Annual Report 2022

Homebush Financial Services Limited

Community Bank Homebush

ABN 55 097 923 807

Contents

Chair’s Report

On behalf of the Board, I am pleased to provide the 2021/2022 Chairs’ report for Homebush Financial Services Limited (“Bank”). This year, the Bank celebrated its 20-year anniversary and we acknowledge the founding shareholders and first Board of Directors of the Bank for having the foresight and passion to establish our Bank.

We would like to start this year’s Report by thanking our branch manager, Kavitha, for her strong leadership and performance during the year. Kavitha has been able to continue her strong leadership of the team to achieve the strongest result in the Bank’s history. In a year where we had changes in the Mobile Relationship Manager and Customer Service Officer roles, a great result was still achieved.

The Board would like to recognise the efforts of Sai Chen in his role as Mobile Relationship Manager and the way he has been able to successfully transition into the team. We would also like to thank the branch staff for performing at such a high level. Our thanks go to Suna Sumer, Evelyn Joana and Carmen Deng for ensuring that customer service is at the centre of everything we do.

The Bank has been supported by the wider Bendigo Corporate team and in particular our regional manager Tom Woods. Their continued support and contribution add to the success of our branch.

I would also like to thank the current directors James Tran, Daniel Pascuzzo and Tim Robinson for their contribution during the year. It is a pleasure to be able to serve on a Board that continues to support the continued growth of the Bank. I would also like to thank Alana Pendrick, the previous Chair, for her contribution.

It has been a very successful year and while Kavitha’s report will elaborate on our community engagement, the Board would like to call out the following achievements:

Bendigo Bank Community Enterprise Foundation™

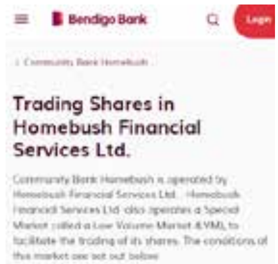
- **Setting up the Community Foundation Trust Sub-Fund**
  Last year, the Bank worked with the Bendigo Community Enterprise Foundation to set up a properly governed trust sub-fund. This sub-fund will be utilised to support community activities. This year, the Bank was able to contribute $63k to the sub-fund to support future community activities.

- **Launching the CB Homebush Founders Scholarship Program**

Utilising the funds contained in the trust sub-fund the Bank has created our first scholarship program aimed at supporting tertiary education (TAFE and University). While Kavitha will elaborate more on our first cohort of

Scholars, we are pleased to share that we have opened applications for the next cohort of Scholars.

- **Launching the Low Volume Market**
  Last year, the Board established the low volume market ("LVM") to enable shareholders a mechanism to sell their shares in the Bank. We are pleased to say that the LVM has been utilised by a number of shareholders during the year.



- **Improved Profits**
  The Bank has delivered the best profit result in its 20-year history as $161K. This is a great achievement as we have exceeded the previously best result from last year by 35.3%. This is after an additional contribution of $63k was made to the sub-fund for future scholarships and community initiatives.

Future Outlook

The market has changed significantly from last year due to the increase in interest rates and returning to some normalcy coming out of the pandemic.

The increase in interest rates could push some customers into financial hardship.

Although there will be an increase in margins earned on saving accounts, the Board will be cautious of the margin pressures that may arise as customers seek to refinance and home purchasing activity slow down versus historical highs.

The board will ensure appropriate governance is applied to minimise risk and protect the growth that we have achieved.

That said, it is heartening to realise year on year growth for the past three years and we look to continue to guide the Bank forwards, to properly balance our commitments to the Bank, our customers, our community, and you.

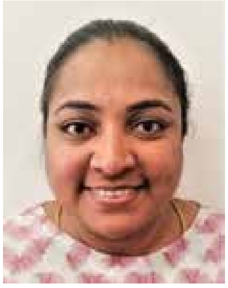
Our point of difference continues to be growing with our community and not off them. We are the Better Big Bank.

Once again, we thank you, our shareholders, for your continued support. Please continue to refer business to our branch, so together we can have a larger positive impact on the community.

M Brewer

Michael Brewer

Chair, Homebush Financial Services Limited



Branch Manager's Report

Thank you to the Board, Shareholders and our community for your support to me, as I continue to serve our wonderful community. In spite of the uncertainty caused by the pandemic, we have been able to not only sustain but also increase outcomes with our customers continued support.

Our Community Bank continued to operate throughout the lockdowns and supported our customers in one of the most difficult times we can remember.

Business Update (remaining vigilant): As the Chair's report has outlined how we have performed in the year, I will just add a few additional comments. Our branch staff continued to stay focused on protecting your Community Bank and maintain a safe environment for our customers. As a result of this dedication, we were able to improve our profits year on year.

Face-to-face customer interaction and participation in community events have improved compared to 2021, though they are yet to return to pre-pandemic levels. Where necessary, the branch staff reached out to customers via phone to ensure their banking needs are met.

Scam and Fraud activities were more prevalent this year. With the high level of vigilance from our staff, we have managed to protect customers from these fraud attempts and encourage customers to continue to be alert to these risks.

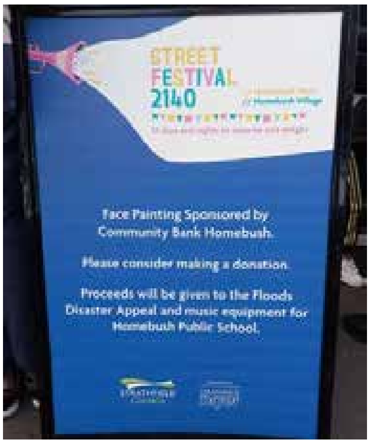
I have also joined the Strathfield Rotary Club this year, representing our Community Bank and have attended their meetings to promote our Brand and grow our network.

Staff Update: During the year, it was sad to say farewell to our Senior Mobile Banker, Yang Gao, as well as a Customer Service Officer, Monica Popli, we thank them for their contribution while they were with us.

We also had a wonderful occasion of celebrating with our Customer Service Officer, **Suna Sumer**, as she embarked on her maternity leave.

As a result of these situations, the Bank welcomed three new staff members, **Evelyn Joana** and **Carmen Deng** as Customer Service Officers and **Sai Chen** as our new Mobile Relationship Manager, all completed their probations and are welcome and productive members of our team. If you have yet to meet them, do please drop in to see us.

L-R: Evelyn, Carmen, Kavitha and Sai

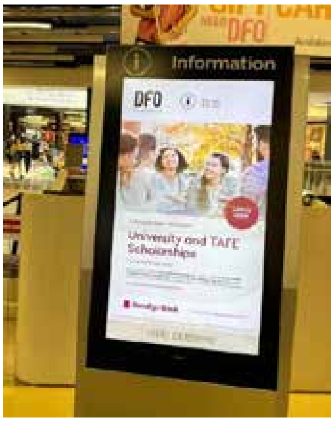


Community Support Update:

Despite the continued impacts and lockdowns from the pandemic, our Branch was an Amazing Ally of Strathfield Council, sponsoring the community engagement activity of Face Painting at this year's Homebush Street Festival held on Rochester Street over three weekends in from late March to mid-April.

We also took the opportunity to set up a stall focused on educating and encouraging children with their savings habits using fun activities and complementary gifts as well as helped raise funds for the School and for victims of the unfortunate flooding events in NSW earlier this year.

We also continued our support for 22 Homebush Public School Merits Awards to students who achieved outstanding results and overall achievements.



Digital signage at DFO Homebush

What has been really inspiring for me and our staff is how our sustained business outcomes allowed us to start up our first ever **CB Homebush Founders Scholarships**. The scholarships were named to recognise all our founders and shareholders who came together to start the Community Bank in 2002.

These scholarships aim to support young aspirants in our community, assisting recipients with their course and study fees (at University for up to three years and TAFE for up to two years) while also providing them opportunities and mentoring for them to connect and grow with our broader community.

Digital signage at the Library

The scholarships were advertised via the Strathfield Council e-newsletters and on digital boards at the Strathfield Library and DFO Homebush, while small businesses welcomed our posters in their window fronts. We thank them again, through this report, for supporting us in increasing our outreach for these scholarships.

As a result of all these efforts, we were fortunate to be able to award our inaugural CB Homebush Founders Scholarships to three very deserving recipients:

Aakriti Gupta – her parents opened a local small business just as the pandemic hit, she tutors and mentors other youths, aspires to be a primary school teacher and is pursuing an Education Degree.

Jacky Li – his elder sister supports his studies while ensuring living expenses for a family of six living in a small apartment and he aims to be the first of his family to finish university with a Computer Engineering Degree.

L-R: Kavitha, Mohamed, Aakriti, Jacky and Sai

Mohamed Arham Mohamed Zakir Hussain – he is the eldest of three, the role model of his household and strives to help his family and the community. He has aspirations to become a future doctor, pursuing a Medicine Degree and also currently provides tuition to local youths, to help them reach their goals.

As we finish our 20th year and run into our 21st year and may more to come, I continue to be committed to this wonderful journey with Homebush and the Community Bank.

I would like to finish up by thanking you, our Shareholders, our Customers, my staff and colleagues, Sai, Evelyn, Carmen, Suna, Tom (my Bendigo and Adelaide Bank Regional Manager) and the broader Corporate team for your support in helping us live our mission to **Grow with our Community.**

L-R: Daniel, Michael, Mohamed, Aakriti, Jacky, James and Tim

Finally, all of what we do is possible through the dedication and support from (y)our Directors, Michael, Daniel, Tim and James, on behalf of the staff and myself, thank you for your dedication and support.

Thank you.

Kavitha Sankaran

Homebush Financial Services Ltd

ABN 55 097 923 807

Financial Report - 30 June 2022

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2022.

Directors

The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Name:	Michael Andrew Brewer GAICD
Title:	Chair
Experience and expertise:	Michael brings over 30 years' experience in senior finance positions to the board, having worked in multi-national organisations, government, not for profit organisations, charities and private companies. He has also worked in prestigious sporting venue organisations such as the 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 Masters degree in Economics, is a graduate of the Australia Institute of Company Directors and has been a member of the Certified Practising Accountants (CPA) of Australia for 30 years. Michael is currently the CFO of Musica Viva Australia, a not for profit charity that presents chamber music to audiences, supports emerging musical artists, commissions new musical works and provides musical education in schools.
Special responsibilities:	Chair and Treasurer

Name:	Daniel Pascuzzo GAICD
Title:	Non-executive director
Experience and expertise:	Daniel is currently employed as a Senior Productivity Analyst within the Retail Banking arm of Bendigo and Adelaide Bank, bringing to the company a wealth of experience in Sales, Ecommerce, Human Resource Management and Marketing. His role at the bank provides unique insight into the company's operations and strategic direction, in particular the Branch network. Previously he has completed a Masters in Human Resource Management and Industrial Relations and a Bachelors of Science.
Special responsibilities:	Company Secretary, Lead for Human Resources

Name:	James Tran GAICD
Title:	Non-executive director
Experience and expertise:	James is currently a Senior Director, Transformation for the Procurement function at the Singtel Group (includes Singtel, NCS and Optus). James joined the Board in 2019 and at the time was the Head of Business Services at Healthdirect Australia, responsible for Strategic Sourcing, Corporate IT, Analytics and Reporting, Portfolio Management and General Counsel teams. Prior to this, James spent 15 years at American Express, working across Asia Pacific leading Procurement, Account Management, Consulting, Billing and Card Operations teams. James has a passion for community development and was one of the co-founders of Mosaic Mentoring at ARC @ UNSW and was an inaugural member of the Youth Advisory Committee at Bankstown City Council.
Special responsibilities:	Lead for Marketing and Community Engagement.

Name:	Timothy Michael Robinson GAICD
Title:	Non-executive director (appointed 31 May 2022)
Experience and expertise:	Tim has worked in financial services for over 25 years covering a wide spectrum of areas across banks, brokers and corporates. Citi was Tim's last work home where he ran the corporate banking business looking after Citi's global subsidiary clients. Financial markets was his earlier responsibility where he ran the FX and corporate derivatives sales business for Citi. He is adept at building and running multiple market leading teams who deliver best in class results whilst maintaining the highest ethical standards. People are his other strong interest and he has established and run multiple graduate and intern programs in his time.
Special responsibilities:	Nil

Name:	Alana Pendrick
Title:	Chair (resigned 22 November 2021)
Experience and expertise:	Alana, at the time, was a Chief Education Officer at TAFE NSW, managing the Training requirements for tier one construction. Alana was appointed to the board in September 2019. Alana joined the board in 2019 while completing her Master of Business Administration.
Special responsibilities:	Alana was the former Chair of Homebush Financial Services Limited from November 2020. She also represented the western Sydney region on the state marketing committee and the state of NSW on the national marketing committee for the Community Bank network.

Company secretary
There have been two company secretaries holding the position during the financial year:

- Daniel Pascuzzo was appointed company secretary on 22 November 2021.
- Michael Andrew Brewer was appointed as company secretary on 18 December 2020 and ceased on 22 November 2021.

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 this activity during the financial year.

Review of operations
The profit for the company after providing for income tax amounted to $161,069 (30 June 2021: $119,005).

Operations have continued to perform in line with expectations.

Dividends
During the financial year, the following dividends were provided for and paid. The dividends have been provided for in the financial statements.

	2022 $
Unfranked dividend of 3 cents per share	38,583

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the company during the financial year.

Matters subsequent to the end of the financial year
Since the end of the year, the Reserve Bank of Australia (RBA) has increased the cash rate by 1.75 basis points moving from 0.85% at 30 June 2022 to 2.60% as at the date of signing these accounts. The increase in the cash rate has a direct impact on the revenue received by the company on its products (deposits and loans) offered to its customers. The company has noted a material increase in the revenue streams for the first couple of months July – August 2022.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial 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 under Australian Commonwealth or State law.

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

	Board	
	Eligible	Attended
Michael Brewer	16	15
Daniel Pascuzzo	16	16
James Tran	16	16
Timothy Robinson	2	2
Alana Pendrick	6	6

Eligible: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Directors' benefits
No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 24 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Directors' interests
The interest in company shareholdings for each director are:

	Balance at the start of the year	Changes	Balance at the end of the year
Michael Brewer	-	2,000	2,000
Daniel Pascuzzo	-	-	-
James Tran	-	500	500
Timothy Robinson	-	-	-
Alana Pendrick	-	-	-

Indemnity 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.

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*.

Indemnity and insurance of auditor
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Homebush Financial Services Ltd
Directors' report
30 June 2022

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 26 to the accounts.

The Board 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
- 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 immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001.*

On behalf of the directors

M Brewer

Michael Brewer
Chair

25 October 2022

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

Independent 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 2022, 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: 25 October 2022

Adrian Downing
Lead Auditor

afsbendigo.com.au

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 65 684 604 390

Homebush Financial Services Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	2022 $	2021 $
Revenue from contracts with customers	6	899,397	891,239
Other revenue	7	314	33,197
Finance revenue		1,930	608
Employee benefits expense	8	(353,978)	(428,869)
Advertising and marketing costs		(67,574)	(73,842)
Occupancy and associated costs		(29,261)	(29,668)
System costs		(28,924)	(31,269)
Depreciation and amortisation expense	8	(93,494)	(64,170)
Finance costs	8	(8,875)	(10,740)
General administration expenses		(98,281)	(124,184)
Profit before community contributions and income tax expense		221,254	162,302
Charitable donations and sponsorships expense		(6,495)	(2,600)
Profit before income tax expense		214,759	159,702
Income tax expense	9	(53,690)	(40,697)
Profit after income tax expense for the year	20	161,069	119,005
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		161,069	119,005
		Cents	**Cents**
Basic earnings per share	28	12.52	9.25
Diluted earnings per share	28	12.52	9.25

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Homebush Financial Services Ltd
Statement of financial position
As at 30 June 2022

	Note	2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents	10	805,833	617,470
Trade and other receivables	11	85,544	74,653
Total current assets		891,377	692,123
Non-current assets			
Property, plant and equipment	12	122,161	150,811
Right-of-use assets	13	230,090	183,098
Intangibles	14	-	10,260
Deferred tax assets	9	117,557	171,246
Total non-current assets		469,808	515,415
Total assets		1,361,185	1,207,538
Liabilities			
Current liabilities			
Trade and other payables	15	32,907	40,555
Lease liabilities	16	41,533	41,265
Employee benefits	17	21,438	32,357
Total current liabilities		95,878	114,177
Non-current liabilities			
Lease liabilities	16	197,684	145,884
Employee benefits	17	2,115	4,697
Provisions	18	16,760	16,518
Total non-current liabilities		216,559	167,099
Total liabilities		312,437	281,276
Net assets		1,048,748	926,262
Equity			
Issued capital	19	1,372,954	1,372,954
Accumulated losses	20	(324,206)	(446,692)
Total equity		1,048,748	926,262

The above statement of financial position should be read in conjunction with the accompanying notes

Homebush Financial Services Ltd
Statement of changes in equity
For the year ended 30 June 2022

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2020		1,372,954	(565,697)	807,257
Profit after income tax expense		-	119,005	119,005
Balance at 30 June 2021		1,372,954	(446,692)	926,262
Balance at 1 July 2021		1,372,954	(446,692)	926,262
Profit after income tax expense		-	161,069	161,069
Transactions with owners in their capacity as owners:				
Dividends provided for	22	-	(38,583)	(38,583)
Balance at 30 June 2022		1,372,954	(324,206)	1,048,748

The above statement of changes in equity should be read in conjunction with the accompanying notes

Homebush Financial Services Ltd
Statement of cash flows
For the year ended 30 June 2022

	Note	2022 $	2021 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		979,317	1,012,611
Payments to suppliers and employees (inclusive of GST)		(696,160)	(749,434)
		283,157	263,177
Interest received		1,930	609
Net cash provided by operating activities	27	285,087	263,786
Cash flows from investing activities			
Payments for property, plant and equipment		(8,810)	(1,358)
Payments for intangibles		-	(11,376)
Net cash used in investing activities		(8,810)	(12,734)
Cash flows from financing activities			
Dividends paid	22	(38,583)	-
Repayment of lease liabilities	16	(49,331)	(43,837)
Net cash used in financing activities		(87,914)	(43,837)
Net increase in cash and cash equivalents		188,363	207,215
Cash and cash equivalents at the beginning of the financial year		617,470	410,255
Cash and cash equivalents at the end of the financial year	10	805,833	617,470

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Reporting entity

The financial statements cover Homebush Financial Services Ltd (the company) as an individual entity. The financial statements are presented in Australian dollars, which is the company's functional and presentation currency.

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 27 Rochester Street, Homebush NSW 2140.

A description of the nature of the company's operations and its principal activity is included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 October 2022. The directors have the power to amend and reissue the financial statements.

Note 2. 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.

Note 3. Significant accounting policies

The company has consistently applied the following accounting policies to all periods presented in these financial statements.

Changes in accounting policies, standards and interpretations
There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2021, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when, it is expected to be realised or intended to be sold or consumed in the company's normal operating cycle, it is held primarily for the purpose of trading, it is expected to be realised within 12 months after the reporting period or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when, it is either expected to be settled in the company's normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within 12 months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Impairment
Non-derivative financial assets
Expected credit losses (ECL) 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. At each reporting date, the entity recognises the movement in the ECL (if any) as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

Note 3. Significant accounting policies (continued)

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no ECL has been made in relation to trade receivables as at 30 June 2022.

Non-financial assets
At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Goods and Services Tax (GST)
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.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. 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. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the company operates. There does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Estimation of useful lives of assets
The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 4. Critical accounting judgements, estimates and assumptions (continued)

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the company's operations, comparison of terms and conditions to prevailing market rates, incurrence of significant penalties, existence of significant leasehold improvements and the costs and disruption to replace the asset. The company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision
The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and inflation have been taken into account.

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.

Lease make good provision
A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Note 5. Economic dependency

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.

Note 5. Economic dependency (continued)

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.

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
- providing payroll services.

Note 6. Revenue from contracts with customers

	2022 $	2021 $
Margin income	804,686	782,982
Fee income	60,764	74,337
Commission income	33,947	33,920
Revenue from contracts with customers	899,397	891,239

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:

Note 6. Revenue from contracts with customers (continued)

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

Revenue calculation
The franchise agreement provides that three forms of revenue may be earned by the company which are 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 Bendigo Bank 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 loss.

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.

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 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.

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.

Note 7. Other revenue

	2022 $	2021 $
Market development fund	-	1,875
Cash flow boost	-	31,322
Other income	314	-
Other revenue	314	33,197

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 stream	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 GST.

Cash flow boost
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 sized businesses that employ staff and have been affected by the economic downturn associated with COVID-19.

The amounts received are 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.

Note 8. Expenses

Depreciation and amortisation expense

	2022 $	2021 $
Depreciation of non-current assets		
Leasehold improvements	36,014	6,172
Plant and equipment	1,381	912
Furniture and fittings	65	990
	37,460	8,074
Depreciation of right-of-use assets		
Leased land and buildings	45,774	45,837
Amortisation of intangible assets		
Franchise fee	2,052	2,052
Franchise renewal fee	8,208	8,207
	10,260	10,259
	93,494	64,170

Note 8. Expenses (continued)

Finance costs

	2022 $	2021 $
Lease interest expense	8,066	9,969
Unwinding of make-good provision	809	771
	8,875	10,740

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

Employee benefits expense

	2022 $	2021 $
Wages and salaries	294,952	329,940
Superannuation contributions	30,669	31,152
Expenses related to long service leave	(2,582)	1,139
Other expenses	30,939	66,638
	353,978	428,869

Leases recognition exemption

	2022 $	2021 $
Expenses relating to low-value leases	13,140	14,013

The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition under AASB 16 accounting. Expenses relating to low-value exempt leases are included in system costs expenses.

Note 9. Income tax

	2022 $	2021 $
Income tax expense		
Movement in deferred tax	(1,765)	(7,446)
Reduction in company tax rate	-	6,850
Recoupment of prior year tax losses	55,455	41,293
Aggregate income tax expense	53,690	40,697
Prima facie income tax reconciliation		
Profit before income tax expense	214,759	159,702
Tax at the statutory tax rate of 25% (2021: 26%)	53,690	41,523
Tax effect of:		
Non-deductible expenses	-	468
Reduction in company tax rate	-	6,850
Other assessable income	-	(8,144)
Income tax expense	53,690	40,697

Note 9. Income tax (continued)

	2022 $	2021 $
Deferred tax assets/(liabilities)		
Tax losses	100,849	156,305
Employee benefits	5,900	12,274
Provision for lease make good	4,190	4,130
Accrued expenses	1,997	896
Lease liabilities	59,804	46,787
Right-of-use assets	(57,523)	(45,775)
Property, plant and equipment	2,340	(3,371)
Deferred tax asset	117,557	171,246

Accounting policy for income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Accounting policy for current 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.

Accounting policy for 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.

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.

Note 10. Cash and cash equivalents

	2022 $	2021 $
Cash at bank and on hand	403,651	467,467
Term deposits	402,182	150,003
	805,833	617,470

Accounting policy for 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 and deposits held with banks.

Note 11. Trade and other receivables

	2022 $	2021 $
Trade receivables	81,735	71,399
Other receivables and accruals	668	668
Prepayments	3,141	2,586
	3,809	3,254
	85,544	74,653

Accounting policy for trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 12. Property, plant and equipment

	2022 $	2021 $
Leasehold improvements - at cost	297,026	297,026
Less: Accumulated depreciation	(188,974)	(152,960)
	108,052	144,066
Plant and equipment - at cost	81,287	72,477
Less: Accumulated depreciation	(67,513)	(66,132)
	13,774	6,345
Fixtures and fittings - at cost	31,981	31,981
Less: Accumulated depreciation	(31,646)	(31,581)
	335	400
	122,161	150,811

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Leasehold improvements $	Plant and equipment $	Furniture and fittings $	Total $
Balance at 1 July 2020	150,238	6,297	992	157,527
Additions	-	960	398	1,358
Depreciation	(6,172)	(912)	(990)	(8,074)
Balance at 30 June 2021	144,066	6,345	400	150,811
Additions	-	8,810	-	8,810
Depreciation	(36,014)	(1,381)	(65)	(37,460)
Balance at 30 June 2022	108,052	13,774	335	122,161

Note 12. Property, plant and equipment (continued)

Accounting policy for property, plant and equipment
Items of property, plant and equipment are measured at cost or fair value as applicable, less accumulated depreciation. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	5 to 20 years
Plant and equipment	5 to 40 years
Furniture, fixtures and fittings	3 to 5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Change in estimates
During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods.

The company's review of estimates resulted in changes in the useful life of some of the branch leasehold improvements. The useful life had previously been assessed as 40 years until 2045. This is now expected to be 20 years in line with the current lease term. The effect of these changes on actual and expected depreciation expense was as follows:

	2022 $	2023 $	2024 $	2025 $	2026+ $
(Decrease) increase in depreciation expense	29,921	29,921	29,847	29,111	(118,800)

Note 13. Right-of-use assets

	2022 $	2021 $
Land and buildings - right-of-use	368,227	275,461
Less: Accumulated depreciation	(138,137)	(92,363)
	230,090	183,098

Note 13. Right-of-use assets (continued)

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Land and buildings $
Balance at 1 July 2020	232,628
Remeasurement adjustments	(3,693)
Depreciation expense	(45,837)
Balance at 30 June 2021	183,098
Remeasurement adjustments	92,766
Depreciation expense	(45,774)
Balance at 30 June 2022	230,090

Accounting policy for right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for 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.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Refer to note 16 for more information on lease arrangements.

Note 14. Intangibles

	2022 $	2021 $
Franchise fee	82,746	82,746
Less: Accumulated amortisation	(82,746)	(80,694)
	-	2,052
Franchise renewal fee	130,983	130,983
Less: Accumulated amortisation	(130,983)	(122,775)
	-	8,208
	-	10,260

Note 14. Intangibles (continued)

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Franchise fee $	Franchise renewal fee $	Total $
Balance at 1 July 2020	4,104	16,415	20,519
Amortisation expense	(2,052)	(8,207)	(10,259)
Balance at 30 June 2021	2,052	8,208	10,260
Amortisation expense	(2,052)	(8,208)	(10,260)
Balance at 30 June 2022	-	-	-

At the time of this report the franchise agreement was in the process of being renewed.

Accounting policy for intangible assets
Intangible assets of the company relate to the franchise fees paid to Bendigo Bank which conveys the right to operate the Community Bank franchise.

Intangible assets are measured on initial recognition at cost. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

The franchise fees paid by the company are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

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 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.

Change 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 15. Trade and other payables

	2022 $	2021 $
Current liabilities		
Trade payables	1,649	1,297
Other payables and accruals	31,258	39,258
	32,907	40,555

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

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

Note 16. Lease liabilities

	2022 $	2021 $
Current liabilities		
Land and buildings lease liabilities	49,332	49,331
Unexpired interest	(7,799)	(8,066)
	41,533	41,265
Non-current liabilities		
Land and buildings lease liabilities	212,578	157,054
Unexpired interest	(14,894)	(11,170)
	197,684	145,884

Reconciliation of lease liabilities

	2022 $	2021 $
Opening balance	187,149	224,710
Remeasurement adjustments	93,333	(3,693)
Lease interest expense	8,066	9,969
Lease payments - total cash outflow	(49,331)	(43,837)
	239,217	187,149

Maturity analysis

	2022 $	2021 $
Not later than 12 months	49,332	49,331
Between 12 months and 5 years	212,578	157,054
	261,910	206,385

Accounting policy for 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.

Lease payments included in the measurement of the lease liability comprise fixed or variable lease payments that depend on an index or rate and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected to separate lease and non-lease components when calculating the lease liability.

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

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the company changes its assessment of whether it will exercise an extension option or if there is a revised in-substance fixed lease payment.

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.

Note 16. Lease liabilities (continued)

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.

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 nil.

The company's lease portfolio includes:

Homebush branch	The company exercised a 5-year renewal option in June 2022. As such, the lease term end date used in the calculation of the lease liability is June 2027. The discount rate used in calculations is 3.54%.

Note 17. Employee benefits

	2022 $	2021 $
Current liabilities		
Annual leave	21,438	32,357
Non-current liabilities		
Long service leave	2,115	4,697

Accounting policy for employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages where the employee has provided the service but payment has not yet occurred at the reporting date. They are measured at amounts expected to be paid, plus related on-costs. Non-accumulating sick leave is expensed 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. The company's obligations for short-term employee benefits such as salaries and wages are recognised as part of current trade and other payables in the statement of financial position. The company's obligations for employees' annual leave and long service leave entitlements are recognised in employee benefits in the statement of financial position.

Superannuation contributions
Contributions to superannuation plans are expensed in the period in which they are incurred.

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

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 estimated future cash outflows.

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

Note 18. Provisions

	2022 $	2021 $
Lease make good	16,760	16,518

Lease make good
In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision to be $20,000 for the Homebush Branch lease, 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. The lease is due to expire on 30 June 2027 at which time it is expected the face-value costs to restore the premises will fall due.

Accounting policy for provisions
Provisions are recognised when the company has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Note 19. Issued capital

	2022 Shares	2021 Shares	2022 $	2021 $
Ordinary shares - fully paid	655,910	655,910	637,910	637,910
Ordinary shares issued on 5 January 2012	630,188	630,188	781,433	781,433
Less: Equity raising costs	-	-	(46,389)	(46,389)
	1,286,098	1,286,098	1,372,954	1,372,954

Accounting policy for issued capital
Ordinary shares are recognised at the fair value of the consideration received by the company ranging from $1 to $1.24 per share. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

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 19. Issued capital (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.

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

Note 20. Accumulated losses

	2022 $	2021 $
Accumulated losses at the beginning of the financial year	(446,692)	(565,697)
Profit after income tax expense for the year	161,069	119,005
Dividends paid (note 22)	(38,583)	-
Accumulated losses at the end of the financial year	(324,206)	(446,692)

Note 21. Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board 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:
- 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- 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 financial year 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 22. Dividends

The following dividends were provided for and paid to shareholders during the financial year as presented in the Statement of changes in equity and Statement of cash flows.

	2022 $	2021 $
Unfranked dividend of 3 cents per share	38,583	-

Accounting policy for dividends
Dividends are recognised in the financial year they are declared.

Note 23. Financial instruments

	2022 $	2021 $
Financial assets		
Trade and other receivables	82,403	72,067
Cash and cash equivalents	805,833	617,470
	888,236	689,537
Financial liabilities		
Trade and other payables	32,907	40,555
Lease liabilities	239,217	187,149
	272,124	227,704

Accounting policy for 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, and lease liabilities.

Note 23. Financial instruments (continued)

Trade receivables are initially recognised at the transaction price when they originated. All other financial assets and financial liabilities are initially measured at fair value plus transaction costs (where applicable), when the company becomes a party to the contractual provisions of the instrument. These assets and liabilities are subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the rights are transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and rewards associated with the asset. Financial liabilities are derecognised when its contractual obligations are discharged, cancelled, or expire. Any gain or loss on derecognition is recognised in profit or loss.

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.

Financial risk management
The company has exposure to credit, liquidity and market risk arising from financial instruments. 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.

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 and liabilities are held with Bendigo Bank and subject to movements in market interest.

The company held cash and cash equivalents of $805,833 at 30 June 2022 (2021: $617,470). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

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's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings of the bank.

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 23. Financial instruments (continued)

2022	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Trade and other payables	32,907	-	-	32,907
Lease liabilities	49,332	212,578	-	261,910
Total non-derivatives	82,239	212,578	-	294,817

2021	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Trade and other payables	40,555	-	-	40,555
Lease liabilities	49,331	157,054	-	206,385
Total non-derivatives	89,886	157,054	-	246,940

Note 24. Key management personnel disclosures

The following persons were directors of Homebush Financial Services Ltd during the financial year:

Michael Brewer
Daniel Pascuzzo
James Tran
Timothy Robinson
Alana Pendrick

Compensation
Key management personnel compensation comprised the following.

	2022 $	**2021 $**
Short-term employee benefits	5,775	-
Post-employment benefits	577	-
	6,352	-

Note 25. Related party transactions

There were no transactions with related parties during the current and previous financial year.

Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Andrew Frewin Stewart, the auditor of the company:

	2022 $	2021 $
Audit services		
Audit or review of the financial statements	5,200	5,000
Other services		
Taxation advice and tax compliance services	600	600
General advisory services	3,090	3,840
Share registry services	5,728	1,900
	9,418	6,340
	14,618	11,340

Note 27. Reconciliation of profit after income tax to net cash provided by operating activities

	2022 $	2021 $
Profit after income tax expense for the year	161,069	119,005
Adjustments for:		
Depreciation and amortisation	93,494	64,170
Lease liabilities interest	8,066	9,969
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(10,891)	1,784
Decrease in deferred tax assets	53,689	40,697
Increase/(decrease) in trade and other payables	(7,648)	23,055
Increase/(decrease) in employee benefits	(13,501)	4,337
Increase in other provisions	809	769
Net cash provided by operating activities	285,087	263,786

Note 28. Earnings per share

	2022 $	2021 $
Profit after income tax	161,069	119,005
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	1,286,098	1,286,098
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,286,098	1,286,098
	Cents	**Cents**
Basic earnings per share	12.52	9.25
Diluted earnings per share	12.52	9.25

Note 28. Earnings per share (continued)

Accounting policy for earnings per share
Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of Homebush Financial Services Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Note 29. Commitments

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

Note 30. Contingencies

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

Note 31. Events after the reporting period

Since the end of the year, the Reserve Bank of Australia (RBA) has increased the cash rate by 1.75 basis points moving from 0.85% at 30 June 2022 to 2.60% as at the date of signing these accounts. The increase in the cash rate has a direct impact on the revenue received by the company on its products (deposits and loans) offered to its customers. The company has noted a material increase in the revenue streams for the first couple of months July – August 2022.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Homebush Financial Services Ltd
Directors' declaration
30 June 2022

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in the notes to the financial statements;

- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

M Brewer

Michael Brewer
Chair

25 October 2022

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

Independent auditor's report to the Directors of Homebush Financial Services Ltd.

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Homebush Financial Services Ltd. (the company), which comprises:

- Statement of financial position as at 30 June 2022
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

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 2022 and of its financial performance for the year ended on that date; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

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.

We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (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.

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 65 684 604 390

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
afs@afsbendigo.com.au
03 5443 0344

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.

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.

Responsibilities of the Directors 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 responsibilities 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.

Andrew Frewin Stewart
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As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 25 October 2022

Adrian Downing
Lead Auditor

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Bendigo Bank

Bendigo and Adelaide Bank Limited ABN 11 068 049 178, AFSL/Australian Credit Licence 237879 A1429506 OUT_26467789 26/10/2022