



Annual report 2015

Harbord Financial Services Limited

ABN 25 097 282 525

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

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Chairman's report

It is again a pleasure to report on the success of our great Bank and the strengthening of our **Community Bank®** network.

With your support, excellent caring staff led by Sandy, a Board of Directors and Ambassadors who have to be the most balanced, qualified and motivated in the network, we have been able to contribute over \$1,875,000 to this great community and over \$550,000 in dividends to our 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 of course, as we grow with the community support!

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 strong underpinned by financial modelling and empirical analysis. The future model is being tested and reviewed through extensive consultation and enquiry. As a result of this our underlying margin share should increase from July 2016 and subsequently our profit.

With the 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 Sponsorship (\$78,861), Community Grants (\$40,500) and Donations (\$5,951) and Community Enterprise Foundation (\$39,007) were made to various organisations over the year totalling \$125,132.

Scholarship / Tertiary funding

Our 3rd 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.

2015 Recipient and Freshwater Student of the Year:

Julian Harris – St Luke's Grammar School

2015 All Rounder lists:

Rachel Holland – NBSC Manly Selective Campus

2015 Individual recipients:

Wylie Faeste – NBSC Balgowlah Boys Campus

Alana Tassone – NBSC Cromer Campus

Chairman's report (continued)

Konstantin Dunn – NBSC Freshwater Senior Campus

Emily Collett – NBSC Mackellar Girls Campus

Taylor Mills – Stella Maris College

Matthew Schofield – St Augustine's College

Jack Sloman – St Pauls College

Youth Observers

Nathan Lilley – NBSC Balgowlah Boys Campus

Tristan Godoy – NBSC Balgowlah Boys Campus

Grace Blackford – NBSC Mackellar Girls Campus

Olivia Flower – NBSC Mackellar Girls Campus

The participants have again initiated successful community programs.

Nathan and Tristan are working with people with disabilities in the Sailability program and Grace and Olivia have been working with the Two Hands environmental project.

Thank you to our participants for your enthusiasm and congratulations on your achievements.

Directors

The voluntary efforts of all our Directors help make our Company an exciting and stimulating working environment.

Their passion, commitment, experience and expertise contributes to our continued success.

I accordingly thank John Vaccaro, Ian Greentree, Martin Brook, Noela Roberts, Peter Harley, Denise Goldstein, Tony Bevan and David Irvine for their service.

Ambassadors

We are fortunate to have an active Ambassador network that supports us all and ensures our Succession Planning.

Thank you to Ian Joynson, Tom Guy, Bryn Russell, Greg Harding and Rohan Fell, we also welcome Julie Rigoni. Rohan has also been elected to the National Future Leaders Board.

Staff

Our staff is efficient, friendly and caring and led by Sandy our Manager, Helen, Kasey, Angela, Su- Ellen, Kerryn, Cheerie, Jacqui, Melanie (who is currently on maternity leave) and Simone 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 by 12.8% to some \$190 million our revenue decreased by 4.7% from \$1.237 million to \$1.179 million. The effect of lower interest rates have again decreased our profitability.

A focus on cost control and some scaling back on community support the net profit has increased marginally.

The final profit after income tax expenses for the Financial Year ended 30 June 2015 was \$65,130.

Chairman's report (continued)

The Board is pleased to announce a fully franked dividend of 6.5 cents per share for this financial year, this is an increase from the 5.5 cents for 2014.

We wish to acknowledge our auditor Graeme Stewart, accountants Leo and Lachlan and Rose who manages the share registry and our partners Bendigo Bank.

These Directors will be retiring by rotation and I ask you to support John Vaccaro, Noela Roberts and Tony Bevan. David Irvine is to be ratified as a Director.

Can I close by giving you a historical comparison? In the first Chairman's Report in 2002 we had 918 accounts with a total business level of less than \$8 million and now have 5,168 customers with a total business level over \$190 million mark.

I would like to thank you the shareholders, Directors, Ambassadors, the Staff, our customers and the community for supporting Freshwater **Community Bank®** enabling us to achieve and sustain our success.

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

A handwritten signature in dark ink, appearing to be 'T. Sargeant', written in a cursive style.

Trevor Sargeant
Chairman 2015

Manager's report

Once again I have the privilege as Manager of Freshwater **Community Bank®** Branch to contributing to our 14th Annual Report for the financial year ended 30 June 2015.

I am excited to have celebrated 10 years of service with Freshwater **Community Bank®** Branch in April this year.

The pressure to provide our customers the most competitive rates in this environment continues.

Our focus remains on exceptional customer service while our core objective is building relationships with our customers and growing our business.

Along with it, was another challenging year in an ongoing competitive Financial Market but with a very pleasing positive results. We exceeded our budget in both lending and deposits and can report a \$21.6m growth in our overall business. This is primarily attributed to all our passionate, customer connected staff.

I would like to acknowledge our wonderful team here in Helen, Kasey, Angela, Su-Ellen, Cheerie, Kerryn, Jacqui, Melanie and Simone.

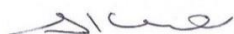
We also celebrate other milestones this year. Congratulations to Simone who celebrated 10 years of service with Harbord Financial Services Ltd in May this year, and congratulations to Su-Ellen who also celebrates 10 years of service along with Helen and Kerryn who have celebrated their 5 years of service with Freshwater **Community Bank®** Branch.

Our community contributions were again substantial with \$125,132 being returned to our local community through donations, grants and sponsorship. This is one of the many rewarding aspects of my role.

We receive continued tremendous support from our partners Bendigo and Adelaide Bank, 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. We all look forward to serving you and yet another successful year.



Sandra Kleiner
Branch Manager

Bendigo and Adelaide Bank report

In the 2015 financial year, the **Community Bank®** network opened its 310th branch and community contributions since the model's inception exceed \$130 million. Both of these achievements could not have been achieved without your ongoing support as a shareholder, customer and advocate of what is a truly unique way of banking for the benefit of your local community.

Local communities continue to embrace the **Community Bank®** model, a banking movement founded on the simple belief that successful customers and successful communities create a successful bank.

Seventeen years later communities are still approaching us and the model is as robust and relevant as ever, however a review of what we were doing, why and how we could do it better was timely.

During an 18 month period the Bank, in partnership with the **Community Bank®** network, undertook a comprehensive review of the **Community Bank®** model. Project Horizon was the largest single engagement process ever undertaken by our organisation.

As a result, a focus for the next 18 months will be the implementation of 64 recommendations. What was overwhelmingly obvious is that our **Community Bank®** network, and our Bank, care deeply about what has been developed and in what the future holds for the network.

In the early days of **Community Bank®** development, the **Community Bank®** model was seen as a way to restore branch banking services to rural towns, regional cities and metropolitan suburbs after the last of the banks closed their doors.

Today, although the focus is still about providing banking services, there is perhaps an even greater interest in the way in which the model creates a successful community enterprise used to effectively, and sustainably, build community capacity.

In October 2014, we welcomed **Community Bank®** branches in Bacchus Marsh, Kilmore, Maffra, Kwinana and Nubeena. All of these branches join a strong and mature banking network where valued partnerships enhance banking services, taking the profits their banking business generates and reinvesting that funding into initiatives to ultimately strengthen their community.

Following consultation with local residents and business owners responding to other banks reducing their branch presence, Aldinga Beach **Community Bank®** Branch opened the Willunga Customer Service Centre in April 2015, providing a full banking service to local people five days a week.

The **Community Bank®** model is a great example of shared value and was centre stage at an international Shared Value conference in the United States earlier this year.

Funding generated by **Community Bank®** branches support projects that make a difference to a community. But no matter how big or small the place people call home, the **Community Bank®** network recognises that when they act as one, powered by the good that money can bring, bigger things can happen for local towns, regions and states.

In WA, a \$125,000 commitment to Ronald McDonald House by Collie & Districts **Community Bank®** Branch resulted in a further \$125,000 from 21 branches (both community and company owned) in the state.

In QLD, Longreach farming families are now feeding their stock thanks to a dedicated Rotary Club and financial contributions from 16 **Community Bank®** (and company) branches.

Across regional and rural NSW, young people are today better drivers thanks to a driver education program supported by **Community Bank®** branches and across Australia, 58 young people headed off to their first year of university with the help of a **Community Bank®** scholarship.

Bendigo and Adelaide Bank report (continued)

Interest in the **Community Bank®** model remains strong, with 20 **Community Bank®** sites currently in development and a further six **Community Bank®** branches expected to open nationally during 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 support the community with the good that money can bring.

By the end of the financial year 2014/15 the **Community Bank®** network achieved the following:

- Returns to community – over \$130 million since the model's inception
- **Community Bank®** branches – 310
- **Community Bank®** branch staff – more than 1,500
- **Community Bank®** company Directors – 1,946
- Banking business – \$28.79 billion
- Customers – 699,000
- Shareholders – 74,393
- Dividends paid to shareholders since inception – \$38.6 million

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

In Bendigo and Adelaide Bank, your **Community Bank®** company has a committed and strong partner and over the last financial year our company has continued its solid performance. Our Bank continues to be rated at least "A-" by Standard & Poor's, Moody's and Fitch in recognition of its strong performance in the face of what continues to be a challenging economic environment.

Our **Community Bank®** partners played an integral role in the Bank's involvement in the Financial Systems Inquiry, lobbying their local Federal Government representatives and calling for a level playing field.

Recent APRA announcements regarding changes to risk weights on mortgages will positively impact our Bank – providing customers with a level playing field by giving them more choice from a wider variety of financial providers.

Thanks to the efforts of our people, our peers and **Community Bank®** partners, we're starting to see the benefits. In continuing to take a collaborative approach, we act as one network driving positive outcomes for all Australians.

As **Community Bank®** company shareholders you are part of a unique banking movement.

Bendigo and Adelaide Bank report (continued)

The model offers an alternative way to think about banking and the role banks play in modern society, and because of your support there really is no limit to what can be achieved for local people and the communities in which you live.

Thank you for your ongoing support of your local **Community Bank®** branch.

A handwritten signature in black ink, appearing to read 'Robert Musgrove', with a stylized, looping flourish at the end.

Robert Musgrove
Executive Community Engagement

Directors' report

Your directors submit the financial statements of the company for the financial year ended 30 June 2015.

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

Occupation: Dentist

Qualifications, experience and expertise: Holds a Bachelor of Dentistry Science from Sydney University.

Special responsibilities: Governance / Audit Committee; Operations and Human Resources Committee; Business Development and Marketing Committee; Sponsorship Committee

Interest in shares: 2,001

John Vaccaro

Vice Chairman

Occupation: Licensed Real Estate Agent

Qualifications, experience and expertise: 32 years' experience in operating and selling real estate. Licensee in charge, training group leader and supervisor.

Special responsibilities: Community Bank Strategic Advisory Board NSW/ACT, Business Development and Marketing Committee, Sponsorship Committee

Interest in shares: 1,001

Ian John Greentree

Secretary

Occupation: Book Distributor

Qualifications, experience and expertise: Diploma Law Solicitor, Associate Diploma Accounting, Accountant, Company Secretary, Governance Institute of Australia.

Special responsibilities: Governance/Audit Committee, Company Secretary

Interest in shares: 1,501

Martin Edwin Brook

Director

Occupation: Pharmacist

Qualifications, experience and expertise: Holds a Bachelor of Pharmacy and has been a retail Pharmacist for 35 years. Proprietor of Brook's Pharmacy Freshwater for 25 years.

Special responsibilities: Operations and Human Resources Committee; Business Development and Marketing Committee, Sponsorship Committee

Interest in shares: 2,001

Noela Rose Roberts

Director

Occupation: Retired

Qualifications, experience and expertise: Holds a Bachelor of Economics and worked as an accountant for 30 years.

Special responsibilities: Sponsorship Committee and Youth Observer Mentor

Interest in shares: 9,001

Directors' report (continued)

Denise Faith Goldstein

Director

Occupation: Director

Qualifications, experience and expertise: 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: Operations and Human Resources Committee, Business Development and Marketing Committee

Interest in shares: 1

Peter Eric Harley

Director

Occupation: Retired

Qualifications, experience and expertise: Former Director of Workcover Authority of NSW, Executive Director of Test safe Australia (2004-08)/ Public Sector Manager for thirty years. President of Friends of Freshwater Inc. Bachelor of Commerce. Post Graduate Diploma of Relations and Law.

Special responsibilities: Operations, Health & Safety Committee, Business Development and Marketing Committee, Sponsorship Committee and Scholarship Coordinator

Interest in shares: 501

Anthony Curtiss Bevan

Director (Appointed 26 August 2014)

Occupation: Semi-Retired

Qualifications, experience and expertise: 40 years banking experience as a Relationship Banker - Business Portfolio and Management, Consumer and Business Banking.

Special responsibilities: Business Development and Marketing Committee, Sponsorship Committee

Interest in shares: 1

David James Irvine

Director (Appointed 25 November 2014)

Occupation: Accountant

Qualifications, experience and expertise: Holds a Bachelor of Financial Administration from University of New England, Chartered Accountant with 35 years' experience in financial management, business expertise and project management.

Special responsibilities: Treasurer; Governance / Audit Committee; Business Development and Marketing Committee, Sponsorship Committee

Interest in shares: 1

Kevin Duncan Abrahamson

Director (Resigned 6 October 2014)

Occupation: Retired

Qualifications, experience and expertise: Former Director of Bendigo & Adelaide Bank 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: Treasurer, Governance/Audit Committee, IT Committee

Interest in shares: Nil

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

Directors' report (continued)

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

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

Operating results

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

Year ended 30 June 2015	Year ended 30 June 2014
\$	\$
65,130	46,369

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 2015 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	-	2,001
John Vaccaro	501	500	1,001
Ian John Greentree	1,501	-	1,501
Martin Edwin Brook	2,001	-	2,001
Noela Rose Roberts	9,001	-	9,001
Denise Faith Goldstein	1	-	1
Peter Eric Harley	501	-	501
Anthony Curtiss Bevan (<i>Appointed 6 August 2014</i>)	1	-	1
David James Irvine (<i>Appointed 30 November 2014</i>)	-	1	1
Kevin Duncan Abrahamson (<i>Resigned 6 October 2014</i>)	1	(1)	-

Directors' report (continued)

Dividends	Year ended 30 June 2015	
	Cents	\$
• Dividends paid in the year	5.5	38,118

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.

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' report (continued)

Directors' meetings

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

<i>A – Eligible to attend</i> <i>B – Number attended</i>	Board Meetings Attended		Committee Meetings Attended							
			Audit		Operations and Human Resources		Business Development & Marketing		Sponsorship	
	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>
Trevor Leslie Sargeant	11	11	3	3	5	5	11	10	11	10
John Vaccaro	11	10	0	3	0	4	11	9	11	9
Ian John Greentree	11	9	3	3	0	3	0	3	0	3
Martin Edwin Brook	11	7	0	3	5	2	11	4	11	4
Noela Rose Roberts	11	9	0	3	0	3	0	6	11	6
Denise Faith Goldstein	11	7	0	1	5	3	11	6	0	6
Peter Eric Harley	11	9	0	2	0	4	11	10	11	10
Anthony Curtiss Bevan (Appointed 6 August 2014)	10	6	0	1	0	3	11	8	11	8
David James Irvine (Appointed 30 November 2014)	7	6	2	1	0	2	6	5	6	5
Kevin Duncan Abrahamson (Resigned 6 October 2014)	3	3	1	1	1	1	3	3	3	3

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

Directors' report (continued)

- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditor's independence declaration

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

Signed in accordance with a resolution of the board of directors at Freshwater, New South Wales on 27 August 2015.

A handwritten signature in black ink, appearing to read 'T. Sargeant', written in a cursive style.

Trevor Leslie Sargeant, Chairman

Auditor's Independence declaration



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

As lead auditor for the audit of Harbord Financial Services Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Graeme Stewart
Lead Auditor

Dated: 27 August 2015

Financial Statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2015

	Notes	2015 \$	2014 \$
Revenue from ordinary activities	4	1,179,177	1,237,561
Employee benefits expense		(605,604)	(632,866)
Charitable donations, sponsorship, advertising and promotion		(166,820)	(235,918)
Occupancy and associated costs		(135,706)	(134,071)
Systems costs		(19,822)	(18,737)
Depreciation and amortisation expense	5	(31,974)	(31,871)
General administration expenses		<u>(123,376)</u>	<u>(117,857)</u>
Profit before income tax expense		95,875	66,241
Income tax expense	6	<u>(30,745)</u>	<u>(19,872)</u>
Profit after income tax expense		<u>65,130</u>	<u>46,369</u>
Total comprehensive income for the year		<u>65,130</u>	<u>46,369</u>
Earnings per share for profit attributable to the ordinary shareholders of the company:		¢	¢
Basic earnings per share	22	9.4	6.69

The accompanying notes form part of these financial statements

Financial Statements (continued)

		Balance Sheet as at 30 June 2015		
	Notes	2015 \$	2014 \$	
ASSETS				
Current Assets				
Cash and cash equivalents	7	633,492	535,355	
Trade and other receivables	8	101,415	109,165	
Total Current Assets		734,907	644,520	
Non-Current Assets				
Property, plant and equipment	9	148,937	168,098	
Financial assets	11	5,000	5,000	
Intangible assets	11	23,107	34,661	
Deferred tax asset	12	29,305	22,671	
Total Non-Current Assets		206,349	230,430	
Total Assets		941,256	874,950	
LIABILITIES				
Current Liabilities				
Trade and other payables	13	53,169	41,520	
Current tax liabilities	12	25,937	8,885	
Provisions	14	64,861	37,458	
Total Current Liabilities		143,967	87,863	
Non-Current Liabilities				
Provisions	14	30,794	47,604	
Total Non-Current Liabilities		30,794	47,604	
Total Liabilities		174,761	135,467	
Net Assets		766,495	739,483	
Equity				
Issued capital	15	613,376	613,376	
Retained earnings	16	153,119	126,107	
Total Equity		766,495	739,483	

The accompanying notes form part of these financial statements

Financial Statements (continued)

Statement of Changes in Equity for the year ended 30 June 2015

	Issued capital \$	Retained earnings \$	Total equity \$
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>
Balance at 1 July 2014	<u>613,376</u>	<u>126,107</u>	<u>739,483</u>
Total comprehensive income for the year	<u>-</u>	<u>65,130</u>	<u>65,130</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>(38,118)</u>	<u>(38,118)</u>
Balance at 30 June 2015	<u>613,376</u>	<u>153,119</u>	<u>766,495</u>

The accompanying notes form part of these financial statements

Financial Statements (continued)

Statement of Cash Flows for the year ended 30 June 2015

	Notes	2015 \$	2014 \$
Cash flows from operating activities			
Receipts from customers		1,249,294	1,393,525
Payments to suppliers and employees		(1,107,982)	(1,237,719)
Interest received		16,529	14,309
Income taxes paid		(20,327)	(15,574)
Net cash provided by operating activities	17	<u>137,514</u>	<u>154,541</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(1,259)	-
Net cash provided by/(used in) investing activities		<u>(1,259)</u>	<u>-</u>
Cash flows from financing activities			
Dividends paid		(38,118)	(31,188)
Net cash provided by/(used in) financing activities		<u>(38,118)</u>	<u>(31,188)</u>
Net increase in cash held		98,137	123,353
Cash and cash equivalents at the beginning of the financial year		535,355	412,002
Cash and cash equivalents at the end of the financial year	7(a)	<u><u>633,492</u></u>	<u><u>535,355</u></u>

The accompanying notes form part of these financial statements

Notes to the financial statements

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

The following amendments to accounting standards and a new interpretation issued by the Australian Accounting Standards Board (AASB) became mandatorily effective for accounting periods beginning on or after 1 July 2014, and are therefore relevant for the current financial year.

- AASB 2012-3 Amendments to Australian Accounting Standards (AASB 132) – Offsetting Financial Assets and Financial Liabilities.
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-4 Amendments to Australian Accounting Standards (AASB 139) – Novation of Derivatives and Continuation of Hedge Accounting.
- AASB 2013-5 Amendments to Australian Accounting Standards (AASB 10) – Investment Entities.

Notes to the financial statements (continued)

- AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles).
- AASB 2014-1 Amendments to Australian Accounting Standards (Part B: Defined Benefit Plans: Employee Contributions Amendments to AASB 119).
- Interpretation 21 Levies.
- AASB 1031 Materiality, AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality), AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality).

None of the amendments to accounting standards or the new interpretation issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2014, materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The following accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) become effective in future accounting periods.

	Effective for annual reporting periods beginning on or after
<ul style="list-style-type: none"> • AASB 9 Financial Instruments, and the relevant amending standards. 	1 January 2018
<ul style="list-style-type: none"> • AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15. 	1 January 2017
<ul style="list-style-type: none"> • AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations. 	1 January 2016
<ul style="list-style-type: none"> • AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation. 	1 January 2016
<ul style="list-style-type: none"> • AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants. 	1 January 2016
<ul style="list-style-type: none"> • AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements. 	1 January 2016
<ul style="list-style-type: none"> • AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. 	1 January 2016
<ul style="list-style-type: none"> • AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle 	1 January 2016
<ul style="list-style-type: none"> • AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101. 	1 January 2016
<ul style="list-style-type: none"> • AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality 	1 July 2015
<ul style="list-style-type: none"> • AASB 2015-4 Amendments to Australian Accounting 	1 July 2015

Notes to the financial statements (continued)

Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.

- AASB 2015-5 Amendments to Australian Accounting 1 January 2016 Standards – Investment Entities: Applying the Consolidation Exception.

The company has not elected to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2014. Therefore the abovementioned accounting standards or interpretations have no impact on amounts recognised in the current period or any prior period.

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.

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

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

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

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

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

Notes to the financial statements (continued)

- 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

Over the period from September 2013 to February 2015, Bendigo and Adelaide Bank Limited conducted a review of the **Community Bank®** model, known as 'Project Horizon'. This was conducted in consultation with the community banking network. The objective of the review was to develop a shared vision of the **Community Bank®** model that positions it for success now and for the future.

The outcome of that review is that the fundamental franchise model and community participation remain unchanged. Changes to be implemented over a three year period reflect a number of themes, including a culture of innovation, agility and flexibility, network collaboration, director and staff development and a sustainable financial model. This will include changes to the financial return for **Community Bank®** companies from 1 July 2016. A funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin. All revenue paid on core banking products will be through margin share. Margin on core banking products will be shared on a 50/50 basis.

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

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

Core banking products

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

Notes to the financial statements (continued)

Margin

Margin is arrived at through the following calculation:

Interest paid by customers on loans less interest paid to customers on deposits

plus any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,

minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan. From 1 July 2016, both will mean the cost for Bendigo and Adelaide Bank Limited to borrow the money in the market.

Products and services on which margin is paid include variable rate deposits and variable rate home loans. From 1 July 2016, examples include Bendigo Bank branded at call deposits, term deposits and home loans.

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

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products. This currently also includes Bendigo Bank branded fixed rate home loans and term deposits of more than 90 days, but these will become margin products from 1 July 2016.

Fee income

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

Ability to change financial return

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

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

Notes to the financial statements (continued)

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

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

Monitoring and changing financial return

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

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

As discussed above in relation to Project Horizon, among other things, there will be changes in the financial return for **Community Bank®** companies from 1 July 2016. This includes 50% share of margin on core banking products, all core banking products become margin products and a funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin.

c) Income tax

Current tax

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

Deferred tax

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

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

Notes to the financial statements (continued)

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

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

f) Trade receivables and payables

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

g) Property, plant and equipment

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

Notes to the financial statements (continued)

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

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

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

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.

Notes to the financial statements (continued)

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) 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 Profit or Loss and Other 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 Profit or Loss and Other Comprehensive Income.

I) 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

Notes to the financial statements (continued)

incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

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.

Notes to the financial statements (continued)

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

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

Notes to the financial statements (continued)

and sponsorship paid for the year ended 30 June 2015 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

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 unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

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

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

Estimation of useful lives of assets

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

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those

Notes to the financial statements (continued)

assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

Note 4. Revenue from ordinary activities

	2015 \$	2014 \$
Operating activities:		
- services commissions	<u>1,162,711</u>	<u>1,223,252</u>
Total revenue from operating activities	<u>1,162,711</u>	<u>1,223,252</u>
Non-operating activities:		
- interest received	<u>16,466</u>	<u>14,309</u>
Total revenue from non-operating activities	<u>16,466</u>	<u>14,309</u>
Total revenues from ordinary activities	<u>1,179,177</u>	<u>1,237,561</u>

Notes to the financial statements (continued)

Note 5. Expenses

	2015 \$	2014 \$
Depreciation of non-current assets:		
- plant and equipment	7,743	7,640
- leasehold improvements	12,677	12,677
Amortisation of non-current assets:		
- franchise fee	2,311	2,311
- franchise renewal fee	<u>9,243</u>	<u>9,243</u>
	<u>31,974</u>	<u>31,871</u>
Bad debts	<u>38</u>	<u>1,382</u>

Note 6. Income tax expense

The components of tax expense comprise:

- Current tax	37,380	24,020
- Future income tax benefit attributable to losses	-	-
- Movement in deferred tax	(8,177)	(4,148)
- Adjustment to deferred tax to reflect change to tax rate in future periods	<u>1,542</u>	<u>-</u>
	<u>30,745</u>	<u>19,872</u>

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows

Operating profit	95,875	66,241
Prima facie tax on profit from ordinary activities at 30%	28,762	19,872
Add tax effect of:		
- non-deductible expenses	441	-
- timing difference expenses	<u>8,177</u>	<u>4,148</u>
	<u>37,380</u>	<u>24,020</u>
Movement in deferred tax	12 (8,177)	(4,148)
Adjustment to deferred tax to reflect change of tax rate in future periods	<u>1,542</u>	<u>-</u>
	<u>30,745</u>	<u>19,872</u>

Note 7. Cash and cash equivalents

Cash at bank and on hand	83,492	85,355
Term deposits	<u>550,000</u>	<u>450,000</u>
	<u>633,492</u>	<u>535,355</u>

Notes to the financial statements (continued)

Note 7a. 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:

	2015 \$	2014 \$
Cash at bank and on hand	83,492	85,355
Term deposits	550,000	450,000
	<u>633,492</u>	<u>535,355</u>

Note 8. Trade and other receivables

Trade receivables	88,491	96,124
Prepayments	8,295	8,349
Other receivables and accruals	<u>4,629</u>	<u>4,692</u>
	<u>101,415</u>	<u>109,165</u>

Note 9. Property, plant and equipment

Leasehold improvements		
At cost	317,937	317,937
Less accumulated depreciation	<u>(191,843)</u>	<u>(179,166)</u>
	<u>126,094</u>	<u>138,771</u>
Plant and equipment		
At cost	114,850	113,591
Less accumulated depreciation	<u>(92,007)</u>	<u>(84,264)</u>
	<u>22,843</u>	<u>29,327</u>
Total written down amount	<u>148,937</u>	<u>168,098</u>

Movements in carrying amounts:

Leasehold improvements		
Carrying amount at beginning	138,771	151,448
Less: depreciation expense	<u>(12,677)</u>	<u>(12,677)</u>
Carrying amount at end	<u>126,094</u>	<u>138,771</u>
Plant and equipment		
Carrying amount at beginning	29,327	36,967
Additions	1,259	-
Less: depreciation expense	<u>(7,743)</u>	<u>(7,640)</u>
Carrying amount at end	<u>22,843</u>	<u>29,327</u>
Total written down amount	<u>148,937</u>	<u>168,098</u>

Notes to the financial statements (continued)

Note 10. Financial assets

	2015 \$	2014 \$
Unlisted investments at cost		
Warringah Financial Services Limited	<u>5,000</u>	<u>5,000</u>

Note 11. Intangible assets

Franchise fee		
At cost	100,000	100,000
Less: accumulated amortisation	<u>(100,000)</u>	<u>(100,000)</u>
	<u>-</u>	<u>-</u>
Renewal processing fee		
At cost	57,768	57,768
Less: accumulated amortisation	<u>(34,661)</u>	<u>(23,107)</u>
	<u>23,107</u>	<u>34,661</u>
Total written down amount	<u>23,107</u>	<u>34,661</u>

Note 12. Tax

Current:

Income tax payable	<u>25,937</u>	<u>8,885</u>
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Non-Current:

Deferred tax assets		
- accruals	1,012	-
- employee provisions	<u>29,612</u>	<u>26,583</u>
	<u>30,624</u>	<u>26,583</u>
Deferred tax liability		
- accruals	1,319	1,408
- deductible prepayments	<u>-</u>	<u>2,504</u>
	<u>1,319</u>	<u>3,912</u>
Net deferred tax asset	<u>29,305</u>	<u>22,671</u>

Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>(6,634)</u>	<u>(4,148)</u>
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Note 13. Trade and other payables

Current:

Trade creditors	5,070	10,168
Other creditors and accruals	<u>48,099</u>	<u>31,352</u>
	<u>53,169</u>	<u>41,520</u>

Notes to the financial statements (continued)

Note 14. Provisions	2015	2014
	\$	\$
Current:		
Provision for annual leave	32,033	26,556
Provision for long service leave	<u>32,828</u>	<u>10,902</u>
	<u>64,861</u>	<u>37,458</u>
Non-Current:		
Provision for long service leave	<u>30,794</u>	<u>47,604</u>

Note 15. Contributed equity

693,059 ordinary shares fully paid (2014: 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).

(c) Transfer

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

Notes to the financial statements (continued)

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.

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

Note 16. Retained earnings

	2015	2014
	\$	\$
Balance at the beginning of the financial year	126,107	110,926
Net profit from ordinary activities after income tax	65,130	46,369
Dividends paid or provided for	<u>(38,118)</u>	<u>(31,188)</u>
Balance at the end of the financial year	<u>153,119</u>	<u>126,107</u>

Notes to the financial statements (continued)

Note 17. Statement of cash flows

	2015 \$	2014 \$
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	65,130	46,369
Non-cash items:		
- depreciation	20,420	20,317
- amortisation	11,554	11,554
Changes in assets and liabilities:		
- (increase)/decrease in receivables	7,750	59,365
- (increase)/decrease in other assets	(6,634)	(4,148)
- increase/(decrease) in payables	11,649	(357)
- increase/(decrease) in provisions	10,593	12,996
- increase/(decrease) in current tax liabilities	<u>17,052</u>	<u>8,445</u>
Net cash flows provided by operating activities	<u>137,514</u>	<u>154,541</u>

Note 18. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments:

- not later than 12 months	102,979	99,980
- between 12 months and 5 years	94,398	191,628
- greater than 5 years	-	-
	<u>197,377</u>	<u>291,608</u>

The lease on the branch is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease 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.

Note 19. Auditor's remuneration

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

- audit and review services	5,050	3,550
- share registry services	400	2,997
- non audit services	<u>3,835</u>	<u>3,907</u>
	<u>9,285</u>	<u>10,454</u>

Note 20. Director and related party disclosures

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

The Manager is paid a base salary, which for the year ended 30 June 2015 was in the range \$90,000 to \$100,000 (plus superannuation).

Notes to the financial statements (continued)

Note 21. Dividends paid or provided

	2015 \$	2014 \$
a. Dividends paid during the year		
Current year dividend		
100% (2014: 100%) franked dividend - 5.5 cents (2014: 4.5 cents) per share	<u>38,118</u>	<u>31,188</u>
The tax rate at which dividends have been franked is 30% (2014: 30%).		
b. Franking account balance		
Franking credits available for subsequent reporting periods are		
- franking account balance as at the end of the financial year	65,167	61,176
- franking credits that will arise from payment of income tax as at the end of the financial year	25,937	20,027
- 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:	91,104	81,203
- 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>91,104</u>	<u>81,203</u>

Note 22. Earnings per share

a. Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	65,130	46,369
	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.

Notes to the financial statements (continued)

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	Principal Place of Business
20 Albert Street	20 Albert Street
Freshwater NSW 2096	Freshwater NSW 2096

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					
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial Assets												
Cash and cash equivalents	83,145	84,998	550,000	450,000	-	-	-	-	347	347	2.79	2.81
Receivables	-	-	-	-	-	-	-	-	88,491	96,124	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	5,070	10,168	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

Notes to the financial statements (continued)

rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

Sensitivity Analysis

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

As at 30 June 2015, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2015	2014
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	6,331	5,350
Decrease in interest rate by 1%	6,331	5,350
Change in equity		
Increase in interest rate by 1%	6,331	5,350
Decrease in interest rate by 1%	6,331	5,350

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 2015 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.

A handwritten signature in black ink, appearing to be 'Trevor Leslie Sargeant', written in a cursive style.

Trevor Leslie Sargeant, Chairman

Signed on the 27th of August 2015.

Independent Auditor's report



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

Report on the financial report

We have audited the accompanying financial report of Harbord Financial Services Limited, which comprises the balance sheet as at 30 June 2015, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows 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 that gives a true and fair view 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 Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

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

Independent Auditor's report (continued)

Independence

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

Auditor's opinion on the financial report

In our opinion:

1. The financial report of 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 2015 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Harbord Financial Services Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550



Graeme Stewart
Lead Auditor

Dated: 27 August 2015

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Shareholder Information

Harbord Financial Services Limited is a public company incorporated in Australia and until 30 June 2015 was listed on the National Stock Exchange of Australia (NSX). From 1 July 2015 the company operates a Special market called Low Volume Market (LVM) to facilitate the trading of its shares.

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	268	186,557
1,001 to 5,000	130	430,270
5,001 to 10,000	8	64,232
10,001 to 100,000	1	12,000
101,000 and over	-	-
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 11 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>	12,000	1.73
BRETROE PTY LTD <JOHN THORPE & PATRICIA KING SUPERANNUATION FUND A/C>	10,000	1.44
NORTHERN SUBURBS SECRETARIAL SERVICES PTY LTD <JULETON A/C>	9,500	1.37
AMY JO HOBAN & PETER MATTHEW JOHNS	9,000	1.30
MRS NOELA ROSE ROBERTS	8,001	1.15

Shareholder Information (continued)

STAAS PRINTING PTY LTD	8,000	1.15
WINPAR HOLDINGS LIMITED	7,500	1.08
SANTOSHA SUPERANNUATION FUND PTY LTD <SANTOSHA SUPER FUND A/C>	6,231	0.90
MR PHILLIP ROHAN MARSH	6,000	0.87
MR HARRY S BEDIKIAN	5,000	0.72
MRS MARGARET KATHLEEN HUCKLE & MR ROBERT CHARLES HUCKLE	5,000	0.72
MRS SUSAN B MORGAN & MR MICHAEL MORGAN	5,000	0.72
KEELPIN PTY LTD <SUPER FUND A/C>	5,000	0.72
PETER GARD & JOY GARD <GARD FAMILY SUPER FUND A/C>	5,000	0.72
SCOTT ALLEN SMITH	5,000	0.72
GOLONG INVESTMENT PTY LTD	5,000	0.72
MR WILLIAM ARCHIBALD TUESLEY & MRS BETTY JOYCE TUESLEY	5,000	0.72
MR IAN GEOFFREY KIRK <KIRK FAMILY CHILDREN A/C>	5,000	0.72
MR GUNTHER BIRK & MRS HELEN LOUISE BIRK	5,000	0.72
MR ROBERT ANTHONY WALKER	5,000	0.72
GRAHAM RIGONI & JULIE RIGONI	5,000	0.72
MR ANDRO TOMICH & MRS LAURA TOMICH	5,000	0.72
MR NEIL MICHAEL CRUMMY	5,000	0.72
MRS MARTHA JANE CRUMMY	5,000	0.72
WHITE CAPERS PTY LTD	5,000	0.72
MR LEIGH GERARD SIMON	5,000	0.72
MR RONALD VINCENT SPLATT & MRS LESLEY SPLATT	5,000	0.72
BMP CONSULTING PTY LTD	5,000	0.72
GSC INVESTMENT SERVICES P/L	5,000	0.72
GSC INVESTMENT SERVICES P/L <SUPERANNUATION FUND A/C>	5,000	0.72
MR ROSS ALAN DALGLEISH & MRS MARIE THERESE DALGLEISH	5,000	0.72
MRS DARIEN WISE	5,000	0.72
BILL MESSENGER	5,000	0.72
MR ALAN GOURLAY	5,000	0.72
MRS KAREN LOUISE GOURLAY	5,000	0.72
ANTHONY TIBBLES & GWEN TIBBLES	5,000	0.72
CENTRE FOR HEALTH PROMOTION & RESEARCH PTY LTD	5,000	0.72
MRS SUTCHADA HEATON	5,000	0.72
MR BRADLEY O'CONNOR	5,000	0.72
MRS SUSAN JANE MARTIN	5,000	0.72
MR STEFAN WILLIAMS & MS JANELLE WILLIAMS	5,000	0.72
GARETH PUGH JONES	5,000	0.72
ALEC LAZICH & JOAN LAZICH	5,000	0.72
KARL MAX KOLLER	5,000	0.72
MR DOUGLAS HAMILTON NORTH	5,000	0.72
MR FRANK NOBLE	5,000	0.72
BARRY AUSTIN JONES & IMELDA CLAIRE JONES	5,000	0.72
MRS PATRICIA ELLEN HORTON	5,000	0.72
MR TREVOR MARK HORTON	5,000	0.72
KEN SPARKS <SUPERANNUATION FUND A/C>	5,000	0.72
MR RICHARD GRANVILLE WRAY	5,000	0.72

Shareholder Information (continued)

MS ANN NOREEN RICHARDS	5,000	0.72
JOHN FREDERICK ROBERTS	5,000	0.72
SYLVIA MAY MORTON	5,000	0.72
REX MCLAREN MAILMAN	5,000	0.72
SUSAN MORGAN	5,000	0.72
T.B.M. (AUST) PTY LTD	5,000	0.72
VICTORIA JANE LEWIS	5,000	0.72
HIFINE PTY LTD	5,000	0.72
	262,231	37.84

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 Pty Ltd 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 9 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; David Irvine
- 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.

Shareholder Information (continued)

5 Year summary of performance

		2011	2012	2013	2014	2015
Gross revenue	\$	1,469,622	1,482,724	1,371,747	1,237,561	1,179,177
Net profit before tax	\$	128,274	101,116	55,013	66,241	95,875
Total assets	\$	819,394	818,117	838,686	874,950	941,256
Total liabilities	\$	84,333	70,800	114,384	135,467	174,761
Total equity	\$	735,061	747,317	724,302	739,483	766,495

Shareholder Dividend History

YEAR	Cents per share	Total Distribution
2004 / 2005	2.25 cents	\$15,593.83
2005 / 2006	3.50 cents	\$24,257.06
2006 / 2007	10.00 cents	\$69,305.90
2007 / 2008	10.00 cents	\$69,305.90
2008 / 2009	8.00 cents	\$55,444.72
2009 / 2010	10.00 cents	\$69,305.90
2010 / 2011	10.00 cents	\$69,305.90
2011 / 2012	10.00 cents	\$69,305.90
2012 / 2013	4.50 cents	\$31,187.65
2013 / 2014	5.50 cents	\$38,118.24
2014 / 2015	6.50 cents	\$45,048.83
Total	73.75 cents	\$556,179.83

Director History

Steering Committee

Bernard O'Connor

Robert Adams

Brian Dunphy

Greg Hazlett

Jeremy Hodges

Ian Joynson

Roger Leys

Peter Lowther

Bryce Rea

Deidre McAliden

Peter Kemp

Stephen Armstrong

David McCauley

Chairman

Public Relations

Solicitor

Accountant

Bendigo Bank

Inaugural Directors

Domenic Gerace

Dr Trevor Sargeant

Brian Dunphy

Martin Brook

Ian Joynson

Howard Lipman

Phillip Murray

Dr Howard Wong-See (Dec'd)

Chairman

Vice Chairman

Company Secretary

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

Kevin Abrahamson

Now Ambassador

2014-2015 Donations, Grants & Sponsorships

DONATIONS

NAME OF RECIPIENT	DESCRIPTION	AMOUNT
Cancer Council	Daffodil Day donation	\$55
Cancer Council	Australia's Biggest Morning Tea donation	\$700
CNDCAF Bridge of Hope	Freshwater Xmas carols candle sales donation	\$1,000
Fight on the Beaches	Cancer research fundraiser	\$100
Future Hope - MS Incorporated	Direct donation	\$100
Future Hope - MS Incorporated	Fund raising raffle donation	\$100
Life 4 Lucy	Event donation + FCB hamper	\$500
Maddi and Jayne Fundraising Event	Fundraising Event donation + FCB hamper	\$500
Manly Women's Shelter	Afternoon Tea @ Kirribilli House Fundraiser	\$426
Mike Baird, State Member for Manly – Manly Community Fundraiser	Donation for 'live' auction item	\$1,000
Royal Flying Doctors / Team CX	Donation as part of Team CX fundraising	\$500
Starlight Children's Foundation Australia	Bendigo MasterChef Community Fundraiser event donation	\$850
Stewart House	Keyring torch fundraising donation	<u>\$120</u>
	TOTAL	<u>\$5,951</u>

SCHOLARSHIP GRANTS

NAME OF RECIPIENT	DESCRIPTION	AMOUNT
Nina Newcombe - Mackellar Girls Campus *	FCB Tertiary Scholarship 2013 & Ken Ward Memorial Scholarship	\$2,500
Jessica Williams - St Luke's Grammar School	FCB Tertiary Scholarship 2013	\$2,500
Thomas Elliott - Balgowlah Boys Campus*	FCB Tertiary Scholarship 2013	\$2,500
Amelia Loughland - Manly Selective Campus*	FCB Tertiary Scholarship 2013	\$2,500
Liam Yeates - St Luke's Grammar School	FCB Tertiary Scholarship 2014 & Ken Ward Memorial Scholarship	\$5,000
Dylan Thompson - Balgowlah Boys Campus	FCB Tertiary Scholarship 2014	\$2,500
James Gourley - St Pauls Campus	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 Campus *	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
Julian Harris - St Luke's Grammar School	FCB Tertiary Scholarship 2015 & Ken Ward Memorial Scholarship	\$2,500
Rachel Holland - Manly Selective Campus *	FCB Tertiary Scholarship 2015 & All Rounder	\$2,500
Alanah Tassone - Cromer Campus *	FCB Tertiary Scholarship 2015	\$500
Emily Collett - Mackellar Girls Campus *	FCB Tertiary Scholarship 2015	\$500
Jack Sloman - St Pauls Catholic College	FCB Tertiary Scholarship 2015	\$500
Konstantin Dunn - Freshwater Senior Campus *	FCB Tertiary Scholarship 2015	\$500
Taylor Mills - Stella Maris College	FCB Tertiary Scholarship 2015	\$500
Wylie Faeste - Balgowlah Boys Campus *	FCB Tertiary Scholarship 2015	<u>\$500</u>
	TOTAL	<u>\$40,500</u>

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

2014-2015 Donations, Grants & Sponsorships (continued)

SPONSORSHIP

NAME OF RECIPIENT	DESCRIPTION	AMOUNT
Curl Curl Amateur Swim Club	Assist with upgrade of Perpetual Trophies	\$536
Curl Curl Longboard's Club Inc.	The Annual Curl MALJAM Pro.	\$1,000
Curl Curl North Public School - P&C Association	Production of school banking box for storage of bank books for collection	\$300
Curl Curl Youth FC	Assist with purchase of uniforms, equipment and run coaching courses	\$2,000
Freshie Tri Club	Assist with purchase of branded vests	\$100
Freshie Tri Club	Corporate Triathlon team entry fees	\$420
Freshwater Community Carols	Oliver stage hire for carols event	\$1,440
Freshwater Community Carols	Carols song sheets & leaflets & flyers	\$250
Freshwater Longboard Club	Trailer rego; Surfing NSW insurance; member trophies	\$500
Freshwater SLSC - DUKE'S DAY	Duke's Day 100th Anniversary Event 8 - 10th January 2015 - Photo Stall	\$5,000
Girls Boardriders Fraternity	Purchase of small trailer to store tent, BBQ	\$500
Harbord Bowling & Recreational Club	Interclub Challenge Prizes	\$1,200
Harbord Devils Junior Cricket Club	"Into cricket" development program for 5-8 yo's	\$500
Harbord Freshwater Junior Guides	Catering food items for fundraising BBQ stall for State election	\$500
Harbord United JRLFC	Assist with the purchase of jersey's for U6's and U7's teams	\$2,000
Harbord Women's Bowling Club	Carnival Day Sponsor	\$500
Manly & Mosman Parkinson's Support Group	Christmas lunch 2014	\$350
Manly Bombers Junior ALF Club	2015 season sponsorship	\$1,200
Manly Bombers Junior ALF Club	2015 BoG new a/c vouchers for U18 girls	\$400
Manly Christian Brothers JRLFC	2015 season sponsorship	\$500
Manly Croquet Club Inc.	Assist with purchase of new croquet balls	\$500
Manly Warringah AFL - The GIANTS (ex. Wolves)	2015 Season sponsorship	\$1,500
Manly Warringah AFL - The GIANTS (ex. Wolves)	Best & Fairest new account vouchers	\$1,250
Manly Warringah Avicultural Society	57th Annual Bird Show sponsorship (April 18 2015)	\$300
Manly Warringah Baseball Umpires Inc.	Assist with the purchase of 11 weather proof jackets for umpires	\$455
Manly Warringah Football Association	Association Sponsorship 2014 Season - paid through Manly United FC	\$14,000
Manly Warringah Football Association	Player of the Year - Premier League & AL1 new account vouchers	\$750
Manly Warringah Netball Association	Replacement of Honour boards ; Logo manufacture;	\$5,480
Manly Warringah Netball Association	Representative Junior & Senior and Club of Year new account vouchers	\$1,300
Manly Warringah Sea Eagles Limited	Corporate Partner Sponsorship Youth Development	\$20,000
Manly Warringah Sea Eagles Limited	Season launch 2 x tickets	\$273
Manly Warringah Sea Eagles Limited	Best & Fairest new account vouchers	\$1,500
Mike Baird, State Member for Manly – Manly Community Fundraiser	Purchase of 2qty event tickets	\$191

2014-2015 Donations, Grants & Sponsorships (continued)

North Curl Curl Knights JRLFC	Assist with purchase of 2015 season jerseys	\$2,000
North Curl Curl SLSC	Composite sheet signage on outside wall of surf club	\$553
Northside Enterprises Inc.	Youth observer project	\$500
Scholarship Miscellaneous Catering	Scholarship announcement Afternoon tea	\$112
St Augustine's College	Youth participant project	\$912
Two Hands Project	To assist with expenses for Two Hands School Project program for Years 7-10	\$1,259
Tye Bate	Tropfest 2014 - Film Submission	\$100
Valley United JRLFC	First Aid Equipment, Training Aids, Playing Strip, Ladies & Kane Mason Day	\$3,200
Valley United JRLFC	Man of Match vouchers & Player of the Season	\$1,150
Valley United JRLFC	Man of Match vouchers presented	\$200
Warringah Council / Warringah Art Exhibition - Prize Money	Prizes for Warringah Art Exhibition 2014 are in the form of New Account Vouchers	\$1,500
Warringah Cricket Club	Season sponsorship	<u>\$500</u>
	TOTAL	<u>\$78,681</u>

COMMUNITY ENTERPRISE FOUNDATION

CEF ACCOUNT TRANSACTIONS

Donation made to CEF account	0
Payments made from CEF account	\$39,007

NAME OF RECIPIENT

Harbord Public School - P&C Association (K-6 CLUB)	Funding for School Equipment and Resources - Items for School Hall	\$3,000
Freshwater SLSC	1 x AMBU Manikin, 1 x Oxy Sock (portable)	\$4,844
Manly Warringah Netball Association	All Ability netball uniforms	\$3,000
Manly Warringah Netball Association	Audio Visual equipment	\$3,163
North Curl Curl SLSC	Sponsorship for Patrol radios/IRB Motor/First Aid kit for ATV/CPR Manikins/Training	\$10,000
Northside Enterprises Inc.	Cover of wages of 4 disabled staff for 5 hours per day for 48 weeks + 2 x teardrop banners	\$5,000
South Curl Curl SLSC	Defibrillator x 2 (1 with cabinet 1 without) + Ocean Swim sponsorship	<u>\$10,000</u>
	Total payments made for 14/15 FY	<u>\$39,007</u>

TOTAL INCLUDING CEF PAYMENTS \$125,132

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



Freshwater **Community Bank®** Branch
20 Albert Street Freshwater NSW 2096
PH 02 9939 6744 | Fax 02 9939 6844



Harbord Financial Services Limited

Franchisee: Harbord Financial Services Limited
Registered office & 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