Annual Report 2020

Homebush Financial Services Limited

ABN 55 097 923 807

Homebush **Community Bank** Branch

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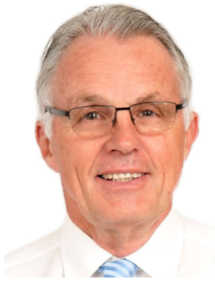
Chairman's Report



For the year ending 30 June 2020

Dear shareholders,

I am pleased to provide you with the 2019/20 Chairman's Report for Homebush Financial Services Pty Ltd.

The impact of the Covid19 pandemic at a personal level is not anything we could have foreseen. For business it also has been a roller coaster ride. As an essential service, our focus has been on keeping our doors open while understanding and responding to our customers' needs in an environment that in the early stages was changing daily.

I wrote to shareholders twice throughout the year, keeping you updated on, not only how the business was tracking but how the business was responding to the factors impacting the business through this period of uncertainty.

While I will shortly report on our continuing pleasing trading result, I want to highlight the reason that Homebush Community Bank has succeeded in achieving another strong and profitable year.

Our small team at Homebush supported by Bendigo Bank has been able deliver quality service, secure new business, retain and support Homebush Community Bank clients at levels not experienced by our business in our 18 year history. I know this because our customers have responded, not once or twice but on multiple occasions on the positive experience they have had in dealing with your Homebush Community Bank team.

Our Branch Manager, **Kavitha Sankaran** who only joined us in November 2019 and her branch team and **Yang Gao**, our Senior Mobile Relationship Manager are setting the standards on nearly every performance metric that our sister Community Banks and Bendigo Bank itself are chasing across the Bendigo Bank Group.

These results have come from a commitment to listening to the customer, understanding what the customer wants and being accountable for the delivery of a solution and service to the customer. All this has been achieved while delivering a fully Covid-19 compliant and safe workplace and branch. I cannot impress on you how fortunate we are to have this team in these times.

So, early in this report let me acknowledge **Yang**, **Kavitha** and her team, **Hemant Sarswat** and **Sabrina Han** supported by **Radwa Mitra** for what they have achieved and delivered especially in the second half of 2019/20.

Our business is also supported by a large resource network from Bendigo Bank led in 2019/20 by **Amanda Mahon-Paul** who, although new to the Bendigo Bank network herself, has been an advocate for our business. Amanda has worked closely with Kavitha especially in those early months to support her Bendigo orientation. Thanks to Amanda for being an important contributor to our success.

I have said this before; get your family and friends to experience the Homebush Community Bank service, they will not be disappointed.

As to our results in these unprecedented times, Homebush Community Bank is pleased to report a profit of $133,681 before tax ($100,754 after tax). The result is a pleasing 13.5% increase on the previous year's pre-tax result and importantly we carry a strong business momentum into the 2021 Financial Year which allows us to have a guarded optimism as we look to the next 12 months.

While the business trading results are important indicators of our success, it is worth talking a little about the company's balance sheet because this in many ways presents the financial future for Homebush Community Bank.

As at the 30 June 2020 our net asset position had improved to $807,257. Our business footings, which are the loans and deposits on which we earn revenue grew 23.5% year on year to $133.3 million. We now have cash reserves of $410,255 a far cry from the overdraft we carried only 4 years ago.

You could argue that the cash reserves include monies we should have invested in our community. This is true at least as far as a proportion of those cash reserves. However, it was important once the business started generating profits that we created some balance sheet strength that insulated the business against unforeseen events.

The community support which is a primary focus of your Company was also challenged in 2019/20. We advised last year that once your Board was confident of delivering consistent profits, it intended taking a more strategic and impactful approach to our community investment. While we anticipated that we would continue to provide donations to local community events and causes, Covid-19 saw many of these events delayed or even cancelled.

The more impactful Homebush Community Bank sponsorships did not materialise as planned although we are well progressed on a request sponsored by Strathfield Council and the Homebush Chamber of Commerce to install an ATM in the Homebush West Town Centre to support local businesses and the community. This is consistent with the original charter of Homebush Community Bank to extend banking services to the Homebush community.

While we expect to support community events and causes as they arise in calendar 2021, your Board continues to search for innovative projects which bring positive benefits to the lives of the people in our community. We are confident that by this time next year we will have reactivated the support for events and causes that have been the hallmark of Homebush Community Bank's sponsorship and donation program. We are also confident that we will have progressed at least one significant sponsorship that recognizes and meets community needs. All this, clearly with the caveat that some normality has returned to our lives in 2021.

In highlighting what has underpinned our success in 2019/20, we are also conscious that we need to plan for a changed future banking environment. While we do not intend to deviate from what is currently a successful formula, we know that the post pandemic business and banking market will be different and we must be ready to meet that challenge.

At the Board level we have adapted and transitioned from face to face meetings to online meetings with restricted engagement with our staff. This has demanded a flexible approach by your Directors **Alice Mantel** (Co Sec), **Michael Brewer** (Treasurer), **Belinda Dimovski**, **David Chen**, **James Tran** and **Alana Pendrick** who are your independent Directors and **David Pascuzzo**, Bendigo nominee Director. Bringing new thoughts and skills to the Board has been an important contributor in building the strategy that has seen us deliver nearly $500,000 in profit in the last 4 years.

We now have the opportunity to introduce further skills to the Board as your Community Bank addresses post-Covid-19 life and capitalises on recent successes as Alice, Belinda, David and myself move on after collectively 15 years on the Homebush Community Bank Board.

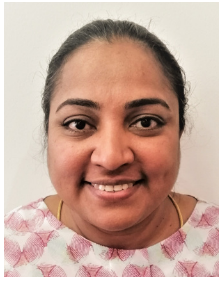
As I have stated in the past two years' Annual Reports, the Company Board is committed to being successful through the business of helping customers, families and businesses achieve their financial goals. Our progress in building a quality team working cohesively is delivering results. Our goal now is to maintain the momentum and capitalise on opportunities.

Despite the social and economic challenges in the second half of 2019/20 we have continued to enhance Homebush Community Bank's strengths and focus on customer service and the customer experience. As I stated last year, success can only be delivered with hard work, clear strategy and goals. I believe the business remains well placed to deliver positive financial performance and continues to develop its community engagement.

We thank you for your ongoing support.

Geoff Harper
Chair

Branch Manager's Report



I am delighted to present this report to you tabling highlights from various aspects of our business throughout this year.
Despite the impact of the Covid-19 pandemic which has affected both our personal and commercial lives, Homebush Community Bank branch had a successful financial year in FY20 and has delivered some great results including a total business growth of $27.66m.

I joined the branch as the Branch Manager in November 2019, having had 19 years' experience in the retail banking industry. My most recent role before Bendigo was as the Branch Manager for National Australia Bank's Bankstown branch.

Any new role comes with lots of learning opportunities. I would like to thank my Board of Directors and Regional Manager, Amanda Mahon -Paul for their support in learning about branch operations and focusing on providing a great service to our community.

Business:

We had solid growth in a number of product lines this year:

- Home loans grew by $17.89m
- Deposits have increased by $9.77m
- Branch footings grew by $27.66m, 15% more than the yearly target.
- There were 419 new accounts acquired. However, as we were required to comply with audit requirements to close inactive zero balance accounts, we also lost 428 dormant accounts resulting in no overall increase in customer numbers.
- Managed a great retention rate of our home loan customers with proactive follow-ups.
- Branch staff have been actively monitoring fraud patterns and have closed around 50 accounts that would have presented a risk to our branch.

Our dedication to personalised customer service and community engagement are the difference in achieving great customer satisfaction and business growth. Our customers really appreciate being able to have face-to-face banking services in a convenient location with a team of friendly faces they have come to know. The Community Bank concept ensures that we can run a profitable business and provide banking services which not only benefit our shareholders, but the community at large.

First Home Buyers:

We have assisted many customers to achieve their dream of purchasing their first home with a Government guaranteed loan. This scheme has created a lot of customer inquiries and resulted in more business opportunities for the Bendigo brand locally.

Professional package:

I am very proud to share that our Branch is trialling a special pilot program of lending up to 90% to professionals (accountants, IT / software programmers, engineers, medical professionals) with no Loan Mortgage Insurance. This package has received a huge response from young professional and creating a chain of referrals and opportunities to Yang Gao, who is the only authorised Senior Mobile Relationship Manager to test the program in NSW.

Our response to Covid19:

Like all Australian businesses, the Homebush Community Bank has been challenged by the Covid-19 outbreak in the last quarter of the financial year. We remained open for business by maintaining a safe and hygienic space for customers and staff. We put in place measures to limit customer numbers and adhered to a thorough cleaning regime based on government regulations and best practice.

One impact of Covid19 was reduced face-to-face customer interactions. As a result, we reduced operating hours and closed the branch on Saturdays to ensure we could provide an uninterrupted service Monday to Friday.

We have connected with our customers over the phone to understand their financial needs and assisted many customers with a temporary freeze of their mortgage repayments and waived some of their banking fees. Customer appreciated our support and care during this pandemic which was extremely gratifying and differentiates HFSL from other financial institutions.

Staff:

Our HFSL Senior Mobile Relationship Manager, Yang Gao, once again, delivered great business results with a home loan book increase of over $17m this year. Our branch has received numerous customer compliments for his fast turnaround and exceptional customer service.

One of our Customer Service Officers has had to take extended time-off due to health concerns. Thanks to the support from remaining staff members, we were able to support Branch Operations with the remaining staff and relief support from Bendigo.
Both Hemant Sarswat and Sabrina Han have delivered excellent outcomes to our business and have been supporting the ongoing efficient operation of the Branch especially during the last quarter with one less staff member.

Staff health and wellbeing was given priority during this pandemic and we have held fortnightly check-ins with our team to upskill them to ensure they could continue to give the best and safest banking service to our community.

Community support:

Over the past year, the Covid-19 outbreak heavily restricted our community engagement. We were still able to share our success and support Homebush Public School by sponsoring their annual awards to students. Students with high achievement from each class and overall achievement received gift vouchers and memorabilia.

Thanks to your ongoing support in these difficult times, your Community Bank branch has continued to grow and flourish. We are cautiously optimistic that our frontline service will continue to improve in the coming year and are confident that our community and customers will be able to share in our future prosperity.
Thank you.

Kavitha Sankaran

Bendigo and Adelaide Bank report

For year ending 30 June 2020

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

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

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

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

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

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

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

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

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

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

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

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

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

Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Homebush Financial Services Limited
Directors' Report

The directors present their financial statements of the company for the financial year ended 30 June 2020.

Directors

The directors of the company who held office during or since the end of the financial year are:

Geoffrey John Harper
Chairman
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 share interest held

Alice Christina Mantel
Non-executive director
Occupation: Lawyer
Qualifications, experience and expertise: Alice brings over 30 years experience as a lawyer to the board, having worked in the government, private and not for-profit sectors. Having recently retired, Alice stays up to date with changes in family law as a writer for a legal publisher.
Special responsibilities: Community Engagement Committee
Interest in shares: nil share interest held

Belinda Dimovski
Non-executive director
Occupation: Director Engagement and Support- Australian Red Cross
Qualifications, experience and expertise: Belinda is currently the Director of Engagement and Support at Australian Red Cross, responsible for the fundraising and marketing, retail sales and First Aid portfolios along with customer experience, digital products and content. Belinda spent the previous ten years with Weight Watches ANZ leading the operations and customer experience function ensuring the effective delivery of Weight Watches health services to over 1000 communities and 100,000 consumers each year across ANZ and international lead for the global organisations on a variety of projects. Belinda has extensive experience across multiple industries; telecommunications, pharmaceutical and pharmacy, warehouse and logistics, retail, health and wellness and Not-For-Profit. Her qualifications cover multiple disciplines including mathematics and operations (UTS), leadership and marketing (MGSM), digital products (IMD) as well as Directors Institute. Belinda is currently a Co-Chair of CX Collective, on the judging panel of both the CX and ADMA awards and a member of Customer Experience Professionals Association. She is a governance sub-committee member of the Society of Women Leaders and Company Director of OBS Capital. Feel free to check out her LinkedIn profile - linkedin.com/in/belindadimovski
Special responsibilities: Nil
Interest in shares: nil share interest held

Alana Pendrick
Non-executive director (appointed 24 September 2019)
Occupation: Training Manager
Qualifications, experience and expertise: Alana Pendrick commenced as a non-executive Director with Homebush Community Bank in 2019 and in March this year was appointed as the State and National Marketing Committee representative. She works for TAFE NSW as a Training Manager in the Skills Exchange providing the training solutions to North Connex, West Connex, Sydney Metro and Western Sydney Airport. Previously, she was in business development and has extensive marketing, human resources and financial management experience. She has recently completed her MBA through La Trobe University and participated in overseas study tours with the Victorian Government to China and Malaysia.
Special responsibilities: Marketing Committee
Interest in shares: nil share interest held

Directors *(continued)*

Daniel Pascuzzo
Non-executive director (appointed 24 September 2019)
Occupation: Future Network
Qualifications, experience and expertise: Daniel has recently completed a Master of Human Resource Management and Bachelor of Science. He is currently employed at Bendigo & Adelaide Bank within their Future Network Division, bringing to the company a wealth of experience in Sales, Ecommerce and Human Resource Management. His role at the bank provides unique insight into the company's operations and strategic direction, in particular the Branch network.
Special responsibilities: Human Resources Committee and Community Engagement Committee.
Interest in shares: nil share interest held

James Tran GAICD
Non-executive director (appointed 24 September 2019)
Occupation: Senior Executive
Qualifications, experience and expertise: James is currently a Senior Executive in the Strategic Sourcing and Procurement team at United Overseas Bank in Singapore. James joined the Board in 2019 and at the time was the Head of Business Services at Healthdirect Australia, responsible for the Strategic Sourcing, Corporate IT, Analytics and Reporting, Portfolio Management and General Counsel teams. Prior to this, James spent 15 years at American Express, working within Australia and across Asia Pacific. James has a passion for community development and was one of the co-founders of Mosaic Mentoring at ARC at UNSW.
Special responsibilities: Community Engagement Committee.
Interest in shares: nil share interest held

Michael Andrew Brewer GAICD
Non-executive director (appointed 28 January 2020)
Occupation: Chief Financial Officer
Qualifications, experience and expertise: Michael brings over 25 years' experience in senior finance roles to the board, having worked in multi-national organisations, government, not for profit organisations and private companies. He has also worked in prestigious sporting venue organisations such as Sydney Cricket and Sports Ground Trust and Eastern Creek Raceway. Michael brings a wealth of financial and commercial experience to the board and holds a Bachelor of Business degree in accounting, a Master's degree in economics and is a graduate of the Australian institute of Company Directors. Michael is currently CFO of Healthdirect Australia, a not for profit organisation that provides telephony and digital health services free to the public, including the National Coronavirus Helpline.
Special responsibilities: Treasurer
Interest in shares: nil share interest held

David Chenu
Non-executive director (resigned 6 August 2020)
Occupation: Marketing Consultant
Qualifications, experience and expertise: David is a Non-Executive Director and Strategic Management Consultant with over twenty years of marketing management and board level experience across the public and commercial sectors with particular experience in the food, health, wellbeing, primary production and FMCG industries. At board level a highlight includes being a Non Executive Director with several NFP companies. He has also been member of several Board promotional sub-committees in the agri food sector. In an executive capacity he has been a Strategic Management Consultant with DC&A Marketing Consultancy where he develops marketing and brand strategies for a range of companies in the food, health & wellbeing and FMCG sectors, including Horticulture Innovation Australia, Sanitarium Health & Wellbeing, Central Markets, MacKay Bananas, ASCA, TCC Global and Aldi retail stores. Prior to this he was the General Marketing Manager for Horticulture Australia. David has a Bachelor of Arts, majoring in Economics and has completed the Mount Eliza Business School Produce Executive Program and is a Graduate of the Australian Institute of Company Directors. David started his career in food, working as a chef at the renowned restaurant Berowra Waters Inn with Tony and Gay Bilson. This passion for excellence provided him with a solid foundation for his business career. He is currently the owner and director of a strategic marketing and executive coaching consultancy - David Chenu & Associates.
Special responsibilities: Marketing Committee
Interest in shares: nil share interest held

Directors *(continued)*

Nella Hall
Non-executive director (resigned 12 November 2019)
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 share interest held

Wayne Joseph Simpson
Non-executive director (resigned 12 November 2019)
Occupation: Senior Manager (Bendigo Bank)
Qualifications, experience and expertise: MAICD with over 30 years experience in financial industry last 14 years with Bendigo Bank. Roles covered Retail Regional & State Management, Chief Operating Officer Delphi Bank and a number of National roles. Commercial experience as owner operator of small consulting business & wholesale/retail bakery & General Manager of IT R&D software & hardware company. Past not-for-profit & community bank secretaries.
Special responsibilities: Nil
Interest in shares: nil share interest held

Karen Elizabeth Walsh
Non-executive director (resigned 12 November 2019)
Occupation: CEO, Shelter NSW
Qualifications, experience and expertise: Karen Walsh is a graduate of the Australian Institute of Company Directors, with over 13 years continuous experience in Director roles in not for profit and public companies. Karen holds two Masters Degrees in Public Administration and Social Policy and her career spans 24 years in Australia and the UK in strategy, Public Policy and human services reform. Karen was previously a Director with Sydney Maritime Museum and is now currently a CEO of Shelter NSW and a Director on several not for profit boards.
Special responsibilities: Nil
Interest in shares: nil share interest held

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

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

Company Secretary

The company secretary is Alice Mantel. Alice was appointed to the position of secretary on 28 November 2017.

Qualifications, experience and expertise: Alice brings over 30 years broad experience as a lawyer to the board, having worked in the government, private and not for-profit sectors. Alice currently manages her own legal practise, servicing mainly older clients and consequently she is very familiar with the challenges of running a small business. As a local resident, she is currently a community representative on the Yaralla Estate Committee in Concord.

Principal activity

The principal activity of the company during the financial year was facilitating Community Bank services under management rights of Bendigo and Adelaide Bank Limited (Bendigo Bank).

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

Operating results

The profit of the company for the financial year after provision for income tax was:

	Year ended 30 June 2020 $	Year ended 30 June 2019 $
	100,754	85,306

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Geoffrey John Harper	-	-	-
Alice Christina Mantel	-	-	-
David Chenu	-	-	-
Belinda Dimovski	-	-	-
Alana Pendrick	-	-	-
Daniel Pascuzzo	-	-	-
James Tran GAICD	-	-	-
Michael Andrew Brewer GAICD	-	-	-
Nella Hall	-	-	-
Wayne Joseph Simpson	-	-	-
Karen Elizabeth Walsh	-	-	-

No debentures or rights have been granted or options over such instruments in previous financial years or during the current financial year.

Dividends

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

New Accounting Standards implemented

The company has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: Leases (AASB 16) has been applied retrospectively without restatement of comparatives. The company has elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition as allowed under the transition provisions. As a result, there was no impact on retained earnings. The comparative information has not been restated and continues to be reported under AASB 117: Leases. See note 4 for further details.

Significant changes in the state of affairs

During the financial year, the Australian economy was greatly impacted by COVID-19. Bendigo Bank, as franchisor, announced a suite of measures aimed at providing relief to customers affected by the COVID-19 pandemic. The relief support and uncertain economic conditions has not materially impacted the company's earnings for the financial year. As the pandemic continues to affect the economic environment, uncertainty remains on the future impact of COVID 19 to the company’s operations.

In the opinion of the directors there were no other 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 (including meetings of committees of directors) attended by each of the directors of the company during the financial year were:

	Board Meetings Attended	
	E	*A*
Geoffrey John Harper	13	12
Alice Christina Mantel	13	12
David Chenu	13	12
Belinda Dimovski	13	10
Alana Pendrick	11	10
Daniel Pascuzzo	11	10
James Tran GAICD	11	11
Michael Andrew Brewer GAICD	7	6
Nella Hall	5	2
Wayne Joseph Simpson	5	1
Karen Elizabeth Walsh	5	2

E - eligible to attend
A - number attended

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 note 27 to the accounts.

The board of directors has considered the non-audit services provided during the year by the auditor and, is satisfied that the provision of the non-audit services is compatible with, and 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, integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants,* as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks 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 7.

Signed in accordance with a resolution of the directors at Homebush, New South Wales.

Geoffrey John Harper, Chair

Dated this 31st day of August 2020

Partners in success
Chartered Accountants
61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Homebush Financial Services Ltd

As lead auditor for the audit of Homebush Financial Services Ltd for the year ended 30 June 2020, 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: 31 August 2020

Joshua Griffin
Lead Auditor

Homebush Financial Services Limited
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2020

	Notes	2020 $	2019 $
Revenue from contracts with customers	8	743,518	733,541
Other revenue	9	83,410	25,000
Finance income	10	2,742	1,693
Employee benefit expenses	11d)	(445,408)	(412,911)
Charitable donations, sponsorship, advertising and promotion		(2,055)	(25,134)
Occupancy and associated costs		(24,775)	(71,733)
Systems costs		(31,300)	(32,013)
Depreciation and amortisation expense	11a)	(65,674)	(19,033)
Finance costs	11b)	(12,619)	-
General administration expenses		(114,158)	(81,686)
Profit before income tax expense		133,681	117,724
Income tax expense	12a)	(32,927)	(32,418)
Profit after income tax expense		100,754	85,306
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		100,754	85,306
Earnings per share		¢	¢
- Basic and diluted earnings per share:	29a)	7.83	6.63

The accompanying notes form part of these financial statements

Homebush Financial Services Limited
Statement of Financial Position
as at 30 June 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	13a)	410,255	285,398
Trade and other receivables	14a)	76,438	55,218
Total current assets		486,693	340,616
Non-current assets			
Property, plant and equipment	15a)	157,527	165,483
Right-of-use assets	16a)	232,628	-
Intangible assets	17a)	20,519	31,711
Deferred tax asset	18a)	211,945	244,872
Total non-current assets		622,619	442,066
Total assets		1,109,312	782,682
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	28,879	43,073
Lease liabilities	20b)	38,559	-
Employee benefits	22a)	29,159	20,113
Total current liabilities		96,597	63,186
Non-current liabilities			
Trade and other payables	19b)	-	12,513
Lease liabilities	20c)	186,151	-
Employee benefits	22b)	3,558	480
Provisions	21a)	15,749	-
Total non-current liabilities		205,458	12,993
Total liabilities		302,055	76,179
Net assets		807,257	706,503
EQUITY			
Issued capital	23a)	1,372,954	1,372,954
Accumulated losses	24	(565,697)	(666,451)
Total equity		807,257	706,503

The accompanying notes form part of these financial statements

Homebush Financial Services Limited
Statement of Changes in Equity
for the year ended 30 June 2020

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2018	1,372,954	(751,757)	621,197
Total comprehensive income for the year	-	85,306	85,306
Balance at 30 June 2019	**1,372,954**	**(666,451)**	**706,503**
Balance at 1 July 2019	1,372,954	(666,451)	706,503
Total comprehensive income for the year	-	100,754	100,754
Balance at 30 June 2020	**1,372,954**	**(565,697)**	**807,257**

The accompanying notes form part of these financial statements

Homebush Financial Services Limited
Statement of Cash Flows
for the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		881,322	845,785
Payments to suppliers and employees		(682,711)	(698,663)
Interest received		2,742	1,693
Interest paid		(2)	-
Lease payments (interest component)	11b)	(11,882)	-
Lease payments not included in the measurement of lease liabilities	11e)	(13,804)	-
Net cash provided by operating activities	25	**175,665**	**148,815**
Cash flows from investing activities			
Payments for property, plant and equipment		-	(1,625)
Payments for intangible assets		(11,376)	(11,375)
Net cash used in investing activities		**(11,376)**	**(13,000)**
Cash flows from financing activities			
Lease payments (principal component)	20a)	(39,432)	-
Net cash used in financing activities		**(39,432)**	**-**
Net cash increase in cash held		**124,857**	**135,815**
Cash and cash equivalents at the beginning of the financial year		285,398	149,583
Cash and cash equivalents at the end of the financial year	13a)	**410,255**	**285,398**

The accompanying notes form part of these financial statements

Note 1 Reporting entity

This is the financial report for Homebush Financial Services Limited (the company). The company is a for profit entity limited by shares, and incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
27 Rochester Street Homebush NSW 2140	27 Rochester Street Homebush NSW 2140

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 28.

Note 2 Basis of preparation and statement of compliance

Basis of preparation and statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001.* The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The financial statements have been prepared on an accrual and historical cost basis, except for certain properties, financial instruments, and equity financial assets that are measured at revalued amounts or fair values at the end of each reporting period.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 31 August 2020.

Note 3 Changes in accounting policies, standards and interpretations

The company initially applied AASB 16 *Leases* from 1 July 2019. AASB Interpretation 23 *Uncertainty over Income Tax Treatments* is also effective from 1 July 2019 but is not expected to have a material impact on the company's financial statements. The company's existing policy for uncertain income tax treatments is consistent with the requirements in Interpretation 23.

The company has implemented a new Accounting Standard which has come into effect and is included in the results. AASB 16: Leases (AASB 16) has been applied retrospectively without restatement of comparatives. The company has elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition as allowed under the transition provisions. As a result, there was no impact on retained earnings. The comparative information has not been restated and continues to be reported under AASB 117: Leases.

a) Definition of a lease

Previously, the company determined at contract inception whether an arrangement was or contained a lease under Interpretation 4 *Determining whether an Arrangement contains a Lease.* The company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4m.

On transition to AASB 16, the company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The company applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed for whether there is a lease under AASB 16. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

Note 3 Changes in accounting policies, standards and interpretations *(continued)*

b) As a lessee

As a lessee, the company leases many assets including property, motor vehicles, office equipment and IT equipment. The company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to the ownership of the underlying asset to the company. Under AASB 16, the company recognises right-of-use assets and lease liabilities for most of these leases (i.e. these leases are on balance sheet).

Leases classified as operating leases under AASB 117

Previously, the company classified property, office equipment, and IT equipment leases as operating leases under AASB 117. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the company's incremental borrowing rate as at 1 July 2019.

Right-of-use assets are measured at either:

- their carrying amount as if AASB 16 had been applied since the lease commencement date, discounted using the company's incremental borrowing rate at the date of initial application: the company applied this approach to its property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments; the company applied this approach to all other leases.

The company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The company has used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. The practical expedients include:

- did not recognise right-of-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. office equipment and IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term on contracts that have options to extend or terminate.

c) As a lessor

The company is not a party in an arrangement where it is a lessor. The company is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor.

Note 3 Changes in accounting policies, standards and interpretations *(continued)*

d) Impact on financial statements

On transition to AASB 16, the company recognised additional right-of-use assets, and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

Impact on equity presented as increase (decrease)	Note	1 July 2019 $
Asset		
Right-of-use assets - land and buildings	16b)	279,154
Liability		
Lease liabilities	20a)	(264,142)
Provision for make-good	21b)	(15,012)
Equity		
Accumulated losses		-

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 4.79%.

Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	148,258
Add: additional options now expected to be exercised	144,250
Add: variable market review / index based increase	13,186
Less: present value discounting	(41,552)
Lease liability as at 1 July 2019	264,142

Note 4 Summary of significant accounting policies

The company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise (see also Note 3).

a) Revenue from contracts with customers

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

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

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

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

All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo Bank 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.

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 Bank for a deposit,
- *minus* any costs of funds i.e. interest applied by to fund a loan.

The company is entitled to a share of the margin earned by Bendigo Bank. If this reflects a loss, the company incurs a share of that

Commission

Commission revenue is in the form of commission generated for products and services sold. This commission is recognised at a point in time which reflects when the company has fulfilled its performance obligation.

The company receives trailing commission for products and services sold. Ongoing trailing commission payments are recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission income is outside the control of the company, and is a significant judgement area.

Note 4 Summary of significant accounting policies *(continued)*

a) Revenue from contracts with customers *(continued)*

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.

Core banking products

Bendigo Bank has identified some 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.

Ability to change financial return

Under the franchise agreement, Bendigo Bank 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 Bank 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.

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

b) Other revenue

The company's activities include the generation of income from sources other than the core products under the franchise agreement. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured.

Revenue	Revenue recognition policy
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

All revenue is stated net of the amount of Goods and Services Tax (GST).

Note 4 Summary of significant accounting policies *(continued)*

b) Other revenue *(continued)*

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo Bank has also made MDF payments to the company.

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 grants. It is for the board to decide how to use the MDF.

The payments from Bendigo Bank are discretionary and may change the amount or stop making them at any time. The company retains control over the funds, the funds are not refundable to Bendigo Bank.

Cash flow boost

During the financial year, in response to the COVID-19 outbreak, *Boosting Cash Flow for Employers (Coronavirus Economic Response Package) Act 2020* (CFB Act) was enacted. The purpose was to provide temporary cash flow to small and medium businesses that employ staff and have been affected by the economic downturn associated with COVID-19.

The amounts received or receivable is in relation to amounts withheld as withholding tax reported in the activity statement. This essentially subsidises the company's obligation to remit withholding tax to the Australian Taxation Office. For reporting purposes, the amounts subsidised are recognised as revenue.

The amounts are not assessable for tax purposes and there is no obligation to repay the amounts when the cash flow of the company improves.

c) Economic dependency - Bendigo Bank

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank.

The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry.

The company operates as a franchise of Bendigo Bank, using the name “Bendigo Bank” and the logo and system of operations of Bendigo Bank. The company manages the Community Bank on behalf of Bendigo Bank, however all transactions with customers conducted through the Community Bank are effectively conducted between the customers and Bendigo Bank.

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, 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 Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

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 Bank 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.

Note 4 Summary of significant accounting policies *(continued)*

c) Economic dependency - Bendigo Bank *(continued)*

Bendigo Bank provides significant assistance in establishing and maintaining the Community Bank 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:

- the design, layout and fit out of the Community Bank premises
- 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.

d) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages (including non-monetary benefits), annual leave, and sick leave which are expected to be wholly settled within 12 months of the reporting date. They are measured at amounts expected to be paid when the liabilities are settled, plus related on-costs. Expenses for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

An annual leave liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

Defined superannuation contribution plans

The company contributes to a defined contribution plan. Obligations for superannuation contributions to defined contribution plans are expensed as the related service is provided.

Contributions to a defined contribution plan are expected to be settled wholly before 12 months after the end of the financial year in which the employees render the related service.

Other long-term employee benefits

The company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods.

That benefit is discounted to determine its present value. Consideration is given to expected future wage and salary levels plus related on-costs, experience of employee departures, and years of service achieved. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimate future cash outflows.

Remeasurements are recognised in profit or loss in the period in which they arise.

Note 4 Summary of significant accounting policies *(continued)*

e) Taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

The company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore recognises them under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets.*

Current income tax

Current tax assets and liabilities are measured at amounts expected to be recovered from or paid to the taxation authorities. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for all deductible temporary differences, carried-forward tax losses, and unused tax credits to the extent that it is probable that future taxable profits will be available against which they can be used.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

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 entity intends to settle its tax assets and liabilities on a net basis.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except:

- when the amount of GST incurred on a sale or purchase of assets or services is not payable to or 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 revenue or expense item.
- when 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 statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Note 4 Summary of significant accounting policies *(continued)*

f) Cash and cash equivalents

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise: cash on hand, deposits held with banks, and short-term, highly liquid investments (mainly money market funds) that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

g) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost or fair value as applicable, which includes capitalised borrowings costs, less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the company.

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line or diminishing value method over their estimated useful lives, and is recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

Asset class	Method	Useful life
Leasehold improvements	Straight-line	5 to 40 years
Plant and equipment	Straight-line	5 to 40 years
Furniture, fixtures and fittings	Straight-line	3 to 5 years

Depreciation methods, useful life, and residual values are reviewed at each reporting date and adjusted if appropriate.

h) Intangible assets

Intangible assets of the company include the franchise fees paid to Bendigo Bank conveying the right to operate the Community Bank franchise.

Recognition and measurement

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed as either finite or indefinite.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

Note 4 Summary of significant accounting policies *(continued)*

h) Intangible assets *(continued)*

Amortisation

Intangible assets with finite lives are amortised over their useful life and assessed for impairment whenever impairment indicators are present. Intangible assets assessed as having indefinite useful lives are tested for impairment at each reporting period and whenever impairment indicators are present. The indefinite useful life is also reassessed annually.

The estimated useful life and amortisation method for the current and comparative periods are as follows:

Asset class	Method	Useful life
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)

Amortisation methods, useful life, and residual values are reviewed at each reporting date and adjusted if appropriate.

i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade debtors and creditors, cash and cash equivalents, leases.

Sub-note i) and j) refer to the following acronyms:

Acronym	Meaning
FVTPL	Fair value through profit or loss
FVTOCI	Fair value through other comprehensive income
SPPI	Solely payments of principal and interest
ECL	Expected credit loss
CGU	Cash-generating unit

Recognition and initial measurement

Trade receivables are initially recognised when they originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to the acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVTOCI - debt investment; FVTOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Note 4 Summary of significant accounting policies *(continued)*

i) Financial instruments *(continued)*

Classification and subsequent measurement (continued)

Financial assets *(continued)*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. On initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - business model assessment

The company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed.

Financial assets - subsequent measurement and gains and losses

- Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities - classification, subsequent measurement and gains and losses

Borrowings and other financial liabilities (including trade payables) are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Where the company enters into transactions where it transfers assets recognised in the statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred asset, the transferred assets are not derecognised.

Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. The company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Note 4 Summary of significant accounting policies *(continued)*

i) Financial instruments *(continued)*

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

j) Impairment

Non-derivative financial assets

The company recognises a loss allowance for ECL on:

- financial assets that are measured at FVTOCI;
- lease receivables;
- loan commitments that are not measured at FVTPL; and
- financial guarantee contracts that are not measured at FVTPL.

Loss allowance is not recognised for:

- financial assets measured at FVTPL; or
- equity instruments measured at FVTOCI.

ECL's are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The company uses the simplified approach to impairment. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime ECL at all times.

This approach is applicable to:

- trade receivables that result from transactions that are within the scope of AASB 15, that contain a significant financing component; and
- lease receivables.

In measuring the ECL, a provision matrix for trade receivables is used, taking into consideration various data to get to an ECL, (ie diversity of its customer base, appropriate groupings of its historical loss experience etc.).

<u>Recognition of expected credit losses in financial statements</u>

At each reporting date, the entity recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The directors have assessed the ECL and noted it is not material.

Non-financial assets

At each reporting date, the company reviews the carrying amount of its non-financial assets (other than investment property, contracts assets, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The company has assessed for impairment indicators and noted no material impacts on the carrying amount of non-financial assets.

Note 4 Summary of significant accounting policies *(continued)*

k) Issued capital

Ordinary shares

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.

l) 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.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

The estimated provisions for the current and comparative periods are to restore the premises under a 'make-good' clause.

The company is required to restore the leased premises to its/their original condition before the end of the lease term. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements, ATM installed at the branch, and incidental damage caused from the removal of assets.

m) Leases

The company has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and Interpretation 4. The details of accounting policies under AASB 117 and Interpretation 4 are disclosed separately.

Policy applicable from 1 July 2019

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into, on or after 1 July 2019.

<u>As a lessee</u>

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of property the company has elected not to separate lease and non-lease components and account for the lease and non-lease components as a single lease component.

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term or the costs of the right-of-use asset reflects that the company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate.

Note 4 Summary of significant accounting policies *(continued)*

m) Leases *(continued)*

Policy applicable before 1 July 2019 (continued)

As a lessee *(continued)*

The company determines its incremental borrowing rate by obtaining interest rates from funding sources and where necessary makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual guarantee; and
- the exercise price under a purchase option the company is reasonable certain to exercise, lease payments in an option renewal period if the group is reasonably certain to exercise that option, and penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The company has elected not to recognise right-of-use assets and lease liabilities for leases of short-term leases and low-value assets, including IT equipment. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

A short-term lease is lease that, at commencement date, has a lease term of 12 months or less.

As a lessor

The company has not been a party in an arrangement where it is a lessor.

Policy applicable before 1 July 2019

For contracts entered into before 1 July 2019, the company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed the right to use an asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

Note 4 Summary of significant accounting policies *(continued)*

m) Leases *(continued)*

Policy applicable from 1 July 2019 (continued)

As a lessee

In the comparative period, as a lessee the company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

As a lessor

The company has not been a party in an arrangement where it is a lessor.

n) Standards issued but not yet effective

A number of new standards are effective for annual reporting periods beginning after 1 January 2019, however the changes are not expected to have a significant impact on the company's financial statements.

Note 5 Significant accounting judgements, estimates, and assumptions

In preparing these financial statements, management has made judgements and estimates that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Note	Judgement
- Note 8 - revenue recognition	whether revenue is recognised over time or at a point in time;
- Note 20 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including: - the amount; - the lease term; - economic environment; and - other relevant factors.

Note 5 Significant accounting judgements, estimates, and assumptions *(continued)*

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note	Assumptions
- Note 8 - revenue recognition	estimate of expected returns;
- Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 21 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

Note 6 Financial risk management

The company has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including currency, price, cash flow and fair value interest rate).

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 company. The company does not use derivative instruments.

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

a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

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 Bank.

b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

Note 6 Financial risk management *(continued)*

b) Liquidity risk *(confirmed)*

The company believes that its sound relationship with Bendigo Bank mitigates this risk significantly.

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

30 June 2020

		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	224,710	44,622	205,702	-
Trade payables	987	987	-	-
	225,697	45,609	205,702	-

30 June 2019

		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Trade payables	1,522	1,522	-	-
	1,522	1,522	-	-

c) Market risk

Market risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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

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.

Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo Bank 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 Bank mitigates this risk significantly.

The company held cash and cash equivalents of $410,255 at 30 June 2020 (2019: $285,398). The cash and cash equivalents are held with BEN, which are rated BBB on Standard & Poor's credit ratings.

Note 7 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 distributions to shareholders. Capital is represented by total equity as recorded in the statement of financial position.

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 company 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 company 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 2020 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 8 Revenue from contracts with customers

The company generates revenue primarily from facilitating community banking services under a franchise agreement with Bendigo Bank. The company is entitled to a share of the margin earned by Bendigo Bank.

Revenue from contracts with customers	2020 $	2019 $
Revenue:		
- Revenue from contracts with customers	743,518	733,541
	743,518	733,541

Disaggregation of revenue from contracts with customers		
At a point in time:		
- Margin income	614,374	615,809
- Fee income	96,712	82,034
- Commission income	32,432	35,698
	743,518	733,541

There was no revenue from contracts with customers recognised over time during the financial year.

Note 9 Other revenue

The company generated other sources of revenue from discretionary contributions received from the franchisor and cash flow boost income received from the Australian Government.

Other revenue	2020 $	2019 $
Revenue:		
- Market development fund income	25,000	25,000
- Cash flow boost	58,410	-
	83,410	25,000

Note 10 Finance income

The company holds financial instruments measured at amortised cost. Interest income is recognised at the effective interest rate.

Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

Finance income	2020 $	2019 $
At amortised cost:		
- Term deposits	2,742	1,693
	2,742	1,693

Note 11 Expenses

a) Depreciation and amortisation expense	2020 $	2019 $
Depreciation of non-current assets:		
- Leasehold improvements	6,197	6,197
- Plant and equipment	792	677
- Furniture and fittings	967	967
	7,956	7,841
Depreciation of right-of-use assets		
- Leased land and buildings	46,526	-
	46,526	-
Amortisation of intangible assets:		
- Franchise fee	2,238	2,238
- Franchise renewal process fee	8,954	8,954
	11,192	11,192
Total depreciation and amortisation expense	65,674	19,033

The non-current tangible and intangible assets listed above are depreciated and amortised in accordance with the company's accounting policy (see Note 4f and 4g).

b) Finance costs	Note	2020 $	2019 $
Finance costs:			
- Lease interest expense	20a)	11,882	-
- Unwinding of make-good provision		737	-
		12,619	-

Finance costs are recognised as expenses when incurred using the effective interest.

Note 11 Expenses *(continued)*

c) Impairment loss on trade receivables and contract assets

The franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. Due to the reliance on Bendigo Bank the company has reviewed the credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit risk exposure of the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no impairment loss allowance has been made in relation to the Bendigo Bank receivable as at 30 June 2020.

d) Employee benefit expenses

	2020 $	2019 $
Wages and salaries	319,878	316,121
Non-cash benefits	-	-
Contributions to defined contribution plans	34,333	31,808
Expenses related to long service leave	3,081	(897)
Other expenses	88,116	65,879
	445,408	412,911

e) Recognition exemption

The company has elected to exempt leases from recognition where the underlying asset is assessed as low-value or the lease term is 12 months or less.

	2020 $	2019 $
Expenses relating to low-value leases	13,804	-
	13,804	-

Expenses relating to leases exempt from recognition are included in system costs.

The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition.

Note 12 Income tax expense

Income tax expense comprises current and deferred tax. Attributable current and deferred tax expense is recognised in the other comprehensive income or directly in equity as appropriate.

a) Amounts recognised in profit or loss

	2020 $	2019 $
Current tax expense/(credit)		
- Recoupment of prior year tax losses	26,653	33,752
- Movement in deferred tax	(5,954)	(1,334)
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	12,228	-
	32,927	32,418

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a gain of $12,228 related to the remeasurement of deferred tax assets and liabilities of the company.

Note 12 Income tax expense *(continued)*

b) *Prima facie* income tax reconciliation

	2020 $	2019 $
Operating profit before taxation	133,681	117,724
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	36,762	32,374
Tax effect of:		
- Non-deductible expenses	-	44
- Temporary differences	5,954	1,334
- Other assessable income	(16,063)	-
- Movement in deferred tax	(5,954)	(1,334)
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	12,228	-
	32,927	32,418

Note 13 Cash and cash equivalents

a) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and in banks. Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

	2020 $	2019 $
- Cash at bank and on hand	410,255	285,398
	410,255	285,398

Note 14 Trade and other receivables

a) Current assets	2020 $	2019 $
Trade receivables	70,447	48,048
Prepayments	5,323	6,502
Other receivables and accruals	668	668
	76,438	55,218

Note 15 Property, plant and equipment

a) Carrying amounts

	2020 $	2019 $
Leasehold improvements		
At cost	297,026	297,026
Less: accumulated depreciation	(146,788)	(140,591)
	150,238	156,435
Plant and equipment		
At cost	71,517	71,517
Less: accumulated depreciation	(65,220)	(64,428)
	6,297	7,089

Note 15 Property, plant and equipment *(continued)*

a) Carrying amounts *(continued)*

	2020 $	2019 $
Furniture and fittings		
At cost	31,583	31,583
Less: accumulated depreciation	(30,591)	(29,624)
	992	1,959
Total written down amount	157,527	165,483

The directors do not believe the carrying amount exceeds the recoverable amount of the above assets. The directors therefore believe the carrying amount is not impaired.

b) Reconciliation of carrying amounts

	2020 $	2019 $
Leasehold improvements		
Carrying amount at beginning	156,435	162,632
Depreciation	(6,197)	(6,197)
Carrying amount at end	150,238	156,435
Plant and equipment		
Carrying amount at beginning	7,089	6,141
Additions	-	1,625
Depreciation	(792)	(677)
Carrying amount at end	6,297	7,089
Furniture and fittings		
Carrying amount at beginning	1,959	2,926
Depreciation	(967)	(967)
Carrying amount at end	992	1,959
Total written down amount	157,527	165,483

Note 16 Right-of-use assets

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

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

Note 16 Right-of-use assets *(continued)*

a) Carrying amounts

	Note	2020 $	2019 $
Leased land and buildings			
At cost		279,154	-
Less: accumulated depreciation		(46,526)	-
Total written down amount		232,628	-

b) Reconciliation of carrying amounts

	Note	2020 $	2019 $
Leased land and buildings			
Carrying amount at beginning		-	-
Initial recognition on transition	3d)	279,154	-
Depreciation		(46,526)	-
Carrying amount at end		232,628	-
Total written down amount		232,628	-

Note 17 Intangible assets

a) Carrying amounts

	2020 $	2019 $
Franchise fee		
At cost	82,746	82,746
Less: accumulated amortisation	(78,642)	(76,404)
	4,104	6,342
Franchise renewal process fee		
At cost	130,983	130,983
Less: accumulated amortisation	(114,568)	(105,614)
	16,415	25,369
Total written down amount	20,519	31,711

Note 17 Intangible assets *(continued)*

b) Reconciliation of carrying amounts

	2020 $	2019 $
Franchise fee		
Carrying amount at beginning	6,342	8,580
Amortisation	(2,238)	(2,238)
Carrying amount at end	4,104	6,342
Franchise renewal process fee		
Carrying amount at beginning	25,369	34,323
Amortisation	(8,954)	(8,954)
Carrying amount at end	16,415	25,369
Total written down amount	20,519	31,711

c) Changes in estimates

During the financial year, the company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods.

There were no changes in estimates for the current reporting period.

Note 18 Tax assets and liabilities

a) Deferred tax

Movement in the company's deferred tax balances for the year ended 30 June 2020:

	30 June 2019	Recognised in profit or loss	30 June 2020
Deferred tax assets	$	$	$
- expense accruals	1,488	(683)	805
- employee provisions	5,663	3,332	8,995
- make-good provision	-	4,095	4,095
- lease liability	-	58,425	58,425
- carried-forward tax losses	242,265	(38,415)	203,850
Total deferred tax assets	249,416	26,754	276,170
Deferred tax liabilities			
- property, plant and equipment	4,544	(802)	3,742
- right-of-use assets	-	60,483	60,483
Total deferred tax liabilities	4,544	59,681	64,225
Net deferred tax assets (liabilities)	244,872	(32,927)	211,945

Note 18 Tax assets and liabilities *(continued)*

a) Deferred tax *(continued)*

Movement in the company's deferred tax balances for the year ended 30 June 2019:

	30 June 2018	Recognised in profit or loss	30 June 2019
Deferred tax assets	$	$	$
- expense accruals	770	718	1,488
- employee provisions	5,160	503	5,663
- carried-forward tax losses	276,017	(33,752)	242,265
Total deferred tax assets	281,947	(32,531)	249,416
Deferred tax liabilities			
- property, plant and equipment	4,657	(113)	4,544
Total deferred tax liabilities	4,657	(113)	4,544
Net deferred tax assets (liabilities)	277,290	(32,418)	244,872

b) Uncertainty over income tax treatments

As at balance date, there are no tax rulings, or interpretations of tax law, which may result in tax treatments being over-ruled by the taxation authorities.

The company believes that its accrual for income taxes is adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

Note 19 Trade creditors and other payables

Where the company is liable to settle an amount within 12 months of reporting date, the liability is classified as current. All other obligations are classified as non-current.

a) Current liabilities	2020 $	2019 $
Trade creditors	987	1,522
Other creditors and accruals	27,892	41,551
	28,879	43,073

b) Non-current liabilities		
Other creditors and accruals	-	12,513
	-	12,513

Note 20 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 4.79%.

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

The company has applied judgement in estimating the remaining lease term including the effects of any extension or termination options reasonably expected to be exercised, applying hindsight where appropriate.

Lease portfolio

Prior to 30 June 2019, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

The company's lease portfolio includes:

- Homebush Branch — The lease agreement is a non-cancellable lease with an initial term of three years which commenced in 1 July 2020. The lease has one further three year extension option available.

The company assesses at the lease commencement date whether it is reasonably certain to exercise extension options. The company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

a) Lease liability measurement

Where the company is a lessee for the premises to conduct its business, extension options are included in the lease term except when the company is reasonably certain not to exercise the extension option. This is due to the significant disruption of relocating premises and the loss on disposal of leasehold improvements fitted out in the demised leased premises.

Lease liabilities on transition	Note	2020 $	2019 $
Balance at the beginning (finance lease liabilities)		-	-
Initial recognition on AASB 16 transition	3d)	264,142	-
Lease payments - interest		11,882	-
Lease payments		(51,314)	-
		224,710	-

b) Current lease liabilities

		2020 $	2019 $
Property lease liabilities		44,622	-
Unexpired interest		(6,063)	-
		38,559	-

Note 20 Lease liabilities *(continued)*

c) Non-current lease liabilities

	2020 $	2019 $
Property lease liabilities	205,702	-
Unexpired interest	(19,551)	-
	186,151	-

d) Maturity analysis

	2020 $	2019 $
- Not later than 12 months	44,622	-
- Between 12 months and 5 years	205,702	-
- Greater than 5 years	-	-
Total undiscounted lease payments	250,324	-
Unexpired interest	(25,614)	-
Present value of lease liabilities	224,710	-

e) Impact on the current reporting period

During the financial year, the company has mandatorily adopted AASB 16 for the measurement and recognition of its leases. The primary impact on the profit or loss is that lease payments are split between interest and principal payments and the right-of-use asset depreciates. This is in contrast to the comparative reporting period where lease payments under AASB 117 were expensed as incurred. The following note presents the impact on the profit or loss for the current reporting period.

Comparison under current AASB 16 and former AASB 117

The net impact for the current reporting period is an decrease in profit after tax of $5,677.

Profit or loss - increase (decrease) in expenses	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
- Occupancy and associated costs	51,314	(51,314)	-
- Depreciation and amortisation expense	-	46,526	46,526
- Finance costs	-	12,619	12,619
Increase in expenses - before tax	51,314	7,831	59,145
- Income tax expense / (credit) - current	(14,111)	14,111	-
- Income tax expense / (credit) - deferred	-	(16,265)	(16,265)
Increase in expenses - after tax	37,203	5,677	42,880

Note 21 Provisions

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

a) Non-current liabilities

	2020 $	2019 $
Make-good on leased premises	15,749	-
	15,749	-

b) Make-good provision

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

The company has estimated the provision based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process.

Provision	Note	2020 $	2019 $
Balance at the beginning		-	-
Face-value of make-good costs recognised	3d)	20,000	-
Present value discounting	3d)	(4,988)	-
Present value unwinding		737	-
		15,749	-

c) Changes in estimates

During the financial year, the company re-assessed the lease agreement with respect to the make-good and restoration clauses. The estimated costs were revised with respect to an analysis of restoration costs of bank branches completed by Bendigo Bank's property team. The provision was previously assessed as nil or immaterial with no provision recognised in the accounts.

The lease is due to expire on 30 June 2025 at which time it is expected the face-value costs to restore the premises will fall due.

The financial effect of the reassessment, assuming no changes in the above judgements and estimates, on actual and expected finance costs and provisions was as follows:

Profit or loss	2020	2021	2022	2023	2024+
Expense:					
- Finance costs	737	771	808	849	1,823
Statement of financial position					
Liability:					
- Make-good provision	15,749	16,520	17,328	18,177	20,000

Note 22 Employee benefits

a) Current liabilities

	2020 $	2019 $
Provision for annual leave	29,159	20,113
	29,159	20,113

b) Non-current liabilities

	2020 $	2019 $
Provision for long service leave	3,558	480
	3,558	480

c) Key judgement and assumptions

Employee attrition rates

The company uses historical employee attrition rates in determining the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with long service leave legislation.

In the absence of sufficient historical employee attrition rates, the company applies a benchmark probability rate from across the Community Bank network to factor in estimating the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with legislation.

Note 23 Issued capital

a) Issued capital

	2020		2019	
	Number	$	Number	$
Ordinary shares - fully paid	1,419,343	1,419,343	1,419,343	1,419,343
Less: equity raising costs	-	(46,389)	-	(46,389)
	1,419,343	1,372,954	1,419,343	1,372,954

b) Rights attached to issued capital

Ordinary shares

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.

Note 23 Issued capital *(continued)*

b) Rights attached to issued capital *(continued)*

Ordinary shares (continued)

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 Bank 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).

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.*

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 any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").

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

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

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

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

Note 24 Accumulated losses

	2020 $	2019 $
Balance at beginning of reporting period	(666,451)	(751,757)
Net profit after tax from ordinary activities	100,754	85,306
Balance at end of reporting period	(565,697)	(666,451)

Note 25 Reconciliation of cash flows from operating activities

	2020 $	2019 $
Net profit after tax from ordinary activities	100,754	85,306
Adjustments for:		
- Depreciation	54,482	7,841
- Amortisation	11,192	11,192
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(21,221)	18,190
- (Increase)/decrease in other assets	32,927	32,419
- Increase/(decrease) in trade and other payables	(15,330)	(7,963)
- Increase/(decrease) in employee benefits	12,124	1,830
- Increase/(decrease) in provisions	737	
Net cash flows provided by operating activities	175,665	148,815

Note 26 Financial instruments

The following shows the carrying amounts for all financial instruments at amortised costs. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	2020 $	2019 $
Financial assets			
Trade and other receivables	14	71,115	48,716
Cash and cash equivalents	13	410,255	285,398
		481,370	334,114
Financial liabilities			
Trade and other payables	19	987	1,522
Lease liabilities	20	224,710	-
		225,697	1,522

Note 27 Auditor's remuneration

Amount received or due and receivable by the auditor of the company for the financial year.

	2020	2019
Audit and review services	$	$
- Audit and review of financial statements	4,800	4,600
	4,800	4,600
Non audit services		
- Taxation advice and tax compliance services	600	600
- General advisory services	2,210	1,930
- Share registry services	1,900	1,885
	4,710	4,415
Total auditor's remuneration	9,510	9,015

Note 28 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Geoffrey John Harper
Alice Christina Mantel
David Chenu
Belinda Dimovski
Alana Pendrick
Daniel Pascuzzo
James Tran GAICD
Nella Hall
Wayne Joseph Simpson
Karen Elizabeth Walsh

b) Key management personnel compensation

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.

c) Related party transactions

No director or related entity has entered into a material contract with the company.

Note 29 Earnings per share

a) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	2020	2019
	$	$
Profit attributable to ordinary shareholders	100,754	85,306
	Number	Number
Weighted-average number of ordinary shares	1,286,098	1,286,098
	Cents	Cents
Basic and diluted earnings per share	7.83	6.63

Note 30 Commitments

a) Lease commitments

Following the adoption of AASB 16 as of 1 July 2019, all lease commitment information and amounts for the financial year ending 30 June 2020 can be found in 'Lease liabilities' (Note 20).

	2020	2019
Operating lease commitments - lessee		
Non-cancellable operating leases contracted for but not capitalised in the financial statements	$	$
Payable - minimum lease payments:		
- not later than 12 months	-	48,084
- between 12 months and 5 years	-	100,174
Minimum lease payments payable	-	148,258

b) Other commitments

The company has no other commitments contracted for which would be provided for in future reporting periods.

Note 31 Contingencies

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

Note 32 Subsequent events

There have been no significant events occurring after the reporting period which may affect either the company's operations or the results of those operations or the company's state of affairs.

Homebush Financial Services Limited
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 2020 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.

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

Geoffrey John Harper, Chair

Dated this 31st day of August 2020

Partners in success
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Independent auditor's report to the members of Homebush Financial Services Ltd

Report on the audit of the financial report

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

i. giving a true and fair view of the company's financial position as at 30 June 2020 and of its financial performance for the year ended; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

What we have audited
Homebush Financial Services Ltd's (the company) financial report comprises the:

- ✓ Statement of profit or loss and other comprehensive income
- ✓ Statement of financial position
- ✓ 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 company.

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 *APE*S 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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.

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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 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: 31 August 2020

Joshua Griffin
Lead Auditor

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Homebush **Community Bank** Branch

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