

Freshwater **Community Bank**[®] Branch



annual report 2014

Harbord Financial Services Limited

ABN 25 097 282 525

Freshwater **Community Bank**[®] Branch of Bendigo Bank

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Chairman's report

305 communities with a \$122 million reasons to celebrate

Thanks to the support of **Community Bank**[®] customers and shareholders, the Australia-wide **Community Bank**[®] network has now returned more than \$122 million to support and strengthen local communities.

This enormous achievement came as the **Community Bank**[®] network celebrate the opening of its 305th branch in Penola, South Australia, 16 years after the **Community Bank**[®] concept was born in the western Victorian farming townships of Rupanyup and Minyip in 1998.

These branches join a robust and maturing banking network where valued partnerships enhance banking services, taking the profits their banking business generates and reinvesting that funding into initiatives that will ultimately strengthen their community.

Our **Community Bank**[®] company has played a key role in these milestones, returning more than \$1.789 million to our local community with a further \$511,131 in dividends returned to local shareholders.

These community grants and sponsorships have made a significant difference to a number of local organisations (all listed in the back of this Annual Report). We look forward to continuing to support these groups and others as more people bank with us and we become more successful.

Ratings upgrade

Bendigo and Adelaide Bank remains one of the few banks globally to be awarded an upgraded credit rating since the onset of the Global Financial Crisis.

This means the Bank continues to be rated at least "A-" by standards & Poor's, Moody's and Fitch in recognition of its strong performance in the face of what continues to be a challenging economic environment.

Review of **Community Bank**[®] model

The review of the **Community Bank**[®] model, also known as Project Horizon, is a collaborative effort to rigorously explore and analyse the model; an approach strongly underpinned by financial modelling and empirical analysis. The future model will then be tested and reviewed through extensive consultation and enquiry.

With holistic strategic review of the **Community Bank**[®] model, and with a joint commitment to set the vision and strategy for a sustainable commercial model, the Bank and its **Community Bank**[®] partners will create a shared vision for future long-term success regardless of changes to operational and market conditions.

I particularly thank John Vaccaro for his energy and enthusiasm to achieve this goal as the New South Wales representative on the **Community Bank**[®] Strategic Advisory Board.

Sponsorship, Community Grants and Donations

Payments for Sponsorships (\$86,603), Community Grants (\$45,000) and Donations (\$9,835) and Community Enterprise Foundation (\$52,632) were made to various organisations over the year totalling \$194,070.

Chairman's report (continued)

Scholarship / Tertiary funding

Our second year of the Tertiary Scholarship scheme has continued to be very well accepted and successful.

With the direction of Peter Harley we have a budget of \$50,000 to invest in the academic future of our youth in this great community.

2014 Recipient and Freshwater Student of the Year:

Liam Yeates – St Luke's Grammar School

2014 individual recipients:

Dylan Thompson	– NBSC Balgowlah Boys Campus
Todd Jacobs	– NBSC Cromer Campus
Joshua Bannister	– NBSC Freshwater Senior Campus
Roanize Kruger	– NBSC Manly Selective Campus
Jordan Gallagher	– NBSC Mackellar Girls Campus
Violet Warner	– Stella Maris College
Ryan Maguire	– St Augustine's College
James Gourley	– St Paul's Catholic College

Youth Participants

Christopher Vaccaro	- St Augustine's College
Harrison Sekulich	- St Augustine's College
James Bourcier	- St Pauls Catholic College

The participants have again initiated successful community programs, Chris and Harry organised a morning reading program and "Creative Writing competition" at St Augustine's College while James worked with Northside Enterprises Ltd.'s Bushlink disability workers and gardeners planting various plants in the gardens at Curl Curl North Public School.

Thank you to the boys for your enthusiasm and congratulation on your achievements.

Directors

The voluntary efforts of all our Directors help make our company and exciting and stimulating working environment. Their passion, commitment, experience and expertise contributes to our continued success. I accordingly thank John Vaccaro, Ian Greentree, Kevin Abrahamson, Denise Goldstein, Peter Harley, Martin Brook and Noela Roberts for their service and welcome new Director Tony Bevan.

Kevin Abrahamson is retiring as a Director. We thank Kevin for his direction, thoroughness and incredible knowledge of the banking systems. His coaching and explanation has been invaluable in our negotiations with Bendigo and Adelaide Bank Limited. Kevin is a former member of the Bendigo and Adelaide Bank Limited Board.

Chairman's report (continued)

Ambassadors

We are also fortunate to have an active Ambassador network that supports us all and ensures our Succession Planning. Thankyou to Ian Joynson, Tom Guy, Bryn Russell, Greg Harding and David Irvine.

Staff

Our staff is efficient, friendly and caring and led by Sandy our Manager, Helen, Kasey, Angela, Su-Ellen, Kerryn, Cheerie, Melanie, Simmone and we also welcome Jacqui Bracey to the team, continue to give our community that bit extra we've come to expect.

Dividend / Result

I have to report that even though total business grew to some \$167 million our revenue decreased from \$1.371 million to \$1.237 million. The effect of "Restoring the Balance" and lower interest rates have again decreased our profitability.

The final profit after income tax expenses for the Financial Year ended 30 June 2014 was \$46,369.

The Board is pleased to announce a fully franked dividend of 5.5 cents per share for this financial year this is an increase from the 4.5 cents for 2013.

We wish to acknowledge our Auditor David Hutchings, Accountants Leo and Elie and Rose who manages the share registry and our partners at Bendigo and Adelaide Bank Limited.

These Directors will be retiring by rotation and I ask you to support Ian Greentree, Peter Harley and Denise Goldstein in their re-election. We also support the appointment of Tony Bevan who has been an Ambassador for two years.

Can I close by giving you an historical comparison? In my first Chairman's Report in 2002 we had 918 accounts with a total business level of \$7.625 million and now have 6,479 accounts with a total business level of \$167 million.

Yes we have certainly grown!

I would like to thankyou the shareholders, Directors, Ambassadors, the Staff, our customers and the community for supporting the Freshwater (Harbord) **Community Bank**® to achieve such success!

Finally I thankyou for the privilege of serving this great community of ours.



Trevor Sargeant

Chairman 2014

Manager's report

Once again I have the privilege as Manager of Freshwater **Community Bank**[®] Branch to contributing to our 13th Annual Report for the financial year ended 30 June 2014.

I have now been in this position for just over three years and again this year has not been without its challenges in a very competitive financial market with ongoing decreases in both deposit and lending rates. The pressure to provide our customers the best possible rates in this environment continues.

Our community contributions were again substantial with \$194,070 being returned to our local community through donations, grants and sponsorship. This is one of the many rewarding aspects of my role.

At the heart of our business is our focus on exceptional customer service while building relationships with our customers and growing our business. We have welcomed Jacqui Bracey this year as a new Customer Service Officer and including our wonderful team here in Helen, Kasey, Angela, Su-Ellen, Cheerie, Kerryn, Melanie and Simmone we ensure that your banking experiences are positive ones. We look forward to serving you and yet another successful year.

We receive continued tremendous support from our partners Bendigo and Adelaide Bank Limited, especially our Regional Manager Alex Hughes and his team at State Office. My Business Banker Michael Sims also has provided much guidance and assistance managing our business portfolio.

Our Board of Directors and Ambassadors are dedicated and continue to work tirelessly in their role as volunteers and support me in my role as Branch Manager. They play an integral role in our ongoing success and should be congratulated for their input.

Our customers, shareholders and sponsored groups remain our greatest advocates in encouraging others to join and share the **Community Bank**[®] concept success and I invite all our shareholders who do not currently do their banking with us to please contact me.



Sandra Kleiner

Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2014

The past year marked two very significant milestones for our **Community Bank**® network, celebrating the opening of its 300th branch while also reaching \$120 million in community contributions. Both achievements could not have been accomplished without your ongoing support as shareholders and customers.

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

Sixteen years later, the model has grown into something even bigger than that. It has rapidly developed into a partnership that generates a valued, alternative source of income for a community, funding activities or initiatives that make a local town or suburb a better place to live.

In June 2014, the network welcomed its 305th branch in Penola, South Australia, and in the same week, the Victorian coastal town of Port Fairy introduced its community to our unique style of banking. These branches join a robust and maturing banking network where valued partnerships enhance banking services, taking the profits their banking business generates and reinvesting that funding into initiatives that will ultimately strengthen their community.

The **Community Bank**® network has returned more than \$20 million in contributions to local communities in this financial year alone. Our branches have been able to fund projects that make a difference to a community; improved health services, sports programs, aged care facilities, education initiatives and community events that connect communities and encourage prosperity.

Demand from communities remains strong, with about 30 **Community Bank**® branch sites currently in development, and 10 branches expected to open nationally in the next 12 months. The network's steady expansion demonstrates the strength and relevance of a banking model where the desire to support the financial needs of customers is equalled by the desire to realise shared aspirations by harnessing the power of community.

At the end of the financial year 2013/14 the **Community Bank**® network had achieved the following:

- Returns to community – \$122.2 million
- **Community Bank**® branches – 305
- **Community Bank**® branch staff – more than 1,500
- **Community Bank**® company Directors – 1,900
- Banking business – \$24.46 billion
- Customers – 550,000
- Shareholders – 72,000
- Dividends paid to shareholders since inception – \$36.7 million.

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

Bendigo and Adelaide Bank report (continued)

In September last year the Bank announced it would commence a comprehensive review of the **Community Bank®** model. The intention of the review is to rigorously explore and analyse the model, setting the vision and strategy for a sustainable and successful commercial model, regardless of changes to operational and market conditions. An update of this review will be provided at the **Community Bank®** National Conference in Darwin in September.

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

To this aim, the Bank supports the Financial Systems Inquiry (FSI) which calls for an even playing field for all banks in an effort to increase customer choice. It takes a principled approach to governing, encouraging banks to consider all members of a community when they do business.

Bendigo and Adelaide Bank is a signatory to the Regional Banking submission in collaboration with Bank of Queensland, Suncorp and ME Bank, while our independent submission focuses on the important role banks play in communities.

Banks inject a high-level of capability and knowledge in the places they operate, supporting the sustainability of communities and helping to ensure they're viable. The Bank calls for a framework that incentivises banks, and the people who work for them, to be good corporate citizens, while promoting ethical decision making, innovation and better outcomes for customers and communities.

This financial year we launched our new www.bendigobank.com.au website. Packed with useful information and easy to access online services, our 1.4 million customers can easily connect with us at home, at work or on their mobile or tablet as well as learn more about our commitment to strengthening and supporting local communities.

In line with increasing demand for "anywhere, anytime" banking, we're excited about the impending introduction of our improved online banking platform to our customers later this year.

As **Community Bank®** shareholders you are part of something special, a unique banking movement founded on a whole new way of thinking about banking and the role it plays in modern society.

The **Community Bank®** model is the ultimate example of a win/win partnership and I thank you for your important support of your local **Community Bank®** branch.



Robert Musgrove
Executive Community Engagement

Directors' report

Your directors submit the financial statements of the company for the financial year ended 30 June 2014.

Directors

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

Trevor Leslie Sargeant

Chairman

Dentist

Holds a Bachelor of Dentistry Science from Sydney University.

Special Responsibilities: Operations and Human Resources Committee, Audit Committee, Business Development and Marketing Committee and Sponsorship Committee

Interest in shares: 2,001

Ian John Greentree

Secretary

Book Distributor

Accountant, Diploma Law Solicitor and Associate Diploma Accounting.

Special Responsibilities: Audit Committee, Company Secretary

Interest in shares: 1,501

Martin Edwin Brook

Director

Pharmacist

Holds a Bachelor of Pharmacy and has been a retail Pharmacist for 34 years.

Proprietor of Brook's Pharmacy Freshwater for 25 years.

Special Responsibilities: Operations and Human Resources Committee and Sponsorship Committee

Interest in shares: 2,001

Noela Rose Roberts

Director

Retired

Holds a Bachelor of Economics and worked as an accountant for 30 years.

Special Responsibilities: Business Development and Marketing Committee, Sponsorship Committee and Youth Participant Mentor

Interests in shares: 9,001

John Vaccaro

Vice Chairman

Licensed Real Estate Agent

30 years' experience in operating and selling real estate.

Licensee in charge, training group leader and supervisor.

Special Responsibilities: Business Development and Marketing Committee and Sponsorship Committee

Interests in shares: 501

Directors' report (continued)

Denise Faith Goldstein

Director

National Sales Director and National Sales and Marketing Manager in IT

Founded SESI Group.

Is a long term resident of Freshwater for the past 20 years.

Treasurer of Friends of Freshwater and involved in Diggers Development Community Consultation Group.

Special Responsibilities: Business Development and Marketing Committee and Operations and Human Resources Committee

Interest in shares: 1

Peter Eric Harley

Director

Retired

Former Director of Workcover Authority of NSW, Executive Director of Testsafe Australia (2004-08)/ Public Sector Manager for thirty years. President of friends of Freshwater Inc. Bachelor of Commerce. Diploma of Relations and Law.

Special Responsibilities: Sponsorship Committee, OH & S Committee and Audit Committee and Scholarship Coordinator

Interest in shares: 501

Kevin Duncan Abrahamson

Treasurer

Retired

Former Director of Bendigo & Adelaide Bank Limited for 11 years. Board of Fiducian Portfolio Services. Consultant to the Banking and Financing industries. Senior roles in Advance Bank and St George Bank for 14 years.

Special Responsibilities: Audit Committee, IT Committee and Business Development and Marketing Committee

Interest in shares: 1

Garry Stanley Chadwick

Treasurer (Resigned 13 September 2013)

Accountant/Company Director

Certified Practising Accountant and Justice of the Peace.

Special Responsibilities: Business Development and Marketing Committee and Audit Committee

Interests in shares: 15,001

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

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

Directors' report (continued)

Company Secretary

The Company Secretary is Ian Greentree. Ian has been the Company's Secretary since 27 November 2006.

Ian has a Diploma in Law, admitted as a Solicitor to the Supreme Court of NSW, Associate Diploma in Accounting, member of Institute of Public Accountants, Governance Institute of Australia and previously held the position of assistant Company Secretary of Advance Bank Australia Limited.

Principal Activities

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

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

Operating results

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

Year ended	Year ended
30 Jun 14	30 Jun 13
\$46,369	\$46,291

Operating and financial review

Operations

The Company is a franchisee of Bendigo & Adelaide Bank Limited providing financial products and services to individuals, businesses and organisations throughout the local area via the Freshwater **Community Bank®** Branch.

While the branch is reliant on Bendigo & Adelaide Bank Limited products, services and operational procedures and policies it provides a full suite of Banking products as part of the **Community Bank®** model which has been proven both robust and successful. This has provided the Company with a sound commercial foundation upon which to build its local business.

2013-14 has been a challenging year for the Company for three main reasons. Firstly the second tranche of "restoring the balance" of the distribution margin between the Company and Bendigo and Adelaide Bank Limited was in place for the whole financial year as against only two months last year. Secondly growth in the economy was at a low level exemplified by the cash interest rate being at its record low of 2.50% since August 2013.

Thirdly with interest rates at this record low level persuaded many home loan customers to move from their variable rate home loans to fixed rates which resulted in a significant loss of income for the company as it earns a much lower commission on fixed rate housing loans than on variable rate loans. Your Board anticipated a difficult year and carefully managed its expenses and distributions to the community to ensure that the Company would achieve a profitable result. At the end of the year the result was better than expected and so the Board decide to contribute \$50,000 into the Bendigo and Adelaide Bank Limited Charitable Foundation.

This money will be available for distribution to our local Community in future years.

Directors' report (continued)

Financial Position

Pre-tax profit for the 2013-14 year at \$61,241 is some 20% higher than last year (\$55,014). However after tax profits are only marginally up from \$46,291 to \$46,369. This difference in the pre and post-tax numbers is due to our effective tax rate for last year (and previous years) being significantly less than 30% due to the tax write off of the cost of the original start-up capital raising. This was fully written off last year so that our tax rate this year is now at the normal 30% rate. Total Equity has increased from \$734,302 to \$739,483.

Discussion of Business Strategies

The overall business strategy is to work with Bendigo and Adelaide Bank Limited to manage and grow the existing business and provide excellent service to our existing and prospective customers.

Business growth is planned through:

- Supporting community groups and building relationships to facilitate awareness of the **Community Bank**[®] model to achieve new customers and assist the Freshwater Community.
- Continuing with Freshwater News to provide community news and marketing information.
- Marketing campaigns on selected products in association with Bendigo and Adelaide Bank and their partners.
- Active sales programs aimed at gaining new customers.
- Providing product information to clients so they purchase additional products thus increasing products per customer.
- Continue to provide support for youth in our area through scholarships and youth participation programs.
- Continue to provide information to shareholders on the products and services that are available through our **Community Bank**[®] Branch.

Prospects for Future Financial Years

The Company's business growth resolves very strongly, around close, consistent and aggressive local marketing to community groups. The Board works closely with the Company's Branch Manager on winning new business using a variety of strategies to leverage the Company's community relationships. The Company continuously evaluates all operational risks and does not consider there are any significant risks that are likely to have a detrimental impact on the business.

The Company anticipates that the current constrained market conditions are likely to continue for most of the current financial year with perhaps some improvement towards the end of the period.

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

Directors' report (continued)

Remuneration Report

No Director receives remuneration for services as a Company Director or Committee Member.

The Board is responsible for the determination of remuneration packages and policies applicable to the Manager and staff. The Manager is invited to all Board meetings to report on the management of the branch and as required to discuss performance and remuneration packages.

The Manager is paid a base salary, which for the year ended 30 June 2014 was in the range \$90,000 to \$100,000 (plus superannuation).

Director's shareholdings	Balance at start of the year	Changes during the year	Balance at end of the year
Trevor Leslie Sargeant	2,001	-	2001
Ian John Greentree	1,501	-	1501
Martin Edwin Brook	2,001	-	2001
Noela Rose Roberts	9,001	-	9001
John Vaccaro	501	-	501
Denise Faith Goldstein	1	-	1
Peter Eric Harley	1	500	501
Kevin Duncan Abrahamson	1	-	1
Garry Stanley Chadwick (Resigned 13 September 2013)	15,001	-	15001

Dividends

Dividends paid in the year:

Year ended 30 June 2014

Cents	\$
4.5	31,188

Significant changes in the state of affairs

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

Events since the end of the financial year

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company the results of those operations or the state of affairs of the company, in future years.

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

Directors' report (continued)

Indemnification and insurance of Directors and Officers

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

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

Directors' Meetings

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

COMMITTEE MEETINGS ATTENDED														
Directors	Board meetings attended		Audit		Operations and Human Resources		Strategic Planning		Business Development and Marketing		Sponsorship		Building	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Trevor Leslie Sargeant	12	11	5	5	11	10	1	-	11	9	11	10	2	2
Ian John Greentree	12	11	5	5	-	10	1	1	-	5	-	5	-	-
Martin Edwin Brook	12	8	-	1	11	8	1	1	-	3	11	4	-	-
Noela Rose Roberts	12	10	-	1	-	10	1	1	-	6	11	7	2	2
John Vaccaro	12	12	-	1	-	11	1	1	11	8	11	7	2	2
Denise Faith Goldstein	12	11	-	1	11	11	1	1	11	2	-	1	-	-
Peter Eric Harley	12	9	5	1	-	9	1	1	-	7	11	7	-	-
Kevin Duncan Abrahamson	12	9	5	5	-	9	1	1	11	4	-	4	-	-
Garry Stanley Chadwick (Resigned 13 September 2013)	2	2	1	1	2	2	-	-	2	1	2	1	-	-

A - Eligible to attend

B - Number attended

Directors' report (continued)

Proceedings on behalf of the company

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

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

Non Audit Services

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

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

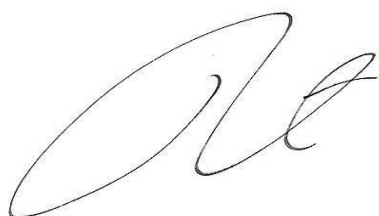
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 15.

Signed in accordance with a resolution of the board of directors at Freshwater, New South Wales on 26 August 2014.



Trevor Leslie Sargeant, Chairman

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been no contraventions of:

- the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review
- any applicable code of professional conduct in relation to the review.



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

Dated: 26 August 2014

Financial Statements

Statement of Comprehensive Income for the year ended 30 June 2014

		2014	2013
	<u>Notes</u>	\$	\$
Revenue from ordinary activities	4	1,237,561	1,371,747
Employee benefits expense		(632,866)	(661,524)
Charitable donations, sponsorship, advertising and promotion		(235,918)	(301,938)
Occupancy and associated costs		(134,071)	(132,059)
Systems costs		(18,737)	(21,635)
Depreciation and amortisation expense	5	(31,871)	(32,434)
Finance costs	5	-	(100)
General administration expenses		(117,857)	(167,044)
Profit before income tax expense		66,241	55,013
Income tax expense	6	(19,872)	(8,722)
Profit after income tax expense		46,369	46,291
Total comprehensive income for the year		<u>46,369</u>	<u>46,291</u>
Earnings per share for profit attributable to the ordinary shareholders of the company:			
Basic earnings per share	22	¢ 6.69	¢ 6.68

The accompanying notes form part of these financial statements

Financial Statements (continued)

Balance Sheet as at 30 June 2014

		2014	2013
	<u>Notes</u>	\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	7	535,355	412,003
Trade and other receivables	8	<u>109,165</u>	<u>168,530</u>
Total Current Assets		<u>644,520</u>	<u>580,533</u>
Non-Current Assets			
Property, plant and equipment	9	168,098	188,415
Financial assets	10	5,000	5,000
Intangible assets	11	34,661	46,215
Deferred tax assets	12	<u>22,671</u>	<u>18,523</u>
Total Non-Current Assets		<u>230,430</u>	<u>258,153</u>
Total Assets		<u>874,950</u>	<u>838,686</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	13	41,520	41,878
Current tax liabilities	12	8,885	440
Provisions	14	<u>37,458</u>	<u>39,778</u>
Total Current Liabilities		<u>87,863</u>	<u>82,096</u>
Non-Current Liabilities			
Provisions	14	<u>47,604</u>	32,288
Total Non-Current Liabilities		<u>47,604</u>	32,288
Total Liabilities		<u>135,467</u>	<u>114,384</u>
Net Assets		<u>739,483</u>	<u>724,302</u>
Equity			
Issued capital	15	613,376	613,376
Retained earnings	16	<u>126,107</u>	<u>110,926</u>
Total Equity		<u>739,483</u>	<u>724,302</u>

The accompanying notes form part of these financial statements

Financial Statements (continued)

Statement of Changes of Equity for the year ended 30 June 2014

	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2012	<u>613,376</u>	<u>133,941</u>	<u>747,317</u>
Total comprehensive income for the year	<u>-</u>	<u>46,291</u>	<u>46,291</u>
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	<u>-</u>	<u>(69,306)</u>	<u>(69,306)</u>
Balance at 30 June 2013	<u>613,376</u>	<u>110,926</u>	<u>724,302</u>
Balance at 1 July 2013	<u>613,376</u>	<u>110,926</u>	<u>724,302</u>
Total comprehensive income for the year	<u>-</u>	<u>46,369</u>	<u>46,369</u>
Transactions with owners in their capacity as owners:			
Shares issued during period			
Costs of issuing shares	-	-	-
Dividends provided for or paid	<u>-</u>	<u>(31,188)</u>	<u>(31,188)</u>
Balance at 30 June 2014	<u>613,376</u>	<u>126,107</u>	<u>739,483</u>

The accompanying notes form part of these financial statements

Financial Statements (continued)

Statement of Cash Flows for the year ended 30 June 2014

		2014	2013
	<u>Notes</u>	\$	\$
Cash flows from operating activities			
Receipts from customers		1,393,525	1,440,443
Payments to suppliers and employees		(1,237,719)	(1,365,813)
Interest received		14,309	11,272
Interest paid		-	(100)
Income taxes paid		<u>(15,574)</u>	<u>4,850</u>
Net cash provided by operating activities	17	<u>154,541</u>	<u>90,652</u>
Cash flows from investing activities			
Payments for property, plant and equipment		<u>-</u>	<u>(1,799)</u>
Net cash used in investing activities		<u>-</u>	<u>(1,799)</u>
Cash flows from financing activities			
Dividends paid		<u>(31,188)</u>	<u>(69,306)</u>
Net cash used in financing activities		<u>(31,188)</u>	<u>(69,306)</u>
Net increase in cash held		123,353	19,547
Cash and cash equivalents at the beginning of the financial year		<u>412,003</u>	<u>392,456</u>
Cash and cash equivalents at the end of the financial year	7(a)	<u>535,355</u>	<u>412,003</u>

The accompanying notes form part of these financial statements

Notes to the financial statements

Notes to the Financial Statements for the year ended 30 June 2014

Note 1. Summary of significant accounting policies

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Adoption of new and amended accounting standards

The company adopted the following standards and amendments, mandatory for the first time for the annual reporting period commencing 1 July 2013:

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements.
- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.
- AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

- AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and other Amendments which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period.
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13.
- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities.

AASB 2011-4 removes the individual key management personnel disclosure requirements in AASB 124 Related Party Disclosures. As a result the company now only discloses the key management personnel compensation in total and for each of the categories required in AASB 124. Detailed key management personnel compensation is outlined in the remuneration report, included as part of the directors' report.

The adoption of revised standard AASB 119 has resulted in a change to the accounting for the company's annual leave obligations. As the entity does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now classified as long-term employee benefits in their entirety. This changes the measurement of these obligations, as the entire obligation is now measured on a discounted basis and no longer split into a short-term and a long-term portion. However, the impact of this change is considered immaterial on the financial statements overall as the majority of the annual leave is still expected to be taken within 12 months after the end of the reporting period.

None of the remaining new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2013.

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

b) Revenue

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

Revenue calculation

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (i.e. commission businesses). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 and February 2013 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank**[®] partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank**[®] companies remain balanced.

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

f) Trade receivables and payable

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

g) Property, plant and equipment

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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

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

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where that are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(iv) Financial liabilities

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

Impairment

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

l) Leases

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

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

m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions of 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

n) Contributed equity

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

o) Earnings per share

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

p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the balance sheet.

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

The distribution limit is the greater of:

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2014 can be seen in the statement of comprehensive income.

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Note 4. Revenue from ordinary activities	2014	2013
	\$	\$
Operating activities:		
- services commissions	<u>1,223,252</u>	<u>1,359,821</u>
Total revenue from operating activities	<u>1,223,252</u>	<u>1,359,821</u>
Non-operating activities:		
- interest received	<u>14,309</u>	<u>11,926</u>
Total revenue from non-operating activities	<u>14,309</u>	<u>11,926</u>
Total revenues from ordinary activities	<u>1,237,561</u>	<u>1,371,747</u>

Note 5. Expenses	2014	2013
	\$	\$
Depreciation of non-current assets:		
- plant and equipment	7,640	8,204
- leasehold improvements	12,677	12,677
Amortisation of non-current assets:		
- franchise agreement	-	2,311
- franchise renewal fee	<u>11,554</u>	<u>9,242</u>
	<u>31,871</u>	<u>32,434</u>
Finance costs:		
- interest paid	-	<u>100</u>
Bad debts	<u>1,382</u>	<u>162</u>

Notes to the financial statements (continued)

Note 6. Income tax expense/credit	2014	2013
	\$	\$

The components of tax expense comprise:

- Current tax	24,020	19,595
- Movement in deferred tax	(4,148)	(7,873)
- adjustments to tax expense of prior period	-	<u>(3,000)</u>
	<u>19,872</u>	<u>8,722</u>

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

Operating profit/ (loss)	66,241	55,013
Prima facie tax on profit/ (loss) from ordinary activities at 30%	19,872	16,504
Add tax effect of:		
- timing difference expenses	4,148	7,873
- other deductible expenses	<u>-</u>	<u>(4,782)</u>
	<u>24,020</u>	<u>19,595</u>
Movement in deferred tax 12	(4,148)	(7,873)
Under/ (Over) provision of income tax in the prior year	<u>-</u>	<u>(3,000)</u>
	<u>19,872</u>	<u>8,722</u>

Note 7. Cash and cash equivalents	2014	2013
	\$	\$
Cash at bank and on hand	85,355	112,003
Term deposits	<u>450,000</u>	<u>300,000</u>
	<u>535,355</u>	<u>412,003</u>

Note 7. (a) Reconciliation to cash flow statement

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

	2014	2013
	\$	\$
Cash at bank and on hand	85,355	112,003
Term deposits	<u>450,000</u>	<u>300,000</u>
	<u>535,355</u>	<u>412,003</u>

Notes to the financial statements (continued)

Note 8. Trade and other receivables	2014	2013
	\$	\$
Trade receivables	96,124	158,207
Other receivables and accruals	4,692	1,942
Prepayments	<u>8,349</u>	<u>8,381</u>
	<u>109,165</u>	<u>168,530</u>
 Note 9. Property, plant and equipment	 2014	 2013
	\$	\$
Plant and equipment		
At cost	113,591	113,591
Less accumulated depreciation	<u>(84,264)</u>	<u>(76,625)</u>
	<u>29,327</u>	<u>36,966</u>
Leasehold improvements		
At cost	317,937	317,937
Less accumulated depreciation	<u>(179,166)</u>	<u>(166,488)</u>
	<u>138,771</u>	<u>151,449</u>
Total written down amount	<u>168,098</u>	<u>188,415</u>
 Movements in carrying amounts:	 2014	 2013
	\$	\$
Plant and equipment		
Carrying amount at beginning	36,967	43,371
Additions	-	1,799
Less: depreciation expense	<u>(7,640)</u>	<u>(8,204)</u>
Carrying amount at end	<u>29,327</u>	<u>36,967</u>
Leasehold improvements		
Carrying amount at beginning	151,448	164,126
Less: depreciation expense	<u>(12,677)</u>	<u>(12,677)</u>
Carrying amount at end	<u>138,771</u>	<u>151,448</u>
Total written down amount	<u>168,098</u>	<u>188,415</u>
 Note 10. Financial Assets	 2014	 2013
	\$	\$
Available-for-sale financial assets		
Unlisted investments at cost		
Warringah Financial Services Limited	<u>5,000</u>	<u>5,000</u>

Notes to the financial statements (continued)

Note 11. Intangible assets	2014	2013
	\$	\$
Franchise fee		
At cost	111,554	111,554
Less: accumulated amortisation	<u>(111,554)</u>	<u>(102,311)</u>
	-	<u>9,243</u>
Renewal processing fee		
At cost	46,214	46,214
Less: accumulated amortisation	<u>(11,553)</u>	<u>(9,242)</u>
	<u>34,661</u>	<u>36,972</u>
Total written down amount	<u>34,661</u>	<u>46,215</u>
Note 12. Tax	2014	2013
	\$	\$
Current:		
Income tax payable	<u>8,885</u>	<u>440</u>
Non-Current:		
<u>Deferred tax assets</u>		
- employee provisions	<u>26,584</u>	<u>21,620</u>
	<u>26,584</u>	<u>21,620</u>
<u>Deferred tax liability</u>		
- accruals	1,408	583
- deductible prepayments	<u>2,505</u>	<u>2,514</u>
	<u>3,913</u>	<u>3,097</u>
Net deferred tax asset	<u>22,671</u>	<u>18,523</u>
Movement in deferred tax charged to statement of comprehensive income	<u>(4,148)</u>	<u>(7,873)</u>
Note 13. Trade and other payables	2014	2013
	\$	\$
Trade creditors	10,168	2,969
Other creditors and accruals	<u>31,352</u>	<u>38,909</u>
	<u>41,520</u>	<u>41,878</u>

Notes to the financial statements (continued)

Note 14. Provisions	2014 \$	2013 \$
Current:		
Provision for annual leave	26,556	28,436
Provision for long service leave	<u>10,902</u>	<u>11,342</u>
	<u>37,458</u>	<u>39,778</u>
Non-Current:		
Provision for long service leave	<u>47,604</u>	<u>32,288</u>

Note 15. Contributed equity	2014 \$	2013 \$
693,059 ordinary shares fully paid (2013: 693,059)	693,059	693,059
Less: equity raising expenses	<u>(79,683)</u>	<u>(79,683)</u>
	<u>613,376</u>	<u>613,376</u>

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

Notes to the financial statements (continued)

Note 15. Contributed equity (continued)

(c) Transfer

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

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act 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").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 374. As at the date of this report, the company had 407 shareholders.

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.

The National Stock Exchange (NSX) has advised that in its view the prohibited shareholding provisions are appropriate and equitable but the 'base number test' is not, as a result the base number clause does not operate whilst the company remains listed on the NSX.

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.

Notes to the financial statements (continued)

Note 16. Retained earnings

	2014 \$	2013 \$
Balance at the beginning of the financial year	110,926	133,941
Net profit/ (loss) from ordinary activities after income tax	46,369	46,291
Dividends paid or provided for	<u>(31,188)</u>	<u>(69,306)</u>
Balance at the end of the financial year	<u>126,107</u>	<u>110,926</u>

Note 17. Statement of cash flows

	2014 \$	2013 \$
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	46,369	46,291
Non-cash items:		
- depreciation	20,317	20,881
- amortisation	11,554	11,553
Changes in assets and liabilities:		
- (increase)/decrease in receivables	59,365	(44,789)
- (increase)/decrease in other assets	(4,148)	13,572
- increase/ (decrease) in payables	(358)	10,359
- increase in provisions	12,996	32,785
- increase/ (decrease) in current tax liabilities	<u>8,445</u>	<u>-</u>
Net cash flows provided by operating activities	<u>154,541</u>	<u>90,652</u>

Note 18. Leases

	2014 \$	2013 \$
<u>Operating lease commitments</u>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	99,980	96,125
- between 12 months and 5 years	191,628	272,984
- greater than 5 years	<u>-</u>	<u>-</u>
	<u>291,608</u>	<u>369,109</u>

The lease on the branch premises is a non-cancellable lease with a five-year term which expires on 13 June 2017. There are two options to renew the lease for a further five years available to be exercised at the conclusion of each term. Annual rent is currently \$99,980 plus GST.

Notes to the financial statements (continued)

<u>Sponsorship commitments</u>	2014 \$	2013 \$
Non-cancellable sponsorship contracted for but not capitalised in the financial statements		
Payable:		
- not later than 12 months	22,000	-
- between 12 months and 5 years	-	-
- greater than 5 years	<u>-</u>	<u>-</u>
Present value of minimum sponsorship payments	<u>22,000</u>	<u>-</u>

The two (2) year sponsorship agreement for Manly Warringah Sea Eagles provides for payment to be made in the next financial year.

Note 19. Auditor's remuneration	2014 \$	2013 \$
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	3,550	4,700
- share registry services	2,997	3,608
- non audit services	<u>3,907</u>	<u>3,048</u>
	<u>10,454</u>	<u>11,356</u>

Note 20. Director and related party disclosures	2014 \$	2013 \$
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No director of the company receives remuneration for services as a company director or committee member.

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

Note 21. Dividends paid or provided	2014 \$	2013 \$
a. Dividends paid during the year		
100% (2013: 100%) franked dividend - 4.5 cents (2013: 8 cents) per share	<u>31,188</u>	<u>69,306</u>
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	61,176	58,967
- franking credits that will arise from payment of income tax payable as at the end of the financial year	20,027	440
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	<u>-</u>	<u>-</u>
Franking credits available for future financial reporting periods:	81,203	59,407
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period.	<u>-</u>	<u>-</u>
Net franking credits available	<u>81,203</u>	<u>59,407</u>

Notes to the financial statements (continued)

Note 22. Earnings per share		2014	2013
		\$	\$
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	46,369	46,291
		Number	Number
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	693,059	693,059

Note 23. Events occurring after the reporting date

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

Note 24. Contingent liabilities and contingent assets

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

Note 25. Segment reporting

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

Note 26. Registered office/Principal place of business

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

Registered Office

20 Albert Street

Freshwater NSW 2096

Principal Place of Business

20 Albert Street

Freshwater NSW 2096

Notes to the financial statements (continued)

Note 27. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	2014%	2013%
Financial assets												
Cash and cash equivalents	84,998	111,614	450,000	300,000	-	-	-	-	357	388	2.81	5.83
Receivables	-	-	-	-	-	-	-	-	109,165	158,207	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	-	-	-	-	-	-	-	-	0	0
Payables									41,520	41,877	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

Notes to the financial statements (continued)

Note 27. Financial instruments (continued)

As at 30 June 2014, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2014 \$	2013 \$
Change in profit/(loss)		
Increase in interest rate by 1%	850	1,116
Decrease in interest rate by 1%	850	1,116
Change in equity		
Increase in interest rate by 1%	850	1,116
Decrease in interest rate by 1%	850	1,116

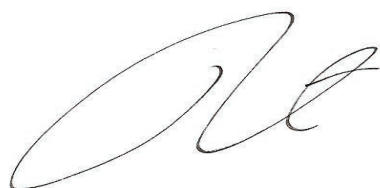
Directors' Declaration

In accordance with a resolution of the directors of Harbord 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 2014 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



Trevor Leslie Sargeant, Chairman

Signed on the 26th of August 2014.

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

Report on the financial report

I have audited the accompanying financial report of Harbord Financial Services Limited, which comprises the balance sheet as at 30 June 2014, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, I consider internal controls relevant to the entity's preparation and presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

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

P: (03) 5443 0344

F: (03) 5443 5304

61-65 Bull St./PO Box 454 Bendigo Vic. 3552

afs@afsbendigo.com.au

www.afsbendigo.com.au

Independence

In conducting the audit I have complied with the independence requirements of the *Corporations Act 2001*. I have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

Auditor's opinion on the financial report

In my opinion:

1. The financial report of Harbord Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2014 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

I have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. My responsibility is to express an opinion on the remuneration report, based on the audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In my opinion, the remuneration report of Harbord Financial Services Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.



David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 26 August 2014

NSX Report

Harbord Financial Services Limited is a public Company incorporated in Australia and listed on the National Stock Exchange of Australia (NSX).

Shareholding

The following table shows the number of shareholders, broken into various categories showing the total number of shares held.

Number of shares held	Number of shareholders	Number of shares held
1 to 1,000	267	184,557
1,001 to 5,000	132	441,270
5,001 to 10,000	7	55,232
10,001 to 100,000	1	12,000
101,000 and over	0	0
Total shareholders	407	693,059

Equity securities

Each of the above shareholders are entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the company.

There are 12 shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to \$1 per share.

There are no unquoted equity securities.

Largest shareholders

The following table shows the largest shareholders including equal holdings

Shareholder	Number of fully paid shares held	Percentage of issued capital
GREGORY ANDREW MARAUN <ESTATE PETER NOEL MARAUN A/C>	12000	1.73%
BRETROE PTY LTD <JOHN THORPE & PATRICIA KING SUPERANNUATION FUND A/C>	10000	1.44%
NORTHERN SUBURBS SECRETARIAL SERVICES PTY LTD <JULETON A/C>	9500	1.37%
MRS NOELA ROSE ROBERTS	8001	1.15%
STAAS PRINTING PTY LTD	8000	1.15%
WINPAR HOLDINGS LIMITED	7500	1.08%
SANTOSHA SUPERANNUATION FUND PTY LTD <SANTOSHA SUPER FUND A/C>	6231	0.90%
MR PHILLIP ROHAN MARSH	6000	0.87%
MR HARRY S BEDIKIAN	5000	0.72%
MRS MARGARET KATHLEEN HUCKLE & MR ROBERT CHARLES HUCKLE	5000	0.72%
MRS SUSAN B MORGAN & MR MICHAEL MORGAN	5000	0.72%
KEELPIN PTY LTD <SUPER FUND A/C>	5000	0.72%

NSX Report (continued)

PETER GARD & JOY GARD <GARD FAMILY SUPER FUND A/C>	5000	0.72%
SCOTT ALLEN SMITH	5000	0.72%
GOLONG INVESTMENT PTY LTD	5000	0.72%
MR WILLIAM ARCHIBALD TUESLEY & MRS BETTY JOYCE TUESLEY	5000	0.72%
MR IAN GEOFFREY KIRK <KIRK FAMILY CHILDREN A/C>	5000	0.72%
MR GUNTHER BIRK & MRS HELEN LOUISE BIRK	5000	0.72%
MR ROBERT ANTHONY WALKER	5000	0.72%
GRAHAM RIGONI & JULIE RIGONI	5000	0.72%
MR ANDRO TOMICH & MRS LAURA TOMICH	5000	0.72%
MR NEIL MICHAEL CRUMMY	5000	0.72%
MRS MARTHA JANE CRUMMY	5000	0.72%
WHITE CAPERS PTY LTD	5000	0.72%
MR LEIGH GERARD SIMON	5000	0.72%
MR RONALD VINCENT SPLATT & MRS LESLEY SPLATT	5000	0.72%
BMP CONSULTING PTY LTD	5000	0.72%
GSC INVESTMENT SERVICES P/L	5000	0.72%
GSC INVESTMENT SERVICES P/L <SUPERANNUATION FUND A/C>	5000	0.72%
MR ROSS ALAN DALGLEISH & MRS MARIE THERESE DALGLEISH	5000	0.72%
MRS DARIEN WISE	5000	0.72%
BILL MESSENGER	5000	0.72%
MR ALAN GOURLAY	5000	0.72%
MRS KAREN LOUISE GOURLAY	5000	0.72%
ANTHONY TIBBLES & GWEN TIBBLES	5000	0.72%
CENTRE FOR HEALTH PROMOTION & RESEARCH PTY LTD	5000	0.72%
MRS SUTCHADA HEATON	5000	0.72%
MR BRADLEY O'CONNOR	5000	0.72%
MRS SUSAN JANE MARTIN	5000	0.72%
MR STEFAN WILLIAMS & MS JANELLE WILLIAMS	5000	0.72%
GARETH PUGH JONES	5000	0.72%
ALEC LAZICH & JOAN LAZICH	5000	0.72%
KARL MAX KOLLER	5000	0.72%
MR DOUGLAS HAMILTON NORTH	5000	0.72%
MRS DEIRDRE CHAMBERS	5000	0.72%
MR FRANK NOBLE	5000	0.72%
BARRY AUSTIN JONES & IMELDA CLAIRE JONES	5000	0.72%
MRS PATRICIA ELLEN HORTON	5000	0.72%
MR TREVOR MARK HORTON	5000	0.72%
KEN SPARKS <SUPERANNUATION FUND A/C>	5000	0.72%
MR RICHARD GRANVILLE WRAY	5000	0.72%
MS ANN NOREEN RICHARDS	5000	0.72%
JOHN FREDERICK ROBERTS	5000	0.72%
SYLVIA MAY MORTON	5000	0.72%
REX MCLAREN MAILMAN	5000	0.72%
SUSAN MORGAN	5000	0.72%
T.B.M. (AUST) PTY LTD	5000	0.72%
VICTORIA JANE LEWIS	5000	0.72%
HIFINE PTY LTD	5000	0.72%
TOTALS	322,232	46.49%

NSX Report (continued)

Registered office and Principal administrative office

The registered office of the company is located at:

20 Albert Street
FRESHWATER NSW 2096
Phone: (02) 9939 8990

The principal administrative office of the company is located at:

20 Albert Street
FRESHWATER NSW 2096
Phone: (02) 9939 8990

Security register

The security register (share register) is kept at:

AFS & Associates
61-65 Bull Street
Bendigo VIC 3550
Phone: (03) 5443 0344

Postal Address:
PO BOX 454
BENDIGO VIC 3552

Company Secretary

Ian Greentree has been the Company Secretary of Harbord Financial Services Limited for 8 years. Ian's qualifications and experience include:
Diploma in Law admitted as a Solicitor to the Supreme Court of NSW
Associate Diploma in Accounting
Member of the Institute of Public Accountants
Governance Institute of Australia

Corporate governance

The company has implemented various corporate governance practices, which include:

- (a) The establishment of an audit committee. Members of the audit committee are Trevor Sargeant; Ian Greentree; Kevin Abrahamson
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing director training; and
- (d) Monthly Director Meetings to discuss performance and strategic plans.

Annexure 3

There are no material differences between the information in the company's Annexure 3 and the information in the financial documents in its Annual Report.

5 Year summary of performance

		2010	2011	2012	2013	2014
Gross revenue	\$	1,305,443	1,469,622	1,482,724	1,371,747	1,237,561
Net profit before tax	\$	173,697	128,274	101,116	55,013	66,241
Total assets	\$	884,196	819,394	818,117	838,686	874,950
Total liabilities	\$	171,402	84,333	70,800	114,384	135,467
Total equity	\$	712,794	735,061	747,317	724,302	739,483

Share Holder Dividend Payment and Director History

Shareholder Dividend History

YEAR	Cents per share	Total Distribution
2004 / 2005	2.25 cents	\$15,593.83
2005 / 2006	3.5 cents	\$24,257.06
2006 / 2007	10 cents	\$69,305.90
2007 / 2008	10 cents	\$69,305.90
2008 / 2009	8 cents	\$55,444.72
2009 / 2010	10 cents	\$69,305.90
2010 / 2011	10 cents	\$69,305.90
2011 / 2012	10 cents	\$69,305.90
2012 / 2013	4.5 cents	\$31,187.65
2013 / 2014	5.5 Cents	\$38,118.24
Total	73.75 cents	\$511,131.00

Director History

Steering Committee	
Bernard O'Connor	Chairman
Robert Adams	
Brian Dunphy	
Greg Hazlett	
Jeremy Hodges	
Ian Joynson	
Roger Leys	
Peter Lowther	
Bryce Rea	
Deidre McAliden	Public Relations
Peter Kemp	Solicitor
Stephen Armstrong	Accountant
David McCauley	Bendigo Bank
Inaugural Directors	
Domenic Gerace	Chairman
Dr Trevor Sargeant	Vice Chairman
Brian Dunphy	Company Secretary
Martin Brook	
Ian Joynson	
Howard Lipman	
Phillip Murray	
Dr Howard Wong-See (Dec'd)	
Previous Directors	
Brian Dunphy	
Anita Hutcheson	
Phillip Murray	
Andrew Speers	
Howard Lipman	
Dr Howard Wong-See (Dec'd)	
John Lang	
Lisa Bousfield	
Darren Jones	
Brad O'Connor	
Ian Joynson	Now Ambassador
Kevin Abrahamson	

2013-2014 Donations, Grants & Sponsorships

DONATION		
NAME OF RECIPIENT	SPONSORSHIP DESCRIPTION 2013-2014	AMOUNT
Cancer Council	October Pink Morning Tea	\$400
Cancer Council	Australia's Biggest Morning tea	\$600
Curl Curl Boardriders Association	Nathan Sawyer Fundraising Surf Event	\$500
Harbord Community Kindergarten Inc.	Donation to Fundraising Event	\$500
Harbord Community Library	Donation for purchase of office equipment	\$1,000
Jac Hasler / Youth Observer	An in memory donation to St Vincent's Hospital	\$500
Lions Club of Manly	Donation for purchase of Circus Quirkus	\$500
Manly/Mosman Parkinson's Support Group	Charity Lunch Raffle Donation	\$35
Northern Beaches Interchange	Pub to Pub Team Entry Fee	\$200
Royal Flying Doctors / Team CX	Donation as part of fundraising by Team CX	\$500
Sth Curl Curl SLSC	Donation towards 2013/2014 Season	\$5,000
Tech Aid to the Disabled	Donation Cerebral Palsy for Curtis Crichton	\$100
	TOTAL DONATIONS PAID	\$9,835

SCHOLARSHIP GRANTS		
NAME OF RECIPIENT	SPONSORSHIP DESCRIPTION 2013-2014	AMOUNT
Nina Newcombe - Mackellar Girls Campus*	FCB Tertiary Scholarship 2013 and Ken Ward Memorial Scholarship Recipient	\$2,500
Emilia Loughland - Manly Selective Campus*	FCB Tertiary Scholarship 2013	\$2,500
Jacob Tsagaris - St Paul's Catholic College	FCB Tertiary Scholarship 2013	\$2,500
Jessica Willams - St Luke's Grammar School	FCB Tertiary Scholarship 2013	\$2,500
Jovana Zelenbaba - Freshwater Senior Campus*	FCB Tertiary Scholarship 2013	\$2,500
Rachel Nunn - Stella Maris College	FCB Tertiary Scholarship 2013	\$2,500
Rory O'Connor - St Augustine's College	FCB Tertiary Scholarship 2013	\$2,500
Thomas Elliott - Balgowlah Boys Campus*	FCB Tertiary Scholarship 2013	\$2,500
Liam Yeates - St Luke's Grammar School	FCB Tertiary Scholarship 2014 and Ken Ward Memorial Scholarship Recipient	\$5,000
Dylan Thompson - Balgowlah Boys Campus*	FCB Tertiary Scholarship 2014	\$2,500
James Gourlay - St Paul's Catholic College	FCB Tertiary Scholarship 2014	\$2,500
Jordan Gallagher - Mackellar Girls Campus*	FCB Tertiary Scholarship 2014	\$2,500
Joshua Bannister - Freshwater Senior Campus*	FCB Tertiary Scholarship 2014	\$2,500
Roanize Kruger - Manly Selective College	FCB Tertiary Scholarship 2014	\$2,500
Ryan Macguire - St Augustine's College	FCB Tertiary Scholarship 2014	\$2,500
Todd Jacobs - Cromer Campus*	FCB Tertiary Scholarship 2014	\$2,500
Violet Warner - Stella Maris College	FCB Tertiary Scholarship 2014	\$2,500
	TOTAL COMMUNITY GRANTS PAID	\$45,000

*Mackellar Girls, Manly Selective, Freshwater Senior, Balgowlah Boys and Cromer Campuses are all part of the Northern Beaches Secondary College

SPONSORSHIP		
NAME OF RECIPIENT	SPONSORSHIP DESCRIPTION 2013-2014	AMOUNT
Curl Curl Amateur Swim Club	Purchase Club swimming caps	\$506
Curl Curl Longboard Club	Annual Curl MALJAM Pro	\$500
Curl Curl North Public School - P&C	Annual Market Day	\$1,000
Curl Curl Youth FC	2013/2014 Season Sponsorship	\$500
Dee Why Lions Rugby Club	2013/2014 Season Sponsorship (Provision)	\$750
Freshwater Community Bank Triathletes	Sponsorship for 2013/2014	\$922
Freshwater Community Carols	2013 Christmas Carol Community Event	\$2,480
Freshwater Longboard Club	Annual Club Sponsorship	\$500

If you are involved with a community organisation or sporting club, Freshwater Community Bank Branch of Bendigo Bank would welcome your banking.

2013-2014 Donations, Grants & Sponsorships

Harbord 1st / 2nd Scout Group	Clubhouse upgrade requirements	\$500
Harbord Community Kindergarten Inc.	Sponsorship towards Fundraising Event	\$1,000
Harbord Devils Junior Cricket Club	Sponsorship for purchase of sporting equipment	\$500
Harbord Out of School Hours	Sponsorship for purchase of children's rash vests	\$1,930
Harbord Seaside United FC	Sponsorship for purchase of playing strips	\$1,750
Harbord Women's Bowling Club	Annual Carnival Day Sponsorship	\$500
Long Reef Boardriders Association	Sponsorship for purchase of Competition Timer	\$500
Manly & Mosman Parkinson's Support Group	Sponsorship of Christmas Lunch 2013	\$335
Manly Allambie United FC	2013/2014 Season Sponsorship	\$500
Manly Bombers Junior ALF Club	2013/2014 Season Sponsorship & Awards	\$3,000
Manly Christian Brothers JRLFC	Sponsorship for purchase of playing strips	\$1,000
Manly Croquet Club Inc	Sponsorship of Annual Seabreeze Tournament 2013	\$500
Manly Eagle Tag	2013/2014 Season Sponsorship	\$500
Manly Seaside Baseball Club	2013/2014 Season Sponsorship	\$500
Manly Warringah AFL - The GIANTS (Wolves)	2013/2014 Season Sponsorship & Awards	\$3,200
Manly Warringah Avicultural Society	55th Annual Bird Show sponsorship	\$300
Manly Warringah Baseball Umpires Inc.	Sponsorship for Umpire Development Training	\$500
Manly Warringah Football Association	Association Sponsorship 2014 Season	\$15,000
Manly Warringah Football Association	Man of the Match vouchers	\$1,700
Manly Warringah Netball Association	2qty physio tables/119qty Trainee Umpire bibs	\$6,010
Manly Warringah Sea Eagles Limited	Youth Development Program	\$20,000
Northern Sydney Symphonic Wind Ensemble	2013 Spring Festival September + End of Year Showcase	\$2,000
Northside Enterprises Inc	Bushlink team bush regeneration at Carrington Pde Curl Curl	\$8,164
FCB Annual Scholarship Presentation	Morning Tea Ceremony	\$57
Sth Curl Curl SLSC	4qty rescue boards/3qty radios/1qty soft rescue board/5qty Rescue Tubes	\$5,000
Sydney Northern Beaches Water Polo	Purchase of new equipment for players	\$500
Valley United JRLFC	2013/2014 Season Sponsorship	\$3,000
Warringah Cricket Club	Junior cricket development program	\$500
Warringah Softball Club	Purchase of junior uniforms and equipment	\$500
	TOTAL SPONSORSHIP PAID	\$86,603

COMMUNITY ENTERPRISE FOUNDATION		
CEF ACCOUNT TRANSACTIONS	Balance as at July 1st 2013	\$31,758
NAME OF RECIPIENT	SPONSORSHIP DESCRIPTION 2013-2014	AMOUNT
Northern Beaches Youth Orchestra	New instruments for the orchestra	\$5,000
North Curl Curl SLSC	Patrol radios/IRB Motor/First Aid kit/CPR	\$10,254
St John the Baptist Catholic School	Computers for new classroom	\$2,750
Freshwater SLSC	Surf rescue boards & AMBU Mannikins	\$8,878
Curl Curl North Public School - P&C	iPads for classroom use	\$3,300
	Total payments made for 13/14 FY	\$30,182
HFS DONATION TO CEF FOR 2013-2014 FY	DONATION MADE TO CEF ACCOUNT	\$52,632
	GRAND TOTAL	\$194,070

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Freshwater **Community Bank®** Branch
20 Albert Street Freshwater NSW 2096
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Harbord Financial Services Limited

Freshwater
Community Bank® Branch



Franchisee: Harbord Financial Services Limited

Registered office and principal administrative office

The registered office of the company is located at:

20 Albert Street Freshwater NSW 2096 | 02 9939 6744

The principal administrative office of the company is located at:

20 Albert Street Freshwater NSW 2096 | 02 9939 6844

Security Register

The security register (share register) is kept at:

AFS & Associates

61 - 65 Bull Street Bendigo VIC 3550 | 03 5443 0344

Postal Address:

PO Box 454 Bendigo VIC 3552