Market Development Fund (MDF) as part of the franchise agreement with Bendigo Adelaide Bank. Last year Cluster Groups of **Community Bank**[®] branches were established to use a portion of MDF money to finance collaborative marketing projects. The series of advertisements in the Inner Western Courier, which ran for six months, was our Cluster Group's first marketing campaign.

On Friday 5 May the branch celebrated its 15th birthday. Member for Strathfield, Ms Jodi McKay MP, Bendigo and Adelaide Bank executives, shareholders, customers and local residents joined branch staff to celebrate this significant milestone.

There have been no resignations from the Board in the past two years. So far this calendar year (2017) the branch staff has remained constant with the exception of part time Customer Service Officer, Catherine Ross who made a sideways move to Bendigo Head Office in Pitt Street.

Marlene Doran OAM has continued in her role as Ambassador for Homebush **Community Bank**[®] Branch since her appointment in November 2015. Marlene has been a constant supporter of our branch, actively promoting the branch at community sporting and social events and activities. Her role as Ambassador comes after ten years as Chairman of Homebush Financial Services Limited and additional years served as a Director. The local community is indebted to Marlene for her years of tireless community service. Without Marlene and her late husband Graham there would be no bank in Homebush.



Chairman's report (continued)

Overview

The content of the next three sections of this report has been supplied by our Treasurer and Deputy Chairman, Peter Pengilley. I acknowledge and thank him for this contribution.

The company generated a profit of \$13,944 compared to a loss last year of \$53,338, an improvement of \$67,282. The improvement is following the changes the Board made last year and the diligence and dedication of the Branch Manager, Ms Belinda English and the hard working staff.

The results follow an increase in the company's revenue to \$631,239 compared to the previous financial year's \$502,242. The turnaround in results was not only due to the hard work of the staff but also that the Board made the decision to accept an offer from Bendigo and Adelaide Bank to revise the Franchise Agreement. The new Franchise Agreement changes the revenue sharing model from one focused on commission to one based on marginal income earned from loans and deposits.

The company receives greater income from loans rather than deposits. Previously the company's mix of products has been noticeable by a greater concentration of deposits rather than loans and this has been in the ratio 70% deposits to 20% loans for a number of years. This has dampened the company's ability to generate revenue. The Board and staff over the last year have focused on a strategy to increase the loan book with the result that the ratio of deposits to loans has now swung the other way, with loans now 35% of total business and deposits now 55%. Revenue has increased proportionately.

Homebush sits in Bendigo and Adelaide Bank's **Community Bank®** Branch Network as a member of region 231, encompassing eight branches from Mosman to Clovelly in the eastern suburbs and Katoomba in the Blue Mountains. Within this group of eight branches Homebush rates in fourth position in terms of total business, which has been a major achievement moving up from the bottom of the table to its current place.

Financial Statement

The company reported a profit after tax of \$13,944 compared to a loss last year of \$53,338, an improvement of \$67,282.

The profit this year includes net contributions the company made for charitable donations, sponsorships of some \$11,241.

Our bank book increased in value to \$111 million as at 30 June 2017 compared with \$86 million the year before. The book included \$39 million in loans and \$63 million in deposits.

The company's revenue increased to \$631,239 compared with \$502,242 in 2016.

Expenditures were increased by \$52,580 (9.4%) to \$611,680 from \$559,100 the year before, due to increased employee costs. The company's cash on hand at year's end was \$20,701 with total assets of \$527,521.

The company has 2,642 customers compared to last year's 2,494 and 3,462 accounts compared to last year's 3,291.

Dividend policy

As in the last year, the Board is determined to return the company to profitability and to adopt a dividend policy that is consistent with providing a commercial return. However, the balance sheet still shows losses from previous years and until the balance sheet is in a healthier position and continuing its current positive trend the Directors have resolved to not pay a final dividend in respect of the year ended 30 June 2017.

Our strategy

The Board continues to work on the strategy to significantly increase loans, increase business banking and other higher yield products in our portfolio and to tightly control costs, conserve cash and manage investments prudently.

Chairman's report (continued)

Community engagement

The company 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 the year. Recipients included Strathfield State Emergency Services, Strathfield West Senior Citizens, Strathfield School for Seniors, Homebush Boys High School, Burwood United Netball Club, Tamil Senior Citizens, Steve Waugh Foundation, Strathfield Rotary Club, Greenlees Park Men's Bowling Club, Tamil Study Centre, Macquarie University Tamil Sangam, Strathfield Croquet Club, Homebush Public School and Strathfield South Public School.

The Board

The Board is comprised of non-executive Directors who participate on a volunteer basis in service of the community and are not remunerated.

During the 2016/17 financial year the Board met on a monthly basis, with the exception of December, to plan and monitor the operations of our small but complex business.

There is a Community Engagement Subcommittee which meets monthly to discuss requests for donations and sponsorships and also advertising. This committee is comprised of Allan Petersen (Chair), Belinda English (Branch Manager), Ian Albertson (Board Chair), Alice Mantel (Director) and Marlene Doran (Ambassador for Homebush **Community Bank®** Branch).

Three other Subcommittees, the Marketing and Business Development Committee, a Governance and Risk Committee and an HR Committee meet as needed.

Peter Pengilley is an experienced company Director with a extensive background in financial management. He has held the position of Treasurer/Deputy Chairman for the past three years. Peter's sage advice has been crucial to the company's growth and we thank him for his tireless efforts.

Dr Ross Dickson is a senior executive with the Forestry Commission. We have been fortunate to have his services as our Company Secretary for the past three years. Ross's expertise is in Governance, Strategy and Risk Management.

Allan Petersen, retired Primary School Principal, is Chair of the Community Engagement Committee. A fount of wisdom, Allan has been regularly called upon to represent the branch at community functions and to take minutes at Board meetings. A former President of Strathfield Rotary Club, Allan now holds an Assistant Governor's role in Rotary.

Chris Pursehouse (State Community Strengthening Manager NSW/ACT) has been Bendigo Bank's representative on the HFSL Board. He resigned in early July 2017 to take up new responsibilities as a Senior Manager, Community Relationships. The Directors are keen to have a Bendigo Bank Executive succeed Chris on the HFSL Board.

Alice Mantel, Geoff Harper and Nella Hall were appointed HFSL Directors 22 November 2016. Alice is a Lawyer and her advice is regularly sought. She was a leading organiser of this year's 15th branch birthday celebrations. As a member of the Community Engagement Committee Alice has helped develop procedures for funding requests and takes an active role in planning special events.

Geoff is well experienced in the finance industry. He heads the newly formed HR committee. Geoff is well versed in Strategy and Risk Management.

Nella is a well known local businesswoman who has an active interest in politics at all levels. She was recently elected Deputy Mayor of Strathfield Municipal Council.

I wish to 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.

Chairman's report (continued)

Our Staff

Belinda English, our Branch Manager has been in the role since March of last year. She has a team of both experienced and competent staff who are dedicated to growing the business and serving the local community. Belinda has attended all National and State Conferences since her appointment. These experiences have given Belinda further insight into the Bendigo Bank **Community Bank**® model plus a greater opportunity for networking with representatives from Bendigo and Adelaide Bank and the **Community Bank**® family.

Rebecca Robertson has held the position of Customer Relationship Manager for over a year. She has had to take responsibility for running the branch in Belinda's absence and I thank her for her willingness to go above and beyond the call of duty when required. Rebecca has been a keen participant in charity events sponsored by Bendigo and Adelaide Bank.

Claudia Lucchitti was recently appointed Customer Relationship Officer and is doing an outstanding job in helping to grow the business. Claudia was the key organiser of this year's Biggest Morning Tea fundraiser.

We welcomed Radwa Mitra in October. Radwa has settled into her role as Customer Service Officer smoothly and provides excellent service to our customers.

Our newest member of the Team, Hemant Sarswat, was appointed in April of this year. Hemant has taken on the role of Customer Service Officer in his stride and is a welcome addition to the Team.

During the year our staff have worked hard and achieved excellence in managing branch operations, serving customers, and reducing risk. I would like to thank our staff past and present for their many contributions to the company.

Bendigo Bank

We continue to enjoy a close relationship with Bendigo Bank at the operational, regional and state levels and we participated in both the State and National Conferences held during the year. Chris Pursehouse (former State Community Strengthening Manager NSW/ACT) was Bendigo Bank's representative on the HFSL Board until July 2017. Amy Land is Regional Community Manager – Sydney Metro. Amy offers advice to **Community Bank**® company Boards and her support and advice is always appreciated. Denice Kelly is the Regional Manager – Sydney Metro Region 231 and works directly with our branch. Both Amy and Denice have regular catch up meetings with the HFSL Chairman. The willing assistance offered by Chris, Amy and Denice has been much appreciated.

Conclusion

The company has made a dramatic improvement in business growth and financial performance over the past 18 months. We now need to maintain that momentum. We have an excellent Board; very capable staff led by an outstanding and experienced Branch Manager and the full support of Bendigo Bank who is both our Franchisee and also our largest shareholder.

I would like to thank the community, all our shareholders, our staff and our Directors for their ongoing support and contributions which have been instrumental in achieving this year's very pleasing result.

Our 16th Annual General Meeting to be held at 7.00pm, on Tuesday 14 November 2017 at Burwood RSL Club, Shaftesbury Rd, Burwood. We look forward to your attendance.



Ian Albertson
Chairman

Manager's report

for year ending 30 June 2017

Over the past financial year Homebush **Community Bank®** Branch has seen some great results with business growth. Our total business has increased by \$25.4 million.

\$3.458 million in deposits

\$21.538 million in lending

\$302,000 in wealth products



This brings our total footings to \$114.4 million compared to last year at \$86 million. As at the end of 2016/17 financial year, the business also achieved the following:

- We acquired 148 new customers
- Opened 425 new accounts
- Products per customer increased from 1.5 to 1.6
- Total customers are at 2,642

My focus is to ensure that the team is having relevant conversations with our customers and that our customers are aware of all the products and services we have to offer. I am very proud of how my team has developed over the past 12 months and this is evident in our growth.

The staff work well as a team, have a 'can do' attitude and no task is too difficult for any of them. Thank you to my team for their dedication to Homebush **Community Bank®** Branch, our customers and getting the job done.

We had some staffing changes with our two customer service officers moving on. Sulo Viveganantharajah left to take up full time work with a previous employer and Catherine Ross took a role at Bendigo Bank Head Office to progress her career.

To replace them I appointed Radwa Mitra in October 2016 and Hemant Sarswat, our newest member joining us in April 2017. They both come with the right skills to help continue our success.

Claudia Lucchitti was promoted to our Customer Relationship Officer to progress her career in the lending space.

In our community we have supported and sponsored a number of different organisations which has been very rewarding. We look forward to continue to build on great relationships with our community. Some of the organisations supported include:

Local Schools	Study Centre	School for seniors
The Mens Shed	Rotary	HSC Art exhibition
The biggest morning Tea	Genes for Jeans	Homicide Victims Support Group

The next 12 months, we will continue to focus on having relevant conversations with our customers, build on existing and new small business relationships, getting out about to meet new people and continue to focus on developing and progressing my teams' skills.

I would like to thank our Regional Manager and Bendigo and Adelaide Bank for all the support they have offered and delivered to the Homebush team over the past 12 months. They are always there to help.

I would also like to thank our Chairman and his Board for all their support. They have given me a wealth of knowledge that has helped my team and I develop the business. As we commence another year, we look forward to new challenges and growing the Homebush **Community Bank®** Branch.

Finally and most importantly, I would like to thank our shareholders and customers. It's with your support that Homebush **Community Bank®** Branch is here.

A stylized, handwritten signature in black ink, appearing to read 'Belinda English'. The signature is enclosed in a thin black rectangular border.

Belinda English
Branch Manager

Bendigo and Adelaide Bank report

for year ending 30 June 2017

As we approach 20 years since the first **Community Bank**[®] branch opened its doors, it's timely to reflect on the role of our network's 70,000-strong shareholders and its army of nearly 2,000 passionate local Directors.

As a group of people you are a powerful force that continues to influence change both locally and nationally.

United for a shared purpose in your communities, you are making big things happen beyond the delivery of great banking products and services; you're creating jobs, helping businesses to thrive, solving problems and achieving outcomes that will make your communities better places to live and do business.

Amongst other things, you are providing hundreds of thousands of people in communities around Australia with new opportunities to:

- Play sport in new **Community Bank**[®] funded centres.
- Continue their education thanks to a **Community Bank**[®] scholarship.
- Seek treatment in hospitals closer to home with equipment funded through a **Community Bank**[®] grant.
- Reap the environmental benefits of **Community Bank**[®] funded solar panels and LED lighting, and
- Access mental health services for teenage children with a service supported by a local **Community Bank**[®] branch.

In fact, since the model's inception your investment in local communities exceeds \$165 million and that figure continues to grow every year. This amount excludes the significant co-investment on key projects that many companies have obtained from Government and other parties.

Nationally our voices are increasingly being heard, and our collaborative approach recognised and celebrated.

Representing us all at a recent forum at Canberra's Parliament House, Bendigo Bank's Managing Director and Chairman reinforced the significance of the **Community Bank**[®] model's achievements and called for regulatory change that would help us compete in a crowded and ever-evolving banking sector. Just two months later, the Federal Government announced a levy on Australia's biggest banks that is set to re-level the playing field as we've regularly advocated for.

But for us this is more than a levy. The Turnbull Government's announcement recognises the importance of customers having access to a robust, competitive and customer-focused banking sector. On this note Bendigo Bank was recently recognised as the banking provider of choice in the annual Mozo People's Choice Awards. Better yet, out of 110 banking providers nationally, we were the only bank recognised in all eight banking categories – and were rated the leading bank in six of those eight categories.

This is an extraordinary achievement for you and our bank. Not only does it demonstrate that, in the eyes of our customers, we are doing something right – it very clearly outlines that together we can continue to achieve results.

As we've long known, the more successful our customers are, the stronger our communities become. In this regard the **Community Bank**[®] model enables these outcomes for customers and communities, as increasingly recognised by more and more Australians.

So thank you for your investment in your local **Community Bank**[®] company, for your ongoing contribution and support, tireless advocacy and continued commitment to building strong local communities. Without this, our **Community Bank**[®] branches would be just another bank.



Robert Musgrove
Executive Engagement Innovation

Directors' report

for year ending 30 June 2017

Your directors submit the financial statements of the company for the financial year ended 30 June 2017.

Directors

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

Ian Stanley Albertson

Chairman

Occupation: Teacher

Qualifications, experience and expertise: Ian is currently a music teacher at Homebush Boys High School. Previously music co-ordinator St Patrick's College, Strathfield; Choirmaster Sydney Church of England Grammar School (Shore); Senior Boarding Master, Kooralbyn International School, Qld. Ian has been on the HFSL Board since March 2014. President Rotary Club of Strathfield 1997-98. Trustee Strathfield Libraries and Museum Foundation. MC at several local events organised by Strathfield Council (Carols by Candlelight, Spring Fair, Australia Day, Mayoral Dinner, Exo Art Exhibition). B.A. Grad. Dip. Ed, M. Ed. Admin, M. Mus. Tech.

Special responsibilities: Chairman, Community Engagement Committee

Interest in shares: 1,000

Peter Campbell Pengilley

Treasurer

Occupation: Company Director

Qualifications, experience and expertise: Peter's original profession was a mechanical engineer and naval architect and worked for BHP Co. Pty Ltd, and various ship builders and naval architects in London, Holland and Montreal and on returning to Sydney TNT Bulkships Ltd. He gained an MBA from Macquarie University majoring in investment and financial analysis. In a change of career he left the shipbuilding industry for the world of capital markets and merchant banking for the next 17 years. Initially joining Peko Wallsend Ltd, a diversified mining and industrial company, as Treasurer then commencing his career in merchant banking initially with CIBC Australia Ltd in capital markets before moving to Capel Court Investment Bank/ANZ Bank. He left ANZ Bank to establish the capital markets division for HSBC Australia and was a director of Wadley James Capel. He was then recruited by Westpac to re-establish an international capital markets department as Chief Manager, Head of Global Capital Markets. Following that assignment Peter moved to Citigroup as Vice President for Corporate Finance. On leaving Citigroup Peter joined the financial advisory group Barrington Corporate Finance and then established Investment Dynamics Pty Ltd advising companies and banks on corporate finance, debt capital market, IPO's and restructuring in the industrial, agricultural and property sectors. He has also acted as the consultant CEO for a family office and as a consultant restructuring as accounting/wealth management business with offices in Australia and UK. He is currently involved in companies in the financial services sector and commercial and industrial property sector. Peter is a fellow of the Finance and Treasurers Associate and MRINA, a Member of the Australian Institute of Company Directors. Peters community duties are a Justice of the Peace (NSW), councillor for Ku-ring-gai Little Athletics Association and an Honorary Treasurer NSW Rod Fishers Society.

Special responsibilities: Treasury and Risk Committee

Interest in shares: Nil

Allan Frederick Petersen

Director

Occupation: Retired Primary School Principal

Qualifications, experience and expertise: Allan's experience and expertise include NSW State Government Primary School Teaching and Administration, retail experience with David Jones Ltd Sydney selling/stocktaking/staff development, Rotary International Membership since 1996 with two Clubs and significant administrative roles, lifetime membership of the Anglican Church Australia, Assistant experience of Meals on Wheels Distribution and Committee Executive Membership, tutor on non-English Adult speakers, holds a Teachers' Certificate, Bachelor of Education and Master of Education, holds Graduate Diplomas in Curriculum Studies and Educational Administration.

Special responsibilities: Chair of Community Engagement Committee

Interest in shares: Nil

Directors' report (continued)

Ross Lindsay Dickson

Secretary

Occupation: Company Secretary

Qualifications, experience and expertise: Ross is currently Company secretary for the Forestry Corporation of NSW. He worked in the forestry industry for over 20 years. He is Chairman of the New Zealand Radiata Pine Breeding Company. He has experience in agricultural and forestry research and development and for the last 12 years has been a member of the senior executive team of the Forestry Corporation. Ross joined the Homebush board in 2014 as an Independent director and Company Secretary. He recently completed studies in corporate governance.

Special responsibilities: Human Resources Committee

Interest in shares: Nil

Other Current Directorships: Radiata Pine Breeding Company

Nella Hall

Director (*Appointed 22 November 2016*)

Occupation: Paralegal/Manager

Qualifications, experience and expertise: Nella is a Justice of Peace and holds a Bachelor of Commerce from Deakin University (Vic). Nella has experience in Accounting, Insolvency and law, working as a Paralegal in a local law firm. Nella was joint Strathfield Citizen of the year in 2017. She is a Director of the local community radio station 2RDJ FM and the current Deputy Mayor of Strathfield Council. Nella's passion is serving her community, which is why she has clocked over 2000 hours of community work and is involved in a number of not for profit organisations.

Special responsibilities: Nil

Interest in shares: Nil

Alice Christina Mantel

Director (*Appointed 22 November 2016*)

Occupation: Solicitor

Qualifications, experience and expertise: Alice brings over 25 years broad experience as a lawyer to the board, having worked in the government, private and non-private sectors. As a government lawyer she practised in the criminal and civil jurisdictions. She also worked in a number of regulatory organisations including ASIC and APRA. For the last 8 years, Alice has managed her own legal practice servicing diverse and disadvantaged clients, which has developed her understanding of the difficulties faced by every small business. Living locally, Alice is involved in community activities in the Concord - Strathfield areas. Community member, Yaralla Estate Committee.

Special responsibilities: Community Engagement and Human Resources Committee

Interest in shares: Nil

Geoffrey John Harper

Director (*Appointed 22 November 2016*)

Occupation: Director

Qualifications, experience and expertise: Director Debt Sales Brokers Australia and New Zealand 2015-present, FreshWater Business Consulting directors 2013-present, Baycorp Holdings Pty Ltd Managing director 2006-2013, Portfolio management group CEO 2000-2006 and Heller Financial Services managing director 1984-2000.

Special responsibilities: Human Resources Committee

Interest in shares: Nil

Directors' report (continued)

Christopher George Pursehouse

Director (*Resigned 22 August 2017*)

Occupation: Bank Officer

Qualifications, experience and expertise: Christopher (Chris) is currently employed by Bendigo & Adelaide Bank Limited as a State Community Strengthening Manager for NSW & ACT. Chris has a long employment history in Banking & Finance in particular in commercial lending and holds a Post Graduate Diploma in Banking Management. Chris brings a strong skill set in relationship building & management and sales. Chris has had strong involvement in numerous sporting clubs and has held several treasurer and committee member positions over the past 3 decades.

Special responsibilities: Nil

Interest in shares: Nil

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 Ross Dickson. Ross was appointed to the position of secretary on 26 May 2015.

Ross has had twenty one years of cross functional experience in land and resource management in both the private and public sectors underpinned by a PhD in forestry science.

Principal Activities

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

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

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 2017	Year ended 30 June 2016
\$	\$
13,944	(53,338)

Dividends

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

Directors' report (continued)

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Events since 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.

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:

	Board Meetings	
	<u>Eligible</u>	<u>Attended</u>
Ian Stanley Albertson	10	10
Peter Campbell Pengilley	10	10
Allan Frederick Petersen	10	10
Ross Lindsay Dickson	10	8
Nella Hall*	7	7
Alice Christina Mantel*	7	7
Geoffrey John Harper *	7	6
Christopher George Pursehouse**	10	7

* - Appointed 22 November 2016

** - Resigned 22 August 2017

Directors' report (continued)

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

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 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 board 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.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Signed in accordance with a resolution of the board of directors at Homebush, New South Wales on 26 September 2017.



Ian Stanley Albertson, Chairman

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

As lead auditor for the audit of Homebush Financial Services Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 26 September 2017

David Hutchings
Lead Auditor

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for year ending 30 June 2017

	Notes	2017 \$	2016 \$
Revenue from ordinary activities	4	631,239	502,242
Employee benefits expense		(400,565)	(340,877)
Charitable donations, sponsorship, advertising and promotion		(11,241)	(13,304)
Occupancy and associated costs		(59,148)	(58,880)
Systems costs		(32,871)	(29,588)
Depreciation and amortisation expense	5	(19,355)	(22,055)
Finance costs	5	(218)	(113)
General administration expenses		(88,282)	(94,283)
Profit/(loss) before income tax (expense)/credit		19,559	(56,858)
Income tax (expense)/credit	6	(5,615)	3,520
Profit/(loss) after income tax (expense)/credit		13,944	(53,338)
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		13,944	(53,338)
Earnings per share		¢	¢
Basic earnings per share	21	1.08	(4.15)

The accompanying notes form part of these financial statements

Financial statements

Balance sheet as at 30 June 2017

	Notes	2017 \$	2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	20,701	1,484
Trade and other receivables	8	56,540	39,894
Total Current Assets		77,241	41,378
Non-Current Assets			
Property, plant and equipment	9	179,512	186,384
Intangible assets	10	54,096	9,627
Deferred tax asset	11	313,271	318,886
Total Non-Current Assets		546,879	514,897
Total Assets		624,120	556,275
LIABILITIES			
Current Liabilities			
Trade and other payables	12	46,333	33,714
Provisions	13	11,680	8,510
Total Current Liabilities		58,013	42,224
Non-Current Liabilities			
Trade and other payables	12	37,539	-
Provisions	13	1,047	474
Total Non-Current Liabilities		38,586	474
Total Liabilities		96,599	42,698
Net Assets		527,521	513,577
Equity			
Issued capital	14	1,372,954	1,372,954
Accumulated losses	15	(845,433)	(859,377)
Total Equity		527,521	513,577

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Changes in Equity for year ending 30 June 2017

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2015	1,372,954	(806,039)	566,915
Total comprehensive income for the year	-	(53,338)	(53,338)
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 2016	1,372,954	(859,377)	513,577
Balance at 1 July 2016	1,372,954	(859,377)	513,577
Total comprehensive income for the year	-	13,944	13,944
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 2017	1,372,954	(845,433)	527,521

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Cash Flow for year ending 30 June 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		669,651	545,393
Payments to suppliers and employees		(637,851)	(558,137)
Interest received		-	410
Interest paid		(218)	(113)
Net cash provided by/(used in) operating activities	16	31,582	(12,447)
Cash flows from investing activities			
Payment for Property Plant & Equipment		(990)	-
Payments for intangible assets		(11,375)	-
Net cash used in investing activities		(12,365)	-
Net increase/(decrease) in cash held		19,217	(12,447)
Cash and cash equivalents at the beginning of the financial year		1,484	13,931
Cash and cash equivalents at the end of the financial year	7(a)	20,701	1,484

The accompanying notes form part of these financial statements

Notes to the financial statements

for the year ended 30 June 2017

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.

Application of new and amended accounting standards

There are a number of amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2016, and are therefore relevant for the current financial year.

None of these amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

There are also a number of accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that become effective in future accounting periods.

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2016. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

Only AASB 16 Leases, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. This revised standard will require the branch lease to be capitalised.

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.

Notes to the financial statements (continued)

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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.

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

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 and assistance in relation to:

- 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
- 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 benefits 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 provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Notes to the financial statements (continued)

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Core banking products

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days' notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

Margin

Margin is arrived at through the following calculation:

- Interest paid by customers on loans less interest paid to customers on deposits
- *plus* any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,
- *minus* any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Margin is paid on all core banking products. A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin.

The company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products.

Fee income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo and Adelaide Bank Limited has also made discretionary financial payments to the company. These are referred to by Bendigo and Adelaide Bank Limited as a "Market Development Fund" (MDF).

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and donations. It is for the board to decide how to use the MDF.

The payments from Bendigo and Adelaide Bank Limited are discretionary and Bendigo and Adelaide Bank Limited may change the amount or stop making them at any time.

Ability to change financial return

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

Notes to the financial statements (continued)

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return

If Bendigo and Adelaide Bank Limited makes a change to the margin or commission on core banking products and services, it must not reduce the margin and commission the company receives on core banking products and services Bendigo and Adelaide Bank Limited attributes to the company to less than 50% (on an aggregate basis) of Bendigo and Adelaide Bank Limited's margin at that time. For other products and services, there is no restriction on the change Bendigo and Adelaide Bank Limited may make.

Bendigo and Adelaide Bank Limited must give the company 30 days' notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

Monitoring and changing financial return

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank®** companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank®** model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

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.

Notes to the financial statements (continued)

for the year ended 30 June 2017

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 Profit or Loss and Other 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 are 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

Notes to the financial statements (continued)

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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) 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 Profit or Loss and Other 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.

Notes to the financial statements (continued)

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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.

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.

Notes to the financial statements (continued)

for the year ended 30 June 2017

Note 2. Financial risk management (continued)

(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.

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 where 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 2017 can be seen in the Statement of Profit or Loss and Other 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.

Notes to the financial statements (continued)

for the year ended 30 June 2017

Note 3. Critical accounting estimates and judgements (*continued*)

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. There is therefore 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 Profit or Loss and Other 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.

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.

Notes to the financial statements (continued)

for the year ended 30 June 2017

Note 4. Revenue from ordinary activities	2017	2016
	\$	\$
Operating activities:		
- gross margin	482,745	261,168
- services commissions	53,527	129,833
- fee income	64,408	59,196
- market development fund	30,000	50,000
Total revenue from operating activities	<u>630,680</u>	<u>500,197</u>
Non-operating activities:		
- interest received	-	410
- other revenue	559	1,635
Total revenue from non-operating activities	<u>559</u>	<u>2,045</u>
Total revenues from ordinary activities	<u>631,239</u>	<u>502,242</u>

Note 5. Expenses		
Depreciation of non-current assets:		
- plant and equipment	467	1,493
- leasehold improvements	6,428	6,456
- furniture and fittings	967	2,552
Amortisation of non-current assets:		
- franchise agreement	2,299	2,311
- franchise renewal fee	9,194	9,243
	<u>19,355</u>	<u>22,055</u>
Finance costs:		
- interest paid	<u>218</u>	<u>113</u>
Bad debts	<u>116</u>	<u>2,348</u>
Loss on disposal of asset	<u>-</u>	<u>12,771</u>

Notes to the financial statements (continued)

for the year ended 30 June 2017

Note 6. Income tax expense/(credit)	2017	2016
	\$	\$
The components of tax expense/(credit) comprise:		
- Future income tax benefit attributable to losses	-	(13,068)
- Recoupment of prior year tax losses	5,259	-
- Movement in deferred tax	356	3
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	11,597
- Under/(Over) provision of tax in the prior period	-	(2,052)
	<u>5,615</u>	<u>(3,520)</u>
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)	19,559	(56,858)
Prima facie tax on profit/(loss) from ordinary activities at 27.5% (2016: 28.5%)	5,378	(16,205)
Add tax effect of:		
- non-deductible expenses	237	4,727
- timing difference expenses	(356)	(1,590)
	<u>5,259</u>	<u>(13,068)</u>
Movement in deferred tax	356	3
Adjustment to deferred tax to reflect change of tax rate in future periods	-	11,597
Under/(Over) provision of income tax in the prior year	-	(2,052)
	<u>5,615</u>	<u>(3,520)</u>

Note 7. Cash and cash equivalents

Cash at bank and on hand	<u>20,701</u>	<u>1,484</u>
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The company has an approved overdraft facility of \$50,000. Interest is charged at the commercial interest rate as per agreement with the franchisor (currently 4.075%). The overdraft is secured by a fixed and floating charge over the company's assets.

Note 7.(a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

Cash at bank and on hand	<u>20,701</u>	<u>1,484</u>
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Notes to the financial statements (continued)

for the year ended 30 June 2017

Note 8. Trade and other receivables

Trade receivables	52,243	33,099
Prepayments	4,297	6,795
	<u>56,540</u>	<u>39,894</u>

Note 9. Property, plant and equipment

	2017	2016
	\$	\$
Leasehold improvements		
At cost	297,026	297,026
Less accumulated depreciation	(128,015)	(121,587)
	<u>169,011</u>	<u>175,439</u>
Plant and equipment		
At cost	69,892	68,902
Less accumulated depreciation	(63,284)	(62,817)
	<u>6,608</u>	<u>6,085</u>
Furniture and fittings		
At cost	31,583	31,583
Less accumulated depreciation	(27,690)	(26,723)
	<u>3,893</u>	<u>4,860</u>
Total written down amount	<u>179,512</u>	<u>186,384</u>
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	175,439	181,867
Less: depreciation expense	(6,428)	(6,428)
Carrying amount at end	<u>169,011</u>	<u>175,439</u>
Plant and equipment		
Carrying amount at beginning	6,085	7,606
Additions	990	-
Less: depreciation expense	(467)	(1,521)
Carrying amount at end	<u>6,608</u>	<u>6,085</u>
Furniture and fittings		
Carrying amount at beginning	4,860	20,183
Disposals	-	(12,771)
Less: depreciation expense	(967)	(2,552)
Carrying amount at end	<u>3,893</u>	<u>4,860</u>
Total written down amount	<u>179,512</u>	<u>186,384</u>

Notes to the financial statements (continued)

for the year ended 30 June 2017

Note 10. Intangible assets	2017	2016
	\$	\$
Franchise fee		
At cost	82,746	71,554
Less: accumulated amortisation	(71,927)	(69,629)
	<u>10,819</u>	<u>1,925</u>
Renewal processing fee		
At cost	130,983	86,214
Less: accumulated amortisation	(87,706)	(78,512)
	<u>43,277</u>	<u>7,702</u>
Total written down amount	<u>54,096</u>	<u>9,627</u>

Note 11. Tax

Non-Current:

Deferred tax assets		
- accruals	743	674
- employee provisions	3,500	2,470
- tax losses carried forward	310,160	315,419
	<u>314,403</u>	<u>318,563</u>
Deferred tax liability		
- property, plant and equipment	1,132	323
	<u>1,132</u>	<u>323</u>
Net deferred tax asset	<u>313,271</u>	<u>318,886</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>5,615</u>	<u>(3,520)</u>

Note 12. Trade and other payables

Current:

Trade creditors	27,557	9,407
Other creditors and accruals	18,776	24,307
	<u>46,333</u>	<u>33,714</u>

Non-Current:

Other creditors and accruals	<u>37,539</u>	<u>-</u>
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Notes to the financial statements (continued)

for the year ended 30 June 2017

Note 13. Provisions	2017	2016
	\$	\$
Current:		
Provision for annual leave	<u>11,680</u>	<u>8,510</u>
Non-Current:		
Provision for long service leave	<u>1,047</u>	<u>474</u>
<hr/>		
Note 14. Contributed equity		
1,286,098 ordinary shares fully paid (2016: 1,286,098)	1,419,343	1,419,343
Less: equity raising expenses	(46,389)	(46,389)
	<u>1,372,954</u>	<u>1,372,954</u>

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).

(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 2001*.

Notes to the financial statements (continued)

for the year ended 30 June 2017

Note 14. Contributed equity (continued)

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.

Prohibited shareholding interest (continued)

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.

Note 15. Accumulated losses	2017	2016
	\$	\$
Balance at the beginning of the financial year	(859,377)	(806,039)
Net profit/(loss) from ordinary activities after income tax	13,944	(53,338)
Balance at the end of the financial year	<u>(845,433)</u>	<u>(859,377)</u>

Note 16. Statement of cash flows

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	13,944	(53,338)
Non cash items:		
- depreciation	7,862	10,501
- amortisation	11,493	11,554
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(16,646)	(5,867)
- (increase)/decrease in other assets	5,615	(3,520)
- increase/(decrease) in payables	5,571	29,405
- increase/(decrease) in provisions	3,743	(1,182)
Net cash flows provided by/(used in) operating activities	<u>31,582</u>	<u>(12,447)</u>

Notes to the financial statements (continued)

for the year ended 30 June 2017

Note 17. Leases	2017	2016
	\$	\$
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	38,489	38,489
- between 12 months and 5 years	38,489	76,979
	<u>76,978</u>	<u>115,468</u>

The property lease is a non-cancellable lease with a five-year term that commenced on 1 July 2014.

Note 18. Auditor's remuneration

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

- audit and review services	5,300	5,100
- share registry services	1,885	1,800
- other non audit services	2,500	2,585
	<u>9,685</u>	<u>9,485</u>

Note 19. Director and related party disclosures

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

Ian Stanley Albertson
 Peter Campbell Pengilley
 Allan Frederick Petersen
 Ross Lindsay Dickson
 Nella Hall (*Appointed 22 November 2016*)
 Alice Christina Mantel (*Appointed 22 November 2016*)
 Geoffrey John Harper (*Appointed 22 November 2016*)
 Christopher George Pursehouse (*Resigned 22 August 2017*)

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

Directors Shareholdings	2017	2016
Ian Stanley Albertson	1,000	1,000
Peter Campbell Pengilley	-	-
Allan Frederick Petersen	-	-
Ross Lindsay Dickson	-	-
Nella Hall (<i>Appointed 22 November 2016</i>)	-	-
Alice Christina Mantel (<i>Appointed 22 November 2016</i>)	-	-
Geoffrey John Harper (<i>Appointed 22 November 2016</i>)	-	-
Christopher George Pursehouse (<i>Resigned 22 August 2017</i>)	-	-

There was no movement in directors shareholdings during the year.

Notes to the financial statements (continued)

for the year ended 30 June 2017

Note 20. Key management personnel disclosures

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

Note 21. Earnings per share	2017	2016
	\$	\$
(a) Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	13,944	(53,338)
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,286,098	1,286,098

Note 22. Events occurring after the reporting date

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

Note 23. Contingent liabilities and contingent assets

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

Note 24. 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 25. 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
27 Rochester Street
Homebush NSW 2140

Principal Place of Business
27 Rochester Street
Homebush NSW 2140

Notes to the financial statements (continued)

for the year ended 30 June 2017

Note 26. Financial instruments

Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	20,701	1,484	-	-	-	-	-	-	-	-	Nil	Nil
Receivables	-	-	-	-	-	-	-	-	52,243	33,090	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	27,557	9,407	N/A	N/A

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

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

As at 30 June 2017, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2017	2016
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	207	15
Decrease in interest rate by 1%	207	(15)
Change in equity		
Increase in interest rate by 1%	207	15
Decrease in interest rate by 1%	207	(15)

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 2017 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.



Ian Stanley Albertson, Chairman

Signed on the 26th of September 2017.



Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afs Bendigo.com.au

Independent auditor's report to the members of Homebush Financial Services Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of Homebush Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards.

What we have audited

Homebush Financial Services Limited's (the company) financial report comprises the:

- ✓ Statement of profit or loss and other comprehensive income
- ✓ Balance sheet
- ✓ Statement of changes in equity
- ✓ Statement of cash flows
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ The directors' declaration of the entity.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other information

The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

Independent audit report (continued)

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

Directors' responsibility for the financial report

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

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/home.aspx>. This description forms part of our auditor's report.



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 26 September 2017



David Hutchings
Lead Auditor

Homebush Branch Team



Claudia Lucchitti
Customer Relationship Officer



Rebecca Robertson
Customer Relationship Manager



Belinda English,
Branch Manager



Hemant Sarswat
Customer Service Officer



Radwa Mitra
Customer Service Officer

The HFSL Board

Ian Albertson
Chairman



Peter Pengilly
Treasurer



Ross Dickson
Company Secretary



Allan Petersen
Chairman
CE Committee



Alice Mantel
Director
CE Committee



Geoff Harper
Director



Nella Hall
Director



Chris Pursehouse
(State Community Strengthening Manager NSW/ACT) is Bendigo Bank's representative on the HFSL Board.

Marlene Doran OAM
Ambassador for Homebush Community Bank® Branch



