



Harbord Financial Services Limited

Community Bank
Freshwater

B Bendigo Bank



Annual report 2020

Harbord Financial Services Limited

ABN 25 097 282 525

Community Bank Freshwater Bendigo Bank

Contents

Chairman's Report	page i
Branch Operations Manager's Report	page iv
Bendigo and Adelaide Bank Ltd Report	page v
Directors Report	page 1
Auditor's Independence declaration	page 8
Financial Statements	page 9
Notes to Financial Statements	page 13
Directors' declaration	page 50
Independent Auditor's report	page 51
Shareholder information	page 53
Director History	page 55
Community Support for the year ended 30 June 2020	page 56

Chairman's Report

For the year ended 30 June 2020.

It is again a pleasure to report an extremely successful 18th year of trading. Despite COVID-19, falling interest rates, reduced margins and the loss of business and trade in the Freshwater Shopping centre we can report a substantial increase in net profit of \$215,042 up from \$110,017 in 2019!

However, it should be noted the result includes \$62,500 of COVID-19 related Australian Government Cash Flow Boost Payments.

The community of Freshwater and you the shareholders owe this excellent result to an outstanding and powerful performance by all our staff, led by Sandy and Kasey and support from the Bendigo Business Banking team of Michael Sims and Ian Watt.

With a balanced and well qualified and motivated Board of Directors, Ambassadors, generous customers and shareholder base and of course our special community base we are able to make an increased dividend announcement almost unprecedented this year in the corporate world!

Dividend results

Yes it is on behalf of the Board that I announce an increased fully franked dividend of 10 cents per share for this financial year.

The Board has still been able to generously contribute a total of \$152,195 made up of \$121,129 in Community Partnership, \$24,500 Community Grants and \$6,566 in donations and I refer you to the list for details of the groups we support.

This brings our total contribution to \$3.25 million and dividends to our shareholders of \$854,195 (including the 2020 10 cent dividend). We should all be so proud! And then there is more!!

Property purchases

The Board of Harbord Financial Services Ltd has been successful in purchasing 2 properties in Freshwater and secure permanent assets for the Freshwater Community:-

- Shop 2, 9-15 Lawrence St for \$1.5 million – 80 square meters
- Office 1 Freshwater Village Plaza for \$460,000 – 40 square meters.

The Bank will move from its current location in Albert Street to Shop @ 9-15 Lawrence St when the fitout and security etc. is complete.

Harbord Financial Services Ltd will operate out of Office 1` in the Freshwater Village.

Our whole community should be so proud that these assets have been secured for our future generations.

Scholarship / Tertiary funding

Our 8th year of the Tertiary Scholarship Scheme has continued to be very well accepted and appreciated.

With the direction of Peter Harley and Simmone we have a budget of \$50,000 to invest in the academic future of our youth in the nine High schools in our area.

Chairman's Report c'td.

2020 Recipient and Freshwater Student of the Year:

- Claudia Hayman - St Luke's Grammar School

2020 Individual recipients:

- Sam Le Geyt - NBSC Balgowlah Boys Campus
- Evelyn Choukhman - NBSC Cromer Campus
- Jamacia Leech - NBSC Freshwater Senior Campus
- Georgia Weston - NBSC Mackellar Girls Campus
- Neve Morgan - NBSC Manly Selective Campus
- Riona Chapman - Stella Maris College
- Benjamin Copping - St Augustine's College
- Antonio Trapuzzano - St Paul's Catholic College

Youth Observer Program

After not offering this program back in 2019, we were pleased to be able to offer it again in 2020.

This year sees the 10th year of the Youth Observer Program that saw two Year 11 students from two of our local High Schools participate although under very different circumstances due to the COVID-19 restrictions.

They were under the supervision of Director Noela Roberts and assisted by Ambassador Violet Warner who helped them to register to take part in a SEVENmile Venture Lab research project that will see them interviewing War Veterans.

Youth Observers:

- Harry Hadley - St Luke's Grammar School
- Hartnell Dean - Stella Maris College

Directors and Ambassadors

You are something very special!

With your incredible commitment, all voluntary, we are able to achieve amazing long term goals for our great community. It's a pleasure to work with you all.

I accordingly thank Directors John Vaccaro, Ian Greentree, David Irvine, Martin Brook, Noela Roberts, Peter Harley, Denise Goldstein, Tony Bevan, and Julie Rigoni and Ambassadors Ian Joynton, Rohan Fell, Violet Warner Greg Harding, Debbie Organ, Bryn Russell and Liam Yeates for their service.

These Directors will be retiring by rotation and I ask you to support Ian Greentree, Denise Goldstein, Peter Harley and David Irvine for re-election.

Staff

Can I emphasize again what a great result for this financial year our staff have achieved!

Led by Sandy our Community and Business Development Manager and Kasey our Branch Operations Manager and Su-Ellen, Kerryn, Cheerie, Kathy, Simone they have pushed to budget boundaries and converted our community relations into real business.

Chairman's Report c'td.

Banking is a team business and we are grateful for the support and expertise we are given by Michael Sims and Ian Watt from Business Banking and of course our Regional Manager Denice Kelly.

Denice is moving on to a State Banking Development role, so we will continue to work with her, but thankyou personally for all your support over the years.

Talking about the team! Chantelle Hoare has joined us in the new Marketing Manager as we power towards future goals.

We wish to acknowledge our auditor Graeme Stewart, Accountants Josh, James and Caleb and Rose who manages the share registry and our partners Bendigo Bank.

As always I would like to thank and especially in the face of the adversity we have experienced as a country, you the shareholders, Directors, Ambassadors, Staff and our customers for supporting Community Bank Freshwater which enables us to achieve and sustain our special contributions and success.

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

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

Trevor Sargeant - Chairman 2020

Branch Operations Manager

I have the privilege as Branch Operations Manager of Community Bank Freshwater Branch to report on the great success we have achieved over the last 12 months and contribute to what is our 18th Annual Report.

Our focus as always remains around adding value to our existing customers while building new relationships in our Community to ultimately grow our business.

It was another challenging year in a highly competitive financial market plus pressure felt by the Banking Industry from the Royal commission. Once again we have witnessed record low lending rates for our borrowers while trying to keep our retired and deposit customers satisfied with low deposit rates.

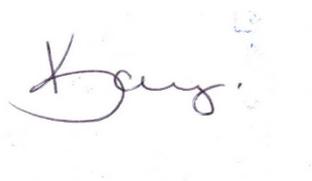
Our results are a team effort & can be attributed to our passionate, customer connected staff of Sandy (Community and Business Development Manager) Simmone, Su-Ellen, Kerryn, Cheerie and Kathy. We welcomed Chantelle Hoare as our new part time Marketing Manager in March 2020.

Our community contributions were again substantial with \$121,129 being returned to our local community through donations, community grants & sponsorships which makes a significant difference to numerous organisations. This is a very rewarding aspect to my role & something we are very proud of.

We continue to receive support from our partners at Bendigo and Adelaide Bank and our State Office team with which we have a close working relationship.

Our Board of Directors & Ambassadors dedicate many volunteer hours and work tirelessly in their roles to support me in my role as Branch Manager and to ensure the ongoing success of our business. This group places our Community Bank in a unique position to be able to provide quality banking services to our Community whilst producing great outcomes for our customers, shareholders & sponsored organisations.

We look forward to serving you and yet another successful year and encourage all Shareholders who don't currently bank with us to give me a call & see how we can assist with your banking requirements.

A handwritten signature in blue ink, appearing to read 'Kasey Kaye', is written over a faint, circular watermark or stamp.

Kasey Kaye

Branch Operations Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2020

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

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

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

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

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

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

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

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

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

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

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

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

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



Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Harbord Financial Services Limited

Directors' Report

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

Directors

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

Trevor Leslie Sargeant
Non-executive director

Occupation: Dentist

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

Special responsibilities: Audit, Marketing and Community Partnership Committee

Interest in shares: 11,001 ordinary shares

John Vaccaro

Non-executive director

Occupation: Licensed Real Estate Agent / Asset Manager

Qualifications, experience and expertise: Over 35 years' experience in operating, selling & leasing real estate. License in charge, training group leader and supervisor. Current director of St Augustine's College Sydney.

Special responsibilities: Vice Chairman - Committees: Business Development and Marketing Committee, Sponsorship Committee, Past National Board Member for Bendigo Bank, Community Bank Strategic Advisory Board for NSW/ACT and Justice of the Peace since 1981.

Interest in shares: 1,501 ordinary shares

Ian John Greentree

Non-executive director

Occupation: Company Secretary

Qualifications, experience and expertise: Ian has a Graduate Diploma in Legal Studies and Associate Diploma in Accounting. Is a retired Solicitor and Accountant who is currently working part time in several roles including: the equipment hire industry, Road Safety Event Co-ordinator and providing Company Secretarial services to three other Community Bank Branch companies.

Special responsibilities: Governance/Audit Committee, Company Secretary

Interest in shares: 2,001 ordinary shares

David James Irvine

Non-executive director

Occupation: Retired

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: Governance / Audit Committee; Business Development, Marketing & Sponsorship Committee

Interest in shares: 1 ordinary shares

Martin Edwin Brook

Non-executive 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 and Harbord Pharmacy at Freshwater for 25 years.

Special responsibilities: Operations & Human Resources, Sponsorship Committee

Interest in shares: 2,001 ordinary shares

Harbord Financial Services Limited

Directors' Report

Directors (*continued*)

Noela Rose Roberts

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Holds a Bachelor of Economics Sydney University. Worked as an accountant for 40 years and was also the accountant for a family electrician business for 25 years. Is a current member of South Curl Curl Surf Club and a committee member for Northside Enterprise Pty Ltd.

Special responsibilities: Sponsorship Committee

Interest in shares: 9,001 ordinary shares

Denise Faith Goldstein

Non-executive director

Occupation: Business Owner

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. Denise also holds a Bachelor of Arts - Sociology (UCLA) and a Juris Doctorate - Law - Western State University

Special responsibilities: Marketing & Human Resources Committee

Interest in shares: 5,001 ordinary shares

Peter Eric Harley OAM

Non-executive director

Occupation: Retired Public Servant

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 UNSW. Post Graduate Diploma of Relations and Law at University of Sydney. Peter was a former director of the University of NSW and International House Ltd.

Special responsibilities: Occupational Health & Safety and Scholarship Coordinator

Interest in shares: 5,501 ordinary shares

Anthony Curtiss Bevan

Non-executive director

Occupation: Bookkeeper / Semi Retired

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

Special responsibilities: Marketing and Community Partnership Committees

Interest in shares: 1,001 ordinary shares

Julie Rigoni

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Worked in the financial services sector for over 35 years and had run her own business for over 16 years that focuses on preparing and providing programs solely for the financial services sector in key area of education and a range of customised marketing, distribution and business strategy solutions of which she designed and conducted many education programs including investment updates and global research programs to many overseas countries and also advisors here in Australia.

Special responsibilities: Operations & Human Resources committee, Chair of Business Development and Marketing committee, Sponsorship Committee

Interest in shares: 6,000 ordinary shares

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

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

Harbord Financial Services Limited

Directors' Report

Company Secretary

The company secretary is Ian Greentree. Ian was appointed to the position of secretary on 27 November 2006.

Qualifications, experience and expertise: 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, Retired Member of Governance Institute of Australia and previously held the position of assistant Company Secretary of Advance Bank Australia Limited.

Principal activity

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

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

Operating results

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

Year ended 30 June 2020	Year ended 30 June 2019
\$	\$
215,042	110,017

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Trevor Leslie Sargeant	11,001	-	11,001
John Vaccaro	1,501	-	1,501
Ian John Greentree	2,001	-	2,001
David James Irvine	1	-	1
Martin Edwin Brook	2,001	-	2,001
Noela Rose Roberts	9,001	-	9,001
Denise Faith Goldstein	5,001	-	5,001
Peter Eric Harley OAM	5,501	-	5,501
Anthony Curtiss Bevan	1	1,000	1,001
Julie Rigoni	6,000	-	6,000

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

Dividends

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

	Cents per share	Total amount
Final fully franked dividend	6	41,584
Total amount	6	41,584

Harbord Financial Services Limited

Directors' Report

New Accounting Standards implemented

The company has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: *Leases* (AASB 16) has been applied retrospectively without restatement of comparatives by recognising the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: *Leases*. See note 4 for further details.

Significant changes in the state of affairs

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

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Harbord Financial Services Limited

Directors' Report

Indemnification and insurance of directors and officers

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

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

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) attended by each of the directors of the company during the financial year were:

	Board Meetings Attended		Committee Meetings Attended									
			Audit		Business Development & Marketing		Community Partnership		Operations & Human Resources		Building	
	E	A	E	A	E	A	E	A	E	A	E	A
Trevor Leslie Sargeant	12	10	2	2	11	10	11	10	5	5	3	2
John Vaccaro	12	11	-	-	11	9	11	9	-	5	-	2
Ian John Greentree	12	10	2	2	-	8	-	8	-	5	-	2
David James Irvine	12	12	2	2	11	10	11	10	5	5	3	2
Martin Edwin Brook	12	8	-	-	-	3	-	3	-	2	-	1
Noela Rose Roberts	12	11	-	-	-	10	11	10	-	5	-	2
Denise Faith Goldstein	12	11	-	-	11	9	-	9	5	5	3	2
Peter Eric Harley OAM	12	10	-	-	11	8	11	8	-	4	-	2
Anthony Curtiss Bevan	12	9	-	-	11	7	11	7	-	4	-	2
Julie Rigoni	12	11	-	-	11	9	11	9	-	5	3	2

E - eligible to attend

A - number attended

Proceedings on behalf of the company

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

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

Harbord Financial Services Limited

Directors' Report

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 28.

The board of directors has considered the non-audit services provided during the year by the auditor and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

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



Trevor Leslie Sargeant, Chair

Dated this 16th day of September 2020

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 2020, I declare that, to the best of my knowledge and belief, there have been:

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



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated:16 September 2020



Graeme Stewart
Lead Auditor

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

	Notes	2020 \$	2019 \$
Revenue from contracts with customers	8	1,275,076	1,292,054
Other revenue	9	73,162	11,606
Finance income	10	14,092	14,948
Employee benefit expenses	11e)	(571,657)	(584,835)
Charitable donations, sponsorship, advertising and promotion	11d)	(205,734)	(271,447)
Occupancy and associated costs		(33,030)	(140,347)
Systems costs		(34,606)	(33,238)
Depreciation and amortisation expense	11a)	(134,431)	(27,555)
Finance costs	11b)	(13,081)	-
General administration expenses		(93,431)	(109,167)
Profit before income tax expense		276,360	152,019
Income tax expense	12a)	(61,318)	(42,002)
Profit after income tax expense		215,042	110,017
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		215,042	110,017
Earnings per share		¢	¢
- Basic and diluted earnings per share:	31a)	31.03	15.87

The accompanying notes form part of these financial statements

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

	Notes	2020 \$	2019 \$
ASSETS			
Current assets			
Cash and cash equivalents	13a)	1,012,871	778,347
Trade and other receivables	15a)	109,946	115,573
Current tax assets	19a)	-	15,234
Total current assets		1,122,817	909,154
Non-current assets			
Other investments	14a)	5,000	5,000
Property, plant and equipment	16a)	350,081	336,667
Right-of-use assets	17a)	203,991	-
Intangible assets	18a)	21,856	33,048
Deferred tax asset	19b)	31,811	18,839
Total non-current assets		612,739	393,554
Total assets		1,735,556	1,302,708
LIABILITIES			
Current liabilities			
Trade and other payables	20a)	65,778	59,517
Current tax liabilities	19a)	29,370	-
Lease liabilities	21b)	107,736	-
Employee benefits	23a)	88,930	76,745
Total current liabilities		291,814	136,262
Non-current liabilities			
Trade and other payables	20b)	-	12,311
Lease liabilities	21c)	105,849	-
Employee benefits	23b)	10,966	9,668
Provisions	22a)	36,843	-
Total non-current liabilities		153,658	21,979
Total liabilities		445,472	158,241
Net assets		1,290,084	1,144,467
EQUITY			
Issued capital	24a)	613,376	613,376
Retained earnings	25	676,708	531,091
Total equity		1,290,084	1,144,467

The accompanying notes form part of these financial statements

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

	Notes	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2018		613,376	490,380	1,103,756
Total comprehensive income for the year		-	110,017	110,017
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30a)	-	(69,306)	(69,306)
Balance at 30 June 2019		613,376	531,091	1,144,467
Balance at 1 July 2019		613,376	531,091	1,144,467
Effect of AASB 16: Leases	3d)	-	(27,841)	(27,841)
Restated balance at 1 July 2019		613,376	503,250	1,116,626
Total comprehensive income for the year		-	215,042	215,042
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30a)	-	(41,584)	(41,584)
Balance at 30 June 2020		613,376	676,708	1,290,084

The accompanying notes form part of these financial statements

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

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers		1,447,986	1,432,018
Payments to suppliers and employees		(998,227)	(1,247,540)
Interest received		12,647	25,348
Lease payments (interest component)	11b)	(11,533)	-
Lease payments not included in the measurement of lease liabilities	11f)	(14,282)	-
Income taxes paid		(19,125)	(62,721)
Net cash provided by operating activities	26	417,466	147,105
Cash flows from investing activities			
Payments for property, plant and equipment		(30,224)	(229,596)
Payments for intangible assets		(11,192)	(11,192)
Net cash used in investing activities		(41,416)	(240,788)
Cash flows from financing activities			
Lease payments (principal component)	21a)	(99,942)	-
Dividends paid	30a)	(41,584)	(69,306)
Net cash used in financing activities		(141,526)	(69,306)
Net cash increase/(decrease) in cash held		234,524	(162,989)
Cash and cash equivalents at the beginning of the financial year		778,347	941,336
Cash and cash equivalents at the end of the financial year	13a)	1,012,871	778,347

The accompanying notes form part of these financial statements

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1 Reporting entity

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

Registered Office	Principal Place of Business
20 Albert St Freshwater NSW 2096	20 Albert St Freshwater NSW 2096

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 29.

Note 2 Basis of preparation and statement of compliance

Basis of preparation and statement of compliance

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

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

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

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 16 September 2020.

Note 3 Changes in accounting policies, standards and interpretations

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

The company has implemented a new Accounting Standard which has come into effect and is included in the results. AASB 16: *Leases* (AASB 16) has been applied retrospectively without restatement of comparatives by recognising the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: *Leases*.

a) Definition of a lease

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

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

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

b) As a lessee

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

The company recognises lease and non-lease components such as outgoings separately.

Leases classified as operating leases under AASB 117

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

Right-of-use assets are measured at either:

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

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

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

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

c) As a lessor

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

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

d) Impact on financial statements

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

<i>Impact on equity presented as increase (decrease)</i>	Note	1 July 2019 \$
Asset		
Right-of-use assets - land and buildings	17b)	310,420
Deferred tax asset	19b)	10,561
Liability		
Lease liabilities	21a)	(313,527)
Provision for make-good	22b)	(35,295)
Equity		
Retained earnings		<u>(27,841)</u>

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 4.30%.

Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	333,591
Add: variable market review / index based increase	10,111
Less: AASB 117 lease commitments reconciliation	(9,270)
Less: present value discounting	(20,905)
Lease liability as at 1 July 2019	<u>313,527</u>

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4 Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Commission

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

b) Other revenue

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

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

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

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

b) Other revenue (*continued*)

Discretionary financial contributions

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

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

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

Cash flow boost

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

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

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

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

d) Employee benefits

Short-term employee benefits

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

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

Defined superannuation contribution plans

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

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

Other long-term employee benefits

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

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

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

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

e) Taxes

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

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

Current income tax

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

Deferred tax

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

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

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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

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

The company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority on the company either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

e) Taxes (*continued*)

Goods and Services Tax

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

- when the amount of GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue or expense item.
- when receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

Recognition and measurement

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

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

Subsequent expenditure

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

Depreciation

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

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Leasehold improvements	Straight-line	1 to 40 years
Plant and equipment	Straight-line and diminishing value	2 to 10 years
Motor vehicles	Straight-line	5 years

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

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

h) Intangible assets

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

Recognition and measurement

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

Subsequent expenditure

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

Amortisation

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

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

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

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

i) Financial instruments

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

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

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

Recognition and initial measurement

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

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

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

i) Financial instruments (*continued*)

Classification and subsequent measurement

Financial assets

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

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

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

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

On initial recognition of an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The election is made on an investment-by-investment basis.

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

Financial assets - business model assessment

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

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - subsequent measurement and gains and losses

- Financial assets at FVTPL These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
- Financial assets at amortised cost These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities - classification, subsequent measurement and gains and losses

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

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

i) Financial instruments (*continued*)

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Offsetting

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

j) Impairment

Non-derivative financial assets

The company recognises a loss allowance for ECL on:

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

Loss allowance is not recognised for:

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

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

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

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

j) Impairment (*continued*)

Non-derivative financial assets (continued)

This approach is applicable to:

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

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

Recognition of expected credit losses in financial statements

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

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

Non-financial assets

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

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

k) Issued capital

Ordinary shares

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

l) Provisions

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

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

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

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

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

m) Leases

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

Policy applicable from 1 July 2019

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

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

As a lessee

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

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

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

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

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

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

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

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

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

m) Leases (*continued*)

Policy applicable from 1 July 2019 (continued)

As a lessee (continued)

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

Short-term leases and leases of low-value assets

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

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

As a lessor

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

Policy applicable before 1 July 2019

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

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

As a lessee

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

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

As a lessor

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

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

n) Standards issued but not yet effective

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

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

<u>Note</u>	<u>Judgement</u>
- Note 8 - revenue recognition	whether revenue is recognised over time or at a point in time;
- Note 21 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including: <ul style="list-style-type: none"> - the amount; - the lease term; - economic environment; and - other relevant factors.

b) Assumptions and estimation uncertainties

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

<u>Note</u>	<u>Assumptions</u>
- Note 8 - revenue recognition	estimate of expected returns;
- Note 19 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 26 - fair value	determining the fair value less costs to sell of the disposal group on the basis of significant unobservable inputs;
- Note 16 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

b) Assumptions and estimation uncertainties *(continued)*

<u>Note</u>	<u>Assumptions</u>
- Note 23 - long service leave provision	key assumptions on attrition rate and pay increases through promotion and inflation;
- Note 22 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

Note 6 Financial risk management

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

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

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company does not use derivative instruments.

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

a) Credit risk

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

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

b) Liquidity risk

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

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

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

30 June 2020

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Lease liabilities	213,585	114,819	108,138	-
Trade payables	24,202	24,202	-	-
	<u>237,787</u>	<u>139,021</u>	<u>108,138</u>	<u>-</u>

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6 Financial risk management (continued)

b) Liquidity risk (continued)

30 June 2019

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>		
		<u>Not later than 12 months</u>	<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Trade payables	2,316	2,316	-	-
	<u>2,316</u>	<u>2,316</u>	<u>-</u>	<u>-</u>

c) Market risk

Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of \$1,012,871 at 30 June 2020 (2019: \$778,347). The cash and cash equivalents are held with BEN, which are rated BBB on Standard & Poor's credit ratings.

Note 7 Capital management

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

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

The distribution limit is the greater of:

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

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7 Capital management *(continued)*

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2020 can be seen in the statement of profit or loss and other comprehensive Income.

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

Note 8 Revenue from contracts with customers

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

<i>Revenue from contracts with customers</i>	2020	2019
	\$	\$
Revenue:		
- Revenue from contracts with customers	1,275,076	1,292,054
	<u>1,275,076</u>	<u>1,292,054</u>
<i>Disaggregation of revenue from contracts with customers</i>		
At a point in time:		
- Margin income	1,131,418	1,143,336
- Fee income	95,030	92,458
- Commission income	48,628	56,260
	<u>1,275,076</u>	<u>1,292,054</u>

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

Note 9 Other revenue

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

<i>Other revenue</i>	2020	2019
	\$	\$
Revenue:		
- Market development fund income	10,000	10,000
- Cash flow boost	62,500	-
- Other income	662	1,606
	<u>73,162</u>	<u>11,606</u>

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10 Finance income

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

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

<i>Finance income</i>	2020	2019
	\$	\$
At amortised cost:		
- Term deposits	14,092	14,948
	<u>14,092</u>	<u>14,948</u>

Note 11 Expenses

a) Depreciation and amortisation expense	2020	2019
	\$	\$
<i>Depreciation of non-current assets:</i>		
- Leasehold improvements	4,339	4,346
- Plant and equipment	6,158	5,705
- Motor vehicles	6,312	6,312
	<u>16,809</u>	<u>16,363</u>
<i>Depreciation of right-of-use assets</i>		
- Leased land and buildings	106,430	-
	<u>106,430</u>	<u>-</u>
<i>Amortisation of intangible assets:</i>		
- Franchise fee	2,239	2,239
- Franchise renewal process fee	8,953	8,953
	<u>11,192</u>	<u>11,192</u>
Total depreciation and amortisation expense	<u>134,431</u>	<u>27,555</u>

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

b) Finance costs	Note	2020	2019
		\$	\$
<i>Finance costs:</i>			
- Lease interest expense	21a)	11,533	-
- Unwinding of make-good provision		1,548	-
		<u>13,081</u>	<u>-</u>

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

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11 Expenses (continued)

c) Impairment loss on trade receivables and contract assets

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

d) Charitable donations, sponsorship, advertising and promotion

The overarching philosophy of the Community Bank model, is to support the local community in which the company operates. This is achieved by circulating the flow of financial capital into the local economy through community contributions (such as donations and grants).

	2020 \$	2019 \$
- Direct sponsorship, advertising, and promotion payments	205,734	271,447
	205,734	271,447

e) Employee benefit expenses

	2020 \$	2019 \$
Wages and salaries	481,470	505,556
Non-cash benefits	7,000	7,002
Contributions to defined contribution plans	60,848	55,653
Expenses related to long service leave	3,676	2,072
Other expenses	18,663	14,552
	571,657	584,835

f) Recognition exemption

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

	2020 \$	2019 \$
Expenses relating to low-value leases	14,282	-
	14,282	-

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

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

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12 Income tax expense

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

a) Amounts recognised in profit or loss	2020	2019
	\$	\$
<i>Current tax expense/(credit)</i>		
- Current tax	63,729	43,633
- Movement in deferred tax	(14,807)	(1,631)
- Adjustment to deferred tax on AASB 16 retrospective application	10,561	-
- Reduction in company tax rate	1,835	-
	61,318	42,002

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a gain of \$1,835 related to the remeasurement of deferred tax assets and liabilities of the company.

b) <i>Prima facie</i> income tax reconciliation	2020	2019
	\$	\$
Operating profit before taxation	276,360	152,019
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	75,999	41,805
Tax effect of:		
- Non-deductible expenses	672	197
- Temporary differences	4,246	1,631
- Other assessable income	(17,188)	-
- Movement in deferred tax	(14,807)	(1,631)
- Leases initial recognition	10,561	-
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	1,835	-
	61,318	42,002

Note 13 Cash and cash equivalents

a) Cash and cash equivalents

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

	2020	2019
	\$	\$
- Cash at bank and on hand	262,871	28,347
- Term deposits	750,000	750,000
	1,012,871	778,347

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14 Other investments

The company classifies investments as a current asset when it expects to realise the asset, or intends to sell or consume it, no more than 12 months after the reporting period. All other investments are classified as non-current.

	2020	2019
	\$	\$
a) Non-current investments		
Warringah Financial Services Limited	5,000	5,000
	<u>5,000</u>	<u>5,000</u>

Note 15 Trade and other receivables

	2020	2019
	\$	\$
a) Current assets		
Trade receivables	93,257	94,163
Prepayments	12,311	18,477
Other receivables and accruals	4,378	2,933
	<u>109,946</u>	<u>115,573</u>

Note 16 Property, plant and equipment

	2020	2019
	\$	\$
a) Carrying amounts		
<i>Capital works in progress</i>		
At cost	251,010	226,260
Less: accumulated depreciation and impairment	-	-
	<u>251,010</u>	<u>226,260</u>
<i>Leasehold improvements</i>		
At cost	317,937	317,937
Less: accumulated depreciation and impairment	(230,593)	(226,254)
	<u>87,344</u>	<u>91,683</u>
<i>Plant and equipment</i>		
At cost	131,849	126,376
Less: accumulated depreciation and impairment	(121,454)	(115,296)
	<u>10,395</u>	<u>11,080</u>

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16 Property, plant and equipment (*continued*)

a) Carrying amounts (<i>continued</i>)	2020 \$	2019 \$
<i>Motor vehicles</i>		
At cost	31,561	31,561
Less: accumulated depreciation and impairment	(30,229)	(23,917)
	<u>1,332</u>	<u>7,644</u>
Total written down amount	<u>350,081</u>	<u>336,667</u>
<p>The directors do not believe the carrying amount exceeds the recoverable amount of the above assets. The directors therefore believe the carrying amount is not impaired.</p>		
b) Reconciliation of carrying amounts	2020 \$	2019 \$
<i>Capital works in progress</i>		
Carrying amount at beginning	226,260	-
Additions	24,750	226,260
Carrying amount at end	<u>251,010</u>	<u>226,260</u>
<i>Leasehold improvements</i>		
Carrying amount at beginning	91,683	96,029
Depreciation	(4,339)	(4,346)
Carrying amount at end	<u>87,344</u>	<u>91,683</u>
<i>Plant and equipment</i>		
Carrying amount at beginning	11,080	13,449
Additions	5,473	3,336
Depreciation	(6,158)	(5,705)
Carrying amount at end	<u>10,395</u>	<u>11,080</u>
<i>Motor vehicles</i>		
Carrying amount at beginning	7,644	13,956
Depreciation	(6,312)	(6,312)
Carrying amount at end	<u>1,332</u>	<u>7,644</u>
Total written down amount	<u>350,081</u>	<u>336,667</u>

During the 2018/19 financial period, the company entered into a construction contract with Freshwater 2 Pty Ltd for the construction of a new branch at lot 2, 9-15 Lawrence Street, Freshwater, New South Wales. The company has to date incurred costs of \$251,010 which have been capitalised as work in progress (WIP). The construction is expected to cost \$1,500,000 and to be finalised in 30 June 2021, at which time the WIP will be transferred to Buildings and begin depreciating. The company has no obligation to pay for the remainder of the building until 30 June 2021 and may rescind the contract at any time before then.

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16 Property, plant and equipment *(continued)*

c) Changes in estimates

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

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

Note 17 Right-of-use assets

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

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

a) Carrying amounts

	Note	2020 \$	2019 \$
<i>Leased land and buildings</i>			
At cost		532,149	-
Less: accumulated depreciation and impairment		(328,158)	-
Total written down amount		203,991	-

b) Reconciliation of carrying amounts

Leased land and buildings

Initial recognition on transition	3d)	532,149	-
Accumulated depreciation on adoption	3d)	(221,728)	-
Depreciation		(106,430)	-
Total written down amount		203,991	-

Harbord Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2020

Note 18 Intangible assets

a) Carrying amounts	2020	2019
	\$	\$
<i>Franchise fee</i>		
At cost	122,746	122,746
Less: accumulated amortisation and impairment	(118,376)	(116,137)
	<u>4,370</u>	<u>6,609</u>
<i>Franchise renewal process fee</i>		
At cost	90,983	90,983
Less: accumulated amortisation and impairment	(73,497)	(64,544)
	<u>17,486</u>	<u>26,439</u>
Total written down amount	<u>21,856</u>	<u>33,048</u>
b) Reconciliation of carrying amounts		
<i>Franchise fee</i>		
Carrying amount at beginning	6,609	8,848
Amortisation	(2,239)	(2,239)
Carrying amount at end	<u>4,370</u>	<u>6,609</u>
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	26,439	35,392
Amortisation	(8,953)	(8,953)
Carrying amount at end	<u>17,486</u>	<u>26,439</u>
Total written down amount	<u>21,856</u>	<u>33,048</u>

c) Changes in estimates

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

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

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19 Tax assets and liabilities

a) Current tax	2020 \$	2019 \$
Income tax payable/(refundable)	29,370	(15,234)

b) Deferred tax

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

	30 June 2019 \$	Recognised in profit or loss \$	Recognised in other comprehensive income \$	Recognised in equity \$	30 June 2020 \$
<i>Deferred tax assets</i>					
- expense accruals	798	(798)	-	-	-
- employee provisions	23,764	2,209	-	-	25,973
- make-good provision	-	(127)	-	9,706	9,579
- lease liability	-	(30,688)	-	86,220	55,532
Total deferred tax assets	24,562	(29,404)	-	95,926	91,084
<i>Deferred tax liabilities</i>					
- income accruals	807	331	-	-	1,138
- property, plant and equipment	4,916	182	-	-	5,098
- right-of-use assets	-	(32,329)	-	85,366	53,037
Total deferred tax liabilities	5,723	(31,816)	-	85,366	59,273
Deferred taxes brought to account	-	-	-	-	-
Net deferred tax assets (liabilities)	18,839	2,411	-	10,561	31,811

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

	30 June 2018 \$	Recognised in profit or loss \$	Recognised in other comprehensive income \$	Recognised in equity \$	30 June 2019 \$
<i>Deferred tax assets</i>					
- expense accruals	743	55	-	-	798
- employee provisions	21,608	2,156	-	-	23,764
Total deferred tax assets	22,351	2,211	-	-	24,562
<i>Deferred tax liabilities</i>					
- income accruals	3,667	(2,860)	-	-	807
- property, plant and equipment	1,476	3,440	-	-	4,916
Total deferred tax liabilities	5,143	580	-	-	5,723
Deferred taxes brought to account	-	-	-	-	-
Net deferred tax assets (liabilities)	17,208	1,631	-	-	18,839

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21 Lease liabilities (continued)

Lease portfolio (continued)

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

a) Lease liability measurement

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

<i>Lease liabilities on transition</i>	Note	2020	2019
		\$	\$
Initial recognition on AASB 16 transition	3d)	313,527	-
Lease payments - interest		11,533	-
Lease payments		(111,475)	-
		<u>213,585</u>	<u>-</u>

b) Current lease liabilities

Property lease liabilities		114,819	-
Unexpired interest		(7,083)	-
		<u>107,736</u>	<u>-</u>

c) Non-current lease liabilities

Property lease liabilities		108,138	-
Unexpired interest		(2,289)	-
		<u>105,849</u>	<u>-</u>

Harbord Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2020

Note 21 Lease liabilities (continued)

	2020 \$	2019 \$
d) Maturity analysis		
- Not later than 12 months	114,819	-
- Between 12 months and 5 years	108,138	-
Total undiscounted lease payments	<u>222,957</u>	<u>-</u>
Unexpired interest	(9,372)	-
Present value of lease liabilities	<u><u>213,585</u></u>	<u><u>-</u></u>

e) Impact on the current reporting period

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

Comparison under current AASB 16 and former AASB 117

The net impact for the current reporting period is an increase in profit after tax of \$5,826.

	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
Profit or loss - increase (decrease) in expenses			
- Occupancy and associated costs	111,475	(111,475)	-
- Depreciation and amortisation expense	-	106,430	106,430
- Finance costs	-	13,081	13,081
Increase in expenses - before tax	<u>111,475</u>	<u>8,036</u>	<u>119,511</u>
- Income tax expense / (credit) - current	(30,656)	30,656	-
- Income tax expense / (credit) - deferred	-	(32,866)	(32,866)
Increase in expenses - after tax	<u><u>80,819</u></u>	<u><u>5,826</u></u>	<u><u>86,645</u></u>

Note 22 Provisions

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

a) Non-current liabilities	2020 \$	2019 \$
Make-good on leased premises	36,843	-
	<u>36,843</u>	<u>-</u>

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22 Provisions (continued)

b) Make-good provision

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

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

<i>Provision</i>	Note	2020 \$	2019 \$
Face-value of make-good costs recognised	3d)	40,000	-
Present value discounting	3d)	(4,705)	-
Present value unwinding		1,548	-
		<u>36,843</u>	<u>-</u>

c) Changes in estimates

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

The lease is due to expire on 31 May 2022 at which time it is expected the face-value costs to restore the premises will fall due.

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

<i>Profit or loss</i>	2020	2021	2022
Expense:			
- Finance costs	1,548	1,615	1,542
<i>Statement of financial position</i>			
Liability:			
- Make-good provision	36,843	38,458	40,000

Note 23 Employee benefits

a) Current liabilities

	2020 \$	2019 \$
Provision for annual leave	35,622	25,815
Provision for long service leave	53,308	50,930
	<u>88,930</u>	<u>76,745</u>

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23 Employee benefits *(continued)*

b) Non-current liabilities	2020 \$	2019 \$
Provision for long service leave	10,966	9,668
	10,966	9,668

c) Key judgement and assumptions

Employee attrition rates

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

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

Note 24 Issued capital

a) Issued capital	2020		2019	
	Number	\$	Number	\$
Ordinary shares - fully paid	693,059	693,059	693,059	693,059
Less: equity raising costs	-	(79,683)	-	(79,683)
	693,059	613,376	693,059	613,376

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24 Issued capital *(continued)*

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

Ordinary shares (continued)

Transfer

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

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the *Corporations Act 2001*.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 374. As at the date of this report, the company had 408 shareholders (2019: 408 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 25 Retained earnings

	Note	2020 \$	2019 \$
Balance at beginning of reporting period		531,091	490,380
Adjustment for transition to AASB 16	3d)	(27,841)	-
Net profit after tax from ordinary activities		215,042	110,017
Dividends provided for or paid		(41,584)	(69,306)
Balance at end of reporting period		676,708	531,091

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26 Reconciliation of cash flows from operating activities

	2020	2019
	\$	\$
Net profit after tax from ordinary activities	215,042	110,017
Adjustments for:		
- Depreciation	123,239	16,363
- Amortisation	11,192	11,192
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	5,626	21,312
- (Increase)/decrease in other assets	12,823	(5,673)
- Increase/(decrease) in trade and other payables	5,143	(10,089)
- Increase/(decrease) in employee benefits	13,483	-
- Increase/(decrease) in provisions	1,548	7,837
- Increase/(decrease) in tax liabilities	29,370	(3,854)
Net cash flows provided by operating activities	<u>417,466</u>	<u>147,105</u>

Note 27 Financial instruments

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

	Note	2020	2019
		\$	\$
Financial assets			
Trade and other receivables	15	97,635	97,096
Cash and cash equivalents	13	262,871	28,347
Term deposits	13	750,000	750,000
		<u>1,110,506</u>	<u>875,443</u>
Financial liabilities			
Trade and other payables	20	24,202	2,316
Lease liabilities	21	213,585	-
		<u>24,202</u>	<u>2,316</u>

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28 Auditor's remuneration

	2020	2019
	\$	\$
Amount received or due and receivable by the auditor of the company for the financial year.		
<i>Audit and review services</i>		
- Audit and review of financial statements	4,800	4,600
	<u>4,800</u>	<u>4,600</u>
<i>Non audit services</i>		
- Taxation advice and tax compliance services	600	1,295
- General advisory services	2,970	1,830
- Share registry services	1,900	5,684
	<u>5,470</u>	<u>8,809</u>
Total auditor's remuneration	<u>10,270</u>	<u>13,409</u>

Note 29 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Trevor Leslie Sargeant
 John Vaccaro
 Ian John Greentree
 David James Irvine
 Martin Edwin Brook
 Noela Rose Roberts
 Denise Faith Goldstein
 Peter Eric Harley OAM
 Anthony Curtiss Bevan
 Julie Rigoni

b) Key management personnel compensation

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

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

c) Related party transactions

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

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 30 Dividends provided for or paid

a) Dividends provided for or paid

The following dividends were provided for and paid to shareholders during the reporting period as presented in the Statement of Changes in Equity and Statement of Cash Flows.

	30 June 2020		30 June 2019	
	Cents	\$	Cents	\$
Fully franked dividend	6.00	41,584	10.00	69,306
Total dividends paid during the financial year	6.00	41,584	10.00	69,306

The tax rate at which dividends have been franked is 27.5% (2019: 27.5%).

b) Franking account balance

	2020	2019
	\$	\$
<i>Franking credits available for subsequent reporting periods</i>		
Franking account balance at the beginning of the financial year	236,904	200,471
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	53,981	62,721
- Franking credits/(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	(34,857)	-
- Franking debits from the payment of franked distributions	(15,773)	(26,288)
Franking account balance at the end of the financial year	240,255	236,904
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	29,370	(15,234)
Franking credits available for future reporting periods	269,625	221,670

The ability to utilise franking credits is dependent upon the company's ability to declare dividends.

Note 31 Earnings per share

a) Based and diluted earnings per share

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

	2020	2019
	\$	\$
Profit attributable to ordinary shareholders	215,042	110,017
	Number	Number
Weighted-average number of ordinary shares	693,059	693,059
	Cents	Cents
Basic and diluted earnings per share	31.03	15.87

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 32 Commitments

a) Lease commitments

Following the adoption of AASB 16 as of 1 July 2019, all lease commitment information and amounts for the financial year ending 30 June 2020 can be found in 'Lease liabilities' (Note 21).

Operating lease commitments - lessee	2020	2019
Non-cancellable operating leases contracted for but not capitalised in the financial statements	\$	\$
Payable - minimum lease payments:		
- not later than 12 months	-	111,197
- between 12 months and 5 years	-	222,394
Minimum lease payments payable	<u>-</u>	<u>333,591</u>

b) Other commitments

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

Note 33 Contingencies

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

Note 34 Subsequent events

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

Harbord Financial Services Limited

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 2020 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Trevor Leslie Sargeant, Chair

Dated this 16th day of September 2020

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

Report on the audit of the financial report

Our opinion

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

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

What we have audited

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

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

Basis for opinion

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

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

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

Other information

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

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 16 September 2020



Graeme Stewart
Lead Auditor

Shareholder information

Harbord Financial Services Limited is a public company incorporated in Australia and from 1 July 2015 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	271	184,206
1,001 to 5,000	124	397,852
5,001 to 10,000	9	72,232
10,001 to 100,000	3	38,769
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 13 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.

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 since 2006.

Ian's qualifications and experience include:

Diploma in Law admitted as a Solicitor to the Supreme Court of NSW

Associate Diploma in Accounting

Retired member of the Institute of Public Accountants

Retired member of the Governance Institute of Australia

Corporate Governance

The company has implemented various corporate governance policies, 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.

5 Year summary of performance

		2016	2017	2018	2019	2020
Gross revenue	\$	1,143,014	1,370,584	1,427,180	1,318,608	1,362,330
Net profit before tax	\$	88,947	329,803	274,534	152,019	276,360
Total assets	\$	905,649	1,208,678	1,268,105	1,302,708	1,735,556
Total liabilities	\$	121,294	233,730	164,349	158,241	445,472
Total equity	\$	784,355	974,948	1,103,756	1,144,467	1,290,084

YEAR	Cents per share	Total Distribution
2004 / 2005	2.25 cents	\$15,593.83
2005 / 2006	3.50 cents	\$24,257.06
2006 / 2007	10.0 cents	\$69,305.90
2007 / 2008	10.0 cents	\$69,305.90
2008 / 2009	8.0 cents	\$55,444.72
2009 / 2010	10.0 cents	\$69,305.90
2010 / 2011	10.0 cents	\$69,305.90
2011 / 2012	10.0 cents	\$69,305.90
2012 / 2013	4.50 cents	\$31,187.71
2013 / 2014	5.50 cents	\$38,118.30
2014 / 2015	6.50 cents	\$45,048.89
2015 / 2016	7.0 cents	\$48,514.13
2016 / 2017	10.0 cents	\$69,305.90
2017 / 2018	10.0 cents	\$69,305.90
2018 / 2019	6.0 cents	\$41,583.54
2019/2020	10.0 cents	\$69,305.90
Total	1.2325 cents	\$854,195.38

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

Past 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

Community Support for the year ended 30 June 2020

DONATIONS		
NAME OF RECIPIENT	DESCRIPTION	AMOUNT
MS Ltd	Donation 2019 Ride	\$260
Northside Enterprise Incorporated	Donation Manly Fun Run 31/8/2019 - 9 runners x \$20	\$180
Barrenjoey Peninsula Week of Golf	Donation to Charity Raffle recipient Manly Warringah Women's Resource Centre	\$500
Batten Disease Support & Research Assoc Aust	Donation for Tayla Riddle for sensory room @ home & therapy equipment	\$1,000
Can too Foundation	Donation towards Tony Bevan fundraising page	\$310
Mrs Jones the Baker	Donation for purchase of Thank-you morning tea items for Northern Beaches Hospital Emergency Services Dept.	\$150
Mark Hughes Foundation Ltd	Donation to Beanies for Brain Cancer fundraiser	\$2,166
Harbord Frigid Frogs Winter Swimming Club Inc	Donation toward purchase of Defibrillator for winter & summer swimming clubs	\$2,000
	TOTAL	\$6,566

COMMUNITY GRANTS		
NAME OF RECIPIENT	DESCRIPTION	AMOUNT
Olivia Flower - NBSC Mackellar Girls Campus	2017 FCB Tertiary Scholarship + Ken Ward Memorial Scholarship	\$2,500
Katelyn Castle - NBSC Mackellar Girls Campus	2018 FCB Tertiary Scholarship + Ken Ward Memorial Scholarship	\$5,000
Maya Yaffe - NBSC - Manly Campus	2018 FCB Tertiary Scholarship	\$500
Joshua Smith - NBSC Balgowlah Boys Campus	2019 FCB Tertiary Scholarship + Ken Ward Memorial Scholarship	\$5,000
Joaquin Aitken - St Augustine's College	2019 FCB Tertiary Scholarship + All rounder	\$2,500
Thomas Langsford - St Lukes Grammar School	2019 FCB Tertiary Scholarship	\$500
Jessica Reid - NBSC Cromer Campus	2019 FCB Tertiary Scholarship	\$500
Joumana Quinn - Stella Maris College	2019 FCB Tertiary Scholarship	\$500
Kena Mallender - NBSC Manly Campus	2019 FCB Tertiary Scholarship	\$500

Zali Stamopoulos - NBSC Freshwater Senior Campus	2019 FCB Tertiary Scholarship	\$500
Jacob Feledy - St Paul's Catholic College	2019 FCB Tertiary Scholarship	\$500
Claudia Hayman - St Lukes Grammar School	2020 FCB Tertiary Scholarship + Ken Ward Memorial Scholarship	\$2,500
Evelyn Choukhman - NBSC Cromer Campus	2020 FCB Tertiary Scholarship	\$500
Sam Le Geyt - NBSC Balgowlah Campus	2020 FCB Tertiary Scholarship	\$500
Jamaica Leech - NBSC Freshwater Senior Campus	2020 FCB Tertiary Scholarship	\$500
Benjamin Copping - St Augustine's College	2020 FCB Tertiary Scholarship	\$500
Georgia Weston - NBSC Mackellar Girls Campus	2020 FCB Tertiary Scholarship	\$500
Neve Morgan - NBSC Manly Campus	2020 FCB Tertiary Scholarship	\$500
Antonio Trapuzzano - St Paul's Catholic College	2018 FCB Tertiary Scholarship	\$500
	TOTAL	\$24,500

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

SPONSORSHIP		
NAME OF RECIPIENT	DESCRIPTION	AMOUNT
Bendigo Bank	Sponsorship deposit toward MS Ltd Ride 2019	-\$227
Girls Boardrider Fraternity	2019/20 Sponsorship	\$500
Northside Enterprise Incorporated	2019/20 sponsorship	\$3,408
Beacon Hill Bears JRLC Inc.	2019/20 for purchase of co-branded BHBJRLFC & FCB canopy	\$1,500
Northern Sydney Gridiron Club Inc	2019/20 sponsorship	\$500
Warringah Chamber of Commerce & Industry	2019/20 sponsorship	\$1,000
Lifeline Northern Beaches Inc	2019/20 sponsorship	\$2,000
Curly Community Garden	2019/20 assist purchase of materials for 3 compost bays to process food waste	\$500
Harbord Kindergarten Inc	2019/20 sponsorship	\$1,000
Manly Croquet Club	2019/20 sponsorship Annual Seabreeze Tournament	\$500

Manly Warringah Netball Association Inc	2019 sponsorship - All Abilities program	\$12,200
Spencer Quinn Hole	2019/20 Northern Beaches Art Prize Youth category Junior Winner	\$1,000
North Curl Curl Knights JRLFC Inc	2019 Fire raffle tickets	\$295
Freshwater Longboard Club Inc	2019/20 sponsorship	\$500
Harbord Swimming Club Inc.	2019/20 sponsorship	\$1,000
Angus Robert Fisher	2019/20 Northern Beaches Art Prize Youth category Junior Honourable mention	\$400
NBSC Cromer Campus	Bronze sponsorship Annual Golf & Dinner fundraising event 12/11/2019	\$500
Barrenjoey Peninsula Week of Golf	2019/20 Sliver sponsorship	\$500
Bree Josephine Slarke	2019/20 Northern Beaches Art Prize Youth category Senior Honourable mention	\$600
Manly Warringah Netball Association Inc	2019/20 sponsorship	\$4,619
South Curl Curl SLSC Inc	2019/20 Sponsorship	\$5,600
Manly & Mosman Parkinson's Support Group	2019/20 Sponsorship	\$500
Friends of Ivanhoe Park Botanic Garden Inc.	2019/20 Sponsorship	\$500
Harbord Devils Junior Cricket Club	2019/20 Sponsorship	\$2,000
SEVENmile Ltd	2019 Sponsorship assistance with 1st birthday celebrations	\$350
Northern Beaches Council	2020 Glen St Theatre Community Partner	\$2,500
Manly United Football Club Ltd	2019/20 sponsorship	\$25,000
Northern Beaches Pickleball Assoc Inc.	2019/20 sponsorship	\$500
Warringah Cricket Club Inc	2019/20 sponsorship + 1 x new ac opened via incentives rewards program	\$550
Sixteen:nine Pty Ltd	2019 Freshwater Community Carols - production services	\$3,182
Virtual Church Assist Pty Ltd	2019 Freshwater Community Carols - printing	\$1,214
Oliver Party Hire	2019 Freshwater Community Carols - stage hire	\$1,509
NBSC Cromer Campus	Bronze sponsorship hole sponsor 12/11/2019	\$50

Jade Isabella Cruickshank	MWNA Junior Club Person of Year 2019	\$200
Louise Maggs	MWNA Senior Club Person of Year 2019	\$200
Collaroy Plateau Netball Club	MWNA Club of Year 2019	\$500
Sofia Yvonne Ratcliff	MWNA A Sargeant Jnr Rep player of Year 2019	\$200
Harbord Women's Bowling Club	2019/20 sponsorship - Annual Carnival Day prize money	\$700
Jessica Marie Sherman	MWNA Senior Umpire of Year 2019	\$200
Manly Warringah Avicultural Society Inc	2019/20 sponsorship 62nd Annual Bird Show	\$300
Curl Curl Amateur Swimming Club	2019/20 t/shirt sponsorship for 26 Adult & 25 Youth member FCB branded t/shirts	\$727
Curl Curl North Public School P & C Association	2019/20 sponsorship for purchase of new PSSA Netball uniforms	\$5,000
Emily Jade Hatfield	MWNA Junior Umpire of Year 2019	\$200
Harbord 1st & 2nd Scout Group	2019/20 sponsorship of First Aid training courses	\$2,000
The Rotary Club of Manly Inc	Fun Run & Walk 2020	\$5,000
Manly Warringah District Hockey Club	2019/20 sponsorship	\$2,000
Manly Warringah AFL Club Inc - Wolves	2019/20 sponsorship	\$5,000
Manly Warringah Sapphires Prem League Netball Inc	2019/20 sponsorship	\$15,012
North Curl Curl Knights JRLFC Inc	2019/20 sponsorship	\$2,000
Harbord Harlequins Rugby Club	2019/20 sponsorship	\$500
Harbord Frigid Frogs Winter Swimming Club Inc	2019/20 sponsorship	\$1,500
Harbord United Junior Rugby League F.C Inc	2019/20 sponsorship	\$1,500
North Curl Curl SLSC	2019/20 sponsorship	\$2,640
	TOTAL	\$121,129

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



2020 COVID-19 Board meeting



2020 FCB Tertiary Scholarship presentation



2020 Manly Bombers AFL



2020 Branch staff Beanies for Brain Cancer fundraiser



Community Bank Freshwater Bendigo Bank
20 Albert Street Freshwater NSW 2096
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
<https://www.facebook.com/FreshwaterCommunityBankBranch>

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