



Harbord Financial Services Limited

Community Bank
Freshwater

B Bendigo Bank



Annual report 2021

Harbord Financial Services Limited

ABN 25 097 282 525

Community Bank Freshwater

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 7
Financial Statements	page 8
Notes to Financial Statements	page 12
Directors' declaration	page 36
Independent Auditor's report	page 37
Shareholder information	page 40
Director History	page 42
Community Support for the year ended 30 June 2021	page 43

Chairman's Report

For the year ended 30 June 2021.

Again, it's a pleasure to submit our Annual Report.

To say our year has been a challenging one is an absolute understatement! With lowering interest rates resulting in margin reductions, COVID-19 and lease negotiations (for the old premises), it has truly been a complicated, busy and at times very frustrating year for our Board and staff.

The after tax result of \$28,478 for the year ended 30 June 2021 was down significantly on the prior year.

Despite our customer loans and deposits growing in size, revenue from customers declined by over \$130,000 due to the impact lower interest rates.

Also during the year we incurred one off costs of over \$99,000 relating to the disposal of leased and owned assets as we transitioned from the old leased branch premises to our new branch.

Marney Baker, CEO of Bendigo and Adelaide Bank Ltd describes our situation at the Community Banks as a "Banking drought" with the reduction in margins as a lack of rain.

The Board is doing exactly what she has asked us to do. "Look at your business, hold your nerve, adapt and future proof your model."

Yes we are restructuring! Yes we have changed our direction for the time being into appreciating real estate assets for the community!

Our new Community Bank Freshwater site opened its doors in January 2021. As you can see banking is changing and we are changing with it.

The fit-out of our office space in the Village, the new Freshwater Financial Hub is progressing, with COVID slower than anticipated and should be completed by the date of the AGM.

Dividend results / Community

The Board has still been able to generously contribute a total of \$90,854 made up of \$52,600 in Community Partnership, \$32,000 Community Grants and \$6,254 in donations and I refer you to the list for details of the groups we support.

To show our responsibility and to fund continued support of our community, the Board has decided that no dividend will be paid for this financial year to our shareholders.

Scholarship / Tertiary funding

Our 9th 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 in the form of our Ken Ward Memorial Scholarship program.

Chairman's Report c'td.

2021 Recipient and Freshwater Student of the Year

- Piper Harrison - NBSC Mackellar Girls Campus

2021 Individual recipients:

- Archie Viesis NBSC Balgowlah Boys Campus
- Jayden Hurst NBSC Cromer Campus
- Andrew Mizon NBSC Freshwater Senior Campus
- Piper Harrison NBSC Mackellar Girls Campus
- Krishaa Tulsiani NBSC Manly Campus
- Nikolas Pender St Augustine's College
- Nicholas Taylor St Pauls Catholic College
- Samuel Bell St Luke's Grammar School
- Holly Horswill Stella Maris College

Youth Observer Program

We were pleased to be able to offer it again in 2020.

This was the 10th year of the Youth Observer Program with two Year 11 students from two of our local High Schools participating although under very different circumstances due to the COVID-19 restrictions. They were under the supervision of Directors 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

It is our absolute pleasure to welcome Violet Warner to our Board. Violet has always been part of our succession plan. Violet was one of our 2013 scholars, then an Ambassador and now a full member of our Board. Violet is so energetic, intelligent and has that youthful enthusiasm, contagious to the rest of the Board. I look forward to you the shareholders ratifying Violet's appointment as a Director to Harbord Financial Services Ltd Board.

John Vaccaro, Deputy Chair, has chosen to stand down after 14 years as a Director of Harbord Financial Services Ltd but will remain as an Ambassador. John has been such a vital and precious part of our growth and development into the community asset we are today. To put it simply – John is our “go to man” if you want something done give it to John and he will do it “right”. That is the ultimate compliment from me! We look forward to working with you as an Ambassador and always appreciate your direction, broad knowledge and network. Thanks for everything mate.

On a very sad note one of our retired Directors Kevin Abrahamson passed away this year. Kevin was also a retired Director from the Adelaide Bank and was a great source of banking knowledge and advice to me personally and the Board. We give our sincere condolences to Kevin's wife / Widow Josephine and his family. We will miss him.

Chairman's Report c'td.

To all the Board, with your incredible commitment we are able to achieve these long term goals for our great community. It's a special pleasure to work with you all.

I accordingly thank Directors John Vaccaro, Ian Greentree, David Irvine, Martin Brook, Noela Roberts, Denise Goldstein, Peter Harley, Tony Bevan, Julie Rigoni and Violet Warner and our Ambassadors Ian Joynson, Rohan Fell, Greg Harding and Debbie Organ (retired) for their service.

These Directors will be retiring by rotation and I ask you to support Julie Rigoni; Noela Roberts and Tony Bevan for re-election and for the ratification of Violet Warner as a Director to the Board.

Staff

To dearest Cheerie who retired this year after 15 years, thank you so much for your support and most importantly for embracing the Community Bank model with such enthusiasm and commitment.

Led by Sandy our Community and Business Relationship Manager and Kasey our Branch Operations Manager, Su-Ellen, Kerryn, Chantelle, Simmone and a vibrant Claudia who has joined us. Sadly as part of the staff restructure we farewelled Kathy. I thank you all for embracing the restructuring and your enthusiasm, and know our staff will continue to give that special point of difference, service, advice and support that will expand and drive us in the future.

Banking is a team business, Bendigo is our partner and we are grateful for the support and expertise we are given by Business Banking Manager Michael Sims and our new Regional Manager Tom Woods.

We wish to acknowledge our auditor Andrew Frewin Stewart, Accountants Josh, James and Trent and Rose and Stacey who manage the share registry and our partners Bendigo and Adelaide Bank group.

What a "roller coaster ride" this year has been in business and out country, so I would like to especially thank you the shareholders, Directors, Ambassadors, Staff and our customers for supporting Community Bank Freshwater which enables us to achieve and sustain our special contribution and support to our great community.

The rain will come!!!

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



Trevor Sargeant - Chairman 2021

Branch Operations Manager

I have the privilege as Branch Operations Manager of Community Bank Freshwater to report on the great success we have achieved over the last 12 months and contribute to what is our 19th 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 and can be attributed to our passionate, customer connected staff of Sandy (Community and Business Relationship Manager) Simmone, Su-Ellen, Kerry, Cheerie, Kathy and Chantelle.

Our community contributions were again substantial with \$90,854 being returned to our local community through donations, community grants and sponsorships which makes a significant difference to numerous organisations. This is a very rewarding aspect to my role and 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 and 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 and 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 and see how we can assist with your banking requirements.

Kasey Kaye

Branch Operations Manager

On behalf of Bendigo and Adelaide Bank, thank you! As a shareholder of your local Community Bank company, you are playing an important role in supporting your community.

It has been a tumultuous year for every community across Australia, and across the world. For our business, recognition that banking is an essential service has meant that we've kept the doors open, albeit with conditions that none of us could ever imagine having to work with.

Face masks, perspex screens, signed documents to cross state borders, checking in customers with QR codes and ensuring hand sanitiser stations are filled aren't what you would expect as a bank employee.

Then there's the fact that while communities have been, and continue to go in and out of lockdown, digital and online banking has become the norm.

So, what does that mean for Bendigo Bank and the Community Bank that you are invested in both as a shareholder, and a customer?

What we're seeing is that your Community Bank is still as important, if not more so, than when you first invested as a shareholder. If the pandemic has taught us anything, it has taught us the importance of place, of our local community, our local economy, our community-based organisations, the importance of social connection and the importance of your local Community Enterprise – your Community Bank in providing, leadership, support, and assistance in these difficult times.

As we continue to adapt to this rapidly changing world one thing that continues to be important to us all is supporting each other and our strong sense of community.

Your continued support as a shareholder is essential to the success of your local community. Thank you for continuing to back your Community Bank company and your community.



Collin Brady
Head of Community Development

Harbord Financial Services Limited

Directors' Report

The directors present their report together with the financial statements of the company for the financial year ended 30 June 2021.

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: Chairman of Board, Governance & Audit Committee, Business Development & Marketing Committee, Chair Community Partnership Committee, Operations & Human Resource committee, Strategic Planning committee, Building committee.

Interest in shares: 11,001 ordinary shares

John Vaccaro
Non-executive director

Occupation: Class 1 Licensed Real Estate Agent / Asset Manager

Qualifications, experience and expertise: Over 38 years' experience in operating, selling & leasing real estate. Past Licensee in Charge.

Special responsibilities: Vice Chairman of Board, Business Development & Marketing Committee, Community Partnership Committee, Strategic Planning committee, Building committee.

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 worked in Banking and Financial Services for over 20 years and is currently working part time in several roles including Company Secretary for 2 other Community Bank Branch companies, an events co-ordinator and Presenter for Road Safety organisation and providing services to the equipment hire industry.

Special responsibilities: Company Secretary, Governance & Audit Committee, Strategic Planning committee, Building committee.

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 38 years' experience in financial management, business expertise and project management.

Special responsibilities: Treasurer, Governance & Audit Committee, Business Development & Marketing Committee, Community Partnership Committee, Operations & Human Resource committee, Strategic Planning committee, Building 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 Freshwater Pharmacy for 33 years.

Special responsibilities: Operations & Human Resource committee, Strategic Planning 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: Community Partnership Committee, Director Youth Observer program, Strategic Planning committee.

Interest in shares: 9,001 ordinary shares

Denise Faith Goldstein

Non-executive director

Occupation: Business Owner

Qualifications, experience and expertise: Denise is the Owner and Director of SESI Group, a full service recruitment and search business. She also is the Owner and Director of GuideME, a service business focused on providing clients with Outplacement services. She has previously been a Sales and Marketing Director with Tier1 global organisations providing managed services, online information services, hardware and software services and telecommunication services. Denise is also the Co-founder and Treasurer of Friends of Freshwater, Inc.

Special responsibilities: Business Development & Marketing Committee, Chair Operations & Human Resource committee, Strategic Planning committee.

Interest in shares: 1,001 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 Labour Relations and the Law at University of Sydney. Peter was a former Director of International House at University of NSW.

Special responsibilities: Business Development & Marketing Committee, Community Partnership Committee, Director of Scholarship program, Strategic Planning committee.

Interest in shares: 501 ordinary shares

Anthony Curtiss Bevan

Non-executive director

Occupation: Bookkeeper / Semi Retired

Qualifications, experience and expertise: 40 years banking experience as a Banker with Management, Consumer and Business Banking, his last role being a Relationship Manager.

Special responsibilities: Business Development & Marketing Committee, Community Partnership Committee, Strategic Planning committee.

Interest in shares: 1,001 ordinary shares

Harbord Financial Services Limited

Directors' Report

Directors (*continued*)

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: Chair Business Development & Marketing Committee, Community Partnership Committee, Operations & Human Resource committee, Strategic Planning committee.

Interest in shares: 6,000 ordinary shares

Violet Grace Warner

Non-executive director (appointed 24 June 2021)

Occupation: Teacher

Qualifications, experience and expertise: Violet holds a Bachelor of Science (Advanced) and Masters of Teaching (Secondary) and is currently a high school mathematics and science teacher. She has been an ambassador for Community Bank Freshwater since 2017.

Special responsibilities: Community Partnership Committee, Director Youth Observer program, Strategic Planning committee.

Interest in shares: nil share interest held

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

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

Company Secretary

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

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 2021	Year ended 30 June 2020
\$	\$
28,478	215,042

Harbord Financial Services Limited

Directors' Report

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	- 4,000	1,001
Peter Eric Harley OAM	5,501	- 5,000	501
Anthony Curtiss Bevan	1	1,000	1,001
Julie Rigoni	6,000	-	6,000
Violet Grace Warner	-	-	-

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	10	69,306

Significant changes in the state of affairs

Since January 2020, COVID-19 has developed and spread globally. In response, the Commonwealth and State Government introduced a range of social isolation measures to limit the spread of the virus. Such measures have been revised, as appropriate, based on case numbers and the level of community transmission. Whilst there has been no significant changes on the company's financial performance so far, 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											
			Governance & Audit		Business Development & Marketing		Community Partnership		Operations & Human Resources		Building		Strategic Planning	
	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>
<i>E - eligible to attend</i>														
<i>A - number attended</i>														
Trevor Leslie Sargeant	12	12	3	3	11	11	11	11	7	7	11	11	1	1
John Vaccaro	12	12	-	-	11	10	11	10	-	-	11	11	1	-
Ian John Greentree	12	10	3	3	-	-	-	-	-	-	11	9	1	1
David James Irvine	12	10	3	3	11	9	11	9	7	6	11	9	1	1
Martin Edwin Brook	12	8	-	-	-	-	-	-	7	3	-	-	1	1
Noela Rose Roberts	12	9	-	-	-	-	11	8	-	-	-	-	1	1
Denise Faith Goldstein	12	12	-	-	11	9	-	-	7	7	-	-	1	1
Peter Eric Harley OAM	12	12	-	-	11	7	11	7	-	-	-	-	1	-
Anthony Curtiss Bevan	12	10	-	-	11	6	11	6	-	-	-	-	1	-
Julie Rigoni	12	11	-	-	11	11	11	11	7	5	-	-	1	1
Violet Grace Warner	1	-	-	-	-	-	1	-	-	-	-	-	-	-

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 29.

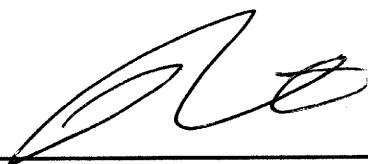
The board of directors has considered the non-audit services provided during the year by the auditor and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements 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 7.

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



Trevor Leslie Sargeant, Chair

Dated this 29th day of September 2021

Independent 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 2021, 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: 29 September 2021



Joshua Griffin
Lead Auditor

Harbord Financial Services Limited

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Revenue from contracts with customers	8	1,141,721	1,275,076
Other revenue	9	44,662	73,162
Finance income	10	2,989	14,092
Employee benefit expenses	11c)	(562,282)	(571,657)
Charitable donations, sponsorship, advertising and promotion		(117,744)	(205,734)
Occupancy and associated costs		(57,333)	(33,030)
Systems costs		(46,187)	(34,606)
Depreciation and amortisation expense	11a)	(126,927)	(134,431)
Finance costs	11b)	(36,655)	(13,081)
General administration expenses		(116,898)	(93,431)
Loss on disposal of right-of-use asset		(10,399)	-
Loss on disposal of property, plant and equipment	11e)	(88,956)	-
Profit before income tax (expense)/credit		25,991	276,360
Income tax (expense)/credit	12a)	2,487	(61,318)
Profit after income tax (expense)/credit		28,478	215,042
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		28,478	215,042
Earnings per share		¢	¢
- Basic and diluted earnings per share:	32a)	4.11	31.03

The accompanying notes form part of these financial statements

Harbord Financial Services Limited
Statement of Financial Position
as at 30 June 2021

	Notes	2021 \$	2020 \$
ASSETS			
Current assets			
Cash and cash equivalents	13	468,414	1,012,871
Trade and other receivables	15a)	87,183	109,946
Current tax assets	19a)	85,331	-
Total current assets		640,928	1,122,817
Non-current assets			
Other investments	14a)	5,000	5,000
Property, plant and equipment	16a)	2,510,369	350,081
Right-of-use assets	17a)	-	203,991
Intangible assets	18a)	10,302	21,856
Deferred tax asset	19b)	-	31,811
Total non-current assets		2,525,671	612,739
Total assets		3,166,599	1,735,556
LIABILITIES			
Current liabilities			
Trade and other payables	20a)	415,724	65,778
Current tax liabilities	19a)	-	29,370
Loans and borrowings	21a)	114,906	-
Lease liabilities	22a)	48,288	107,736
Employee benefits	24a)	102,473	88,930
Total current liabilities		681,391	291,814
Non-current liabilities			
Loans and borrowings	21b)	1,228,456	-
Lease liabilities	22b)	-	105,849
Employee benefits	24b)	1,651	10,966
Provisions	23a)	-	36,843
Deferred tax liability	19b)	5,845	-
Total non-current liabilities		1,235,952	153,658
Total liabilities		1,917,343	445,472
Net assets		1,249,256	1,290,084
EQUITY			
Issued capital	25a)	613,376	613,376
Retained earnings	26	635,880	676,708
Total equity		1,249,256	1,290,084

The accompanying notes form part of these financial statements

Harbord Financial Services Limited

Statement of Changes in Equity

for the year ended 30 June 2021

	Notes	Issued capital \$	Retained earnings \$	Total equity \$
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	31a)	-	(41,584)	(41,584)
Balance at 30 June 2020		613,376	676,708	1,290,084
Balance at 1 July 2020		613,376	676,708	1,290,084
Total comprehensive income for the year		-	28,478	28,478
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	31a)	-	(69,306)	(69,306)
Balance at 30 June 2021		613,376	635,880	1,249,256

The accompanying notes form part of these financial statements

Harbord Financial Services Limited

Statement of Cash Flows

for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		1,307,683	1,447,986
Payments to suppliers and employees		(996,448)	(998,227)
Interest received		7,367	12,647
Interest paid		(29,279)	-
Lease payments (interest component)	11b)	(6,171)	(11,533)
Lease payments not included in the measurement of lease liabilities	11d)	(25,906)	(14,282)
Income taxes paid		(74,559)	(19,125)
Net cash provided by operating activities	27	182,687	417,466
Cash flows from investing activities			
Payments for property, plant and equipment		(1,900,868)	(30,224)
Payments for intangible assets		(11,192)	(11,192)
Net cash used in investing activities		(1,912,060)	(41,416)
Cash flows from financing activities			
Proceeds from loans and borrowings		1,410,138	-
Repayment of loans and borrowings		(66,776)	-
Lease payments (principal component)		(89,140)	(99,942)
Dividends paid	31a)	(69,306)	(41,584)
Net cash provided by/(used in) financing activities		1,184,916	(141,526)
Net cash increase/(decrease) in cash held		(544,457)	234,524
Cash and cash equivalents at the beginning of the financial year		1,012,871	778,347
Cash and cash equivalents at the end of the financial year	13	468,414	1,012,871

The accompanying notes form part of these financial statements

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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 30.

Note 2 Basis of preparation and statement of compliance

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

The financial statements have been prepared on an accrual and historical cost basis, 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 2021 were authorised for issue in accordance with a resolution of the directors on 23 September 2021.

Note 3 Changes in accounting policies, standards and interpretations

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2020, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Note 4 Summary of significant accounting policies

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

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.

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

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

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

Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the company – 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.

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.

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

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

Ability to change financial return

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

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

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>
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).

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.

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

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

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

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

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

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

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 where the employee has provided the service but payment has not yet occurred at the reporting date. They are measured at amounts expected to be paid, plus related on-costs. Non-accumulating sick leave is expensed when the leave is taken and measured at the rates paid or payable.

An annual leave liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated. The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The company's obligations for employees' annual leave and long service leave entitlements are recognised in employee benefits in the statement of financial position.

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.

Other long-term employee benefits

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

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

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

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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.

Current income tax

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

Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

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

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except when the amount of GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue or expense item.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

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

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 and deposits held with banks.

g) Property, plant and equipment

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

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

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

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

g) Property, plant and equipment (*continued*)

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>
Building	Straight-line	40 years
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.

h) Intangible assets

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

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

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

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

<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 and other debtors and creditors, cash and cash equivalents, borrowings, lease liabilities and equity securities (shares).

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

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

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

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (continued)

j) Impairment*Non-derivative financial assets*

Expected credit losses (ECL) are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received. At each reporting date, the entity recognises the movement in the ECL (if any) as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no ECL has been made in relation to trade receivables as at 30 June 2021.

Non-financial assets

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

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

k) Issued capital

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.

m) Leases

At inception of a contract, the company assesses whether a contract contains or is 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 and obtain substantially all the economic benefits from the use of that asset.

As a lessee

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 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.

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

m) Leases (*continued*)*As a lessee (continued)*

Lease payments included in the measurement of the lease liability comprise fixed or variable lease payments that depend on an index or rate and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected not to separate lease and non-lease components when calculating the lease liability.

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

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

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

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

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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 a lease that, at commencement date, has a lease term of 12 months or less.

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.

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

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

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2021 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 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 16 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 24 - long service leave provision	key assumptions on attrition rate and pay increases through promotion and inflation;
- Note 23 - 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 credit, liquidity and market risk arising from financial instruments. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company does not use derivative instruments.

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

a) Credit risk

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

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

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 6 Financial risk management (*continued*)

b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities. 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 maintains the following lines of credit with Bendigo Bank:

- \$1,078,000 commercial loan which had no available redraw facility at the end of the financial year.
- \$321,773 commercial loan which had no available redraw facility at the end of the financial year.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The contractual cash flows amounts are gross and undiscounted.

30 June 2021

<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>
Bank loans	1,400,000	114,906	1,228,456	56,638
Lease liabilities	48,288	48,633	-	-
Trade and other payables	415,724	415,724	-	-
	<u>1,864,012</u>	<u>579,263</u>	<u>1,228,456</u>	<u>56,638</u>

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 and other payables	65,778	65,778	-	-
	<u>279,363</u>	<u>180,597</u>	<u>108,138</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 and liabilities are held with Bendigo Bank and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings.

The company held cash and cash equivalents of \$468,414 at 30 June 2021 (2020: \$1,012,871). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 7 Capital management

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

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

The distribution limit is the greater of:

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2021 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

	2021 \$	2020 \$
- Margin income	998,837	1,131,418
- Fee income	81,457	95,030
- Commission income	61,428	48,628
	<u>1,141,721</u>	<u>1,275,076</u>

Note 9 Other revenue

	2021 \$	2020 \$
- Market development fund income	-	10,000
- Cash flow boost	37,500	62,500
- Other income	7,162	662
	<u>44,662</u>	<u>73,162</u>

During the financial year the company moved from there leased branch premises. At the time the company exited the old branch the right-of-use asset was disposed off. The difference between the right-of-use asset and lease liability balance at the remeasurement/disposal date resulted in gain on disposal.

Note 10 Finance income

	2021 \$	2020 \$
- Term deposits	<u>2,989</u>	<u>14,092</u>

Finance income is recognised when earned using the effective interest rate method.

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 11 Expenses

a) Depreciation and amortisation expense	2021	2020
	\$	\$
<i>Depreciation of non-current assets:</i>		
- Buildings	27,163	-
- Leasehold improvements	3,146	4,339
- Plant and equipment	3,910	6,158
- Motor vehicles	1,332	6,312
	<u>35,551</u>	<u>16,809</u>
<i>Depreciation of right-of-use assets</i>		
- Leased land and buildings	<u>79,822</u>	<u>106,430</u>
<i>Amortisation of intangible assets:</i>		
- Franchise fee	2,311	2,239
- Franchise renewal process fee	9,243	8,953
	<u>11,554</u>	<u>11,192</u>
Total depreciation and amortisation expense	<u>126,927</u>	<u>134,431</u>
b) Finance costs		
- Lease interest expense	6,171	11,533
- Unwinding of make-good provision	1,205	1,548
- Bank loan interest paid	29,279	-
	<u>36,655</u>	<u>13,081</u>
Finance costs are recognised as expenses when incurred using the effective interest rate.		
c) Employee benefit expenses		
Wages and salaries	470,535	481,470
Non-cash benefits	4,669	7,000
Contributions to defined contribution plans	58,069	60,848
Expenses related to long service leave	6,847	3,676
Other expenses	22,162	18,663
	<u>562,282</u>	<u>571,657</u>
d) Recognition exemption		
The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition under AASB 16 accounting. Expenses relating to low-value exempt leases are included in system costs expenses.		
Expenses relating to low-value leases	<u>25,906</u>	<u>14,282</u>
e) Loss on disposal of property, plant and equipment		
- Loss on disposal of property, plant and equipment	<u>88,956</u>	<u>-</u>

During the financial year the company moved branch. This expense relates to the carrying amount of the previous branch's leasehold improvements and plant and equipment at the time they were disposed of.

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 11 Expenses (continued)

f) Loss on disposal of right-of-use asset	2021 \$	2020 \$
- Loss on disposal of right-of-use asset	10,399	-

During the financial year the company moved from there leased branch premises. At the time the company exited the old branch the right-of-use asset was disposed off. The difference between the right-of-use asset and lease liability balance at the remeasurement/disposal date resulted in a loss on disposal.

Note 12 Income tax expense

a) Amounts recognised in profit or loss	2021 \$	2020 \$
<i>Current tax expense/(credit)</i>		
- Current tax	2,391	63,729
- Future income tax benefit attributable to losses	(42,533)	-
- Movement in deferred tax	37,889	(14,807)
- Adjustment to deferred tax on AASB 16 retrospective application	-	10,561
- Reduction in company tax rate	(234)	1,835
	(2,487)	61,318

b) *Prima facie* income tax reconciliation

Operating profit before taxation	25,991	276,360
Prima facie tax on profit from ordinary activities at 26% (2020: 27.5%)	6,758	75,999
Tax effect of:		
- Non-deductible expenses	740	672
- Temporary differences	(37,890)	4,246
- Other assessable income	(9,750)	(17,188)
- Movement in deferred tax	37,889	(14,807)
- Leases initial recognition	-	10,561
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	(234)	1,835
	(2,487)	61,318

Note 13 Cash and cash equivalents

	2021 \$	2020 \$
Cash at bank and on hand	468,414	262,871
Term deposits	-	750,000
	468,414	1,012,871

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.

a) Non-current investments	2021 \$	2020 \$
Warringah Financial Services Limited	5,000	5,000

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 15 Trade and other receivables

	2021 \$	2020 \$
a) Current assets		
Trade receivables	76,575	93,257
Prepayments	10,608	12,311
Other receivables and accruals	-	4,378
	<u>87,183</u>	<u>109,946</u>

Note 16 Property, plant and equipment

	2021 \$	2020 \$
a) Carrying amounts		
<i>Land</i>		
At cost	755,911	-
Less: accumulated impairment	-	-
	<u>755,911</u>	<u>-</u>
<i>Buildings</i>		
At cost	1,663,621	251,010
Less: accumulated depreciation	(27,163)	-
	<u>1,636,458</u>	<u>251,010</u>
<i>Leasehold improvements</i>		
At cost	-	317,937
Less: accumulated depreciation	-	(230,593)
	<u>-</u>	<u>87,344</u>
<i>Plant and equipment</i>		
At cost	93,604	131,849
Less: accumulated depreciation	(22,063)	(121,454)
	<u>71,541</u>	<u>10,395</u>
<i>Motor vehicles</i>		
At cost	31,561	31,561
Less: accumulated depreciation	(31,561)	(30,229)
	<u>-</u>	<u>1,332</u>
<i>Capital works in progress</i>		
At cost	46,459	-
Less: accumulated depreciation	-	-
	<u>46,459</u>	<u>-</u>
Total written down amount	<u>2,510,369</u>	<u>350,081</u>
b) Reconciliation of carrying amounts		
<i>Land</i>		
Additions	755,911	-
	<u>755,911</u>	<u>-</u>

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

b) Reconciliation of carrying amounts (<i>continued</i>)		2021	2020
		\$	\$
<i>Buildings</i>			
Carrying amount at beginning		251,010	226,260
Additions		1,412,611	24,750
Depreciation		(27,163)	-
		<u>1,636,458</u>	<u>251,010</u>
<i>Leasehold improvements</i>			
Carrying amount at beginning		87,344	91,683
Disposals		(84,198)	-
Depreciation		(3,146)	(4,339)
		<u>-</u>	<u>87,344</u>
<i>Plant and equipment</i>			
Carrying amount at beginning		10,395	11,080
Additions		69,814	5,473
Disposals		(4,758)	-
Depreciation		(3,910)	(6,158)
		<u>71,541</u>	<u>10,395</u>
<i>Motor vehicles</i>			
Carrying amount at beginning		1,332	7,644
Depreciation		(1,332)	(6,312)
		<u>-</u>	<u>1,332</u>
<i>Capital works in progress</i>			
Additions		46,459	-
		<u>46,459</u>	<u>-</u>
Total written down amount		<u>2,510,369</u>	<u>350,081</u>

During the financial year the company purchased two properties and a car park at 1 Moore Road and 9 Lawrence Street Freshwater. These properties included the new branch and office buildings. A new fit out was completed at the newly purchased branch building. A renovation is currently underway at the newly purchased office building, however as at 30 June 2021 it was not complete. As such the costs so far have been recorded in 'capital works in progress' and no depreciation has been applied. Once the renovations are complete the costs will be recognised in land and buildings and depreciation applied from the date of use.

As the company left the old leased branch during the period the carrying value of the leasehold improvements and applicable plant and equipment not transferred to the new branch were disposed of, refer to note 11e.

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.

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 17 Right-of-use assets

a) Carrying amounts		2021 \$	2020 \$
<i>Leased land and buildings</i>			
At cost		-	532,149
Less: accumulated depreciation		-	(328,158)
Total written down amount		-	203,991
b) Reconciliation of carrying amounts			
<i>Leased land and buildings</i>	Note		
Carrying amount at beginning		203,991	-
Initial recognition on transition		-	532,149
Accumulated depreciation on adoption		-	(221,728)
Remeasurement adjustments	22	(124,169)	-
Depreciation		(79,822)	(106,430)
Total written down amount		-	203,991

Note 18 Intangible assets

a) Carrying amounts		2021 \$	2020 \$
<i>Franchise fee</i>			
At cost		122,746	122,746
Less: accumulated amortisation		(120,687)	(118,376)
		2,059	4,370
<i>Franchise renewal process fee</i>			
At cost		90,983	90,983
Less: accumulated amortisation		(82,740)	(73,497)
		8,243	17,486
Total written down amount		10,302	21,856
b) Reconciliation of carrying amounts			
<i>Franchise fee</i>			
Carrying amount at beginning		4,370	6,609
Amortisation		(2,311)	(2,239)
		2,059	4,370
<i>Franchise renewal process fee</i>			
Carrying amount at beginning		17,486	26,439
Amortisation		(9,243)	(8,953)
		8,243	17,486
Total written down amount		10,302	21,856

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 2021

Note 19 Tax assets and liabilities

a) Current tax	2021 \$	2020 \$
Income tax payable/(refundable)	(85,331)	29,370
b) Deferred tax		
<i>Deferred tax assets</i>		
- employee provisions	26,031	25,973
- make-good provision	-	9,579
- lease liability	12,072	55,532
Total deferred tax assets	38,103	91,084
<i>Deferred tax liabilities</i>		
- income accruals	-	1,138
- property, plant and equipment	43,948	5,098
- right-of-use assets	-	53,037
Total deferred tax liabilities	43,948	59,273
Net deferred tax assets (liabilities)	(5,845)	31,811
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(37,656)	2,411
Movement in deferred tax charged to Statement of Changes in Equity	-	10,561

Note 20 Trade creditors and other payables

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

a) Current liabilities	2021 \$	2020 \$
Trade creditors	43,465	24,202
Other creditors and accruals	372,259	41,576
	415,724	65,778

A \$347,026 liability was recognised as 30 June 2021 for the branch refit costs owed to Bendigo Bank.

Note 21 Loans and borrowings

a) Current liabilities	2021 \$	2020 \$
Secured bank loans	114,906	-
b) Non-current liabilities		
Secured bank loans	1,228,456	-

Two commercial loans were taken out in the period to partly fund the purchases of the two new properties.

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 21 Loans and borrowings (continued)

c) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2021		30 June 2020	
			Face value	Carrying value	Face value	Carrying value
Secured bank loans	2.84%	Floating	1,343,362	1,343,362	-	-

Note 22 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 4.30%. Subsequent lease modifications were discounted at 3.54%.

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

The company's lease portfolio includes:

- Freshwater The lease agreement commenced in June 2017. The company moved out of the leased premises during the financial year and is in the process of organising the formal lease surrender.

a) Current lease liabilities

	2021 \$	2020 \$
Property lease liabilities	48,633	114,819
Unexpired interest	(345)	(7,083)
	<u>48,288</u>	<u>107,736</u>

b) Non-current lease liabilities

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

c) Reconciliation of lease liabilities

Balance at the beginning	213,585	-
Initial recognition on AASB 16 transition	-	313,527
Remeasurement adjustments	(76,157)	-
Lease interest expense	6,171	11,533
Lease payments - total cash outflow	(95,311)	(111,475)
	<u>48,288</u>	<u>213,585</u>

d) Maturity analysis

- Not later than 12 months	48,633	114,819
- Between 12 months and 5 years	-	108,138
Total undiscounted lease payments	<u>48,633</u>	<u>222,957</u>
Unexpired interest	(345)	(9,372)
Present value of lease liabilities	<u>48,288</u>	<u>213,585</u>

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 23 Provisions

a) Non-current liabilities	2021 \$	2020 \$
Make-good on leased premises	-	36,843
b) Reconciliation of make-good provision		
Balance at the beginning	36,843	-
Face-value of make-good costs recognised	-	40,000
Present value discounting	-	(4,705)
Present value unwinding	1,205	1,548
Provision remeasurements	(28,201)	-
Settlement of provision	(9,847)	-
	-	36,843

During the financial year the company 'made-good' the leased premises. The actual settlement was less than estimated. Re-measurements were recognised against the right-of-use asset.

Note 24 Employee benefits

a) Current liabilities	2021 \$	2020 \$
Provision for annual leave	33,003	35,622
Provision for long service leave	69,470	53,308
	102,473	88,930
b) Non-current liabilities		
Provision for long service leave	1,651	10,966
c) Key judgement and assumptions		

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.

Note 25 Issued capital

a) Issued capital	2021		2020	
	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

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 25 Issued capital (*continued*)

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).

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 190. As at the date of this report, the company had 408 shareholders (2020: 408 shareholders).

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

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 25 Issued capital (continued)

b) Rights attached to issued capital (continued)

Prohibited shareholding interest (continued)

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 26 Retained earnings

	Note	2021 \$	2020 \$
Balance at beginning of reporting period		676,708	531,091
Adjustment for transition to AASB 16		-	(27,841)
Net profit after tax from ordinary activities		28,478	215,042
Dividends provided for or paid	31a)	(69,306)	(41,584)
Balance at end of reporting period		<u>635,880</u>	<u>676,708</u>

Note 27 Reconciliation of cash flows from operating activities

	2021 \$	2020 \$
Net profit after tax from ordinary activities	28,478	215,042
Adjustments for:		
- Depreciation	115,373	123,239
- Amortisation	11,554	11,192
- (Profit)/loss on disposal of non-current assets	88,956	-
- (Profit)/loss on disposal of right-of-use assets	19,810	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	22,763	5,626
- (Increase)/decrease in other assets	(53,520)	12,823
- Increase/(decrease) in trade and other payables	(22,787)	5,143
- Increase/(decrease) in employee benefits	4,228	13,483
- Increase/(decrease) in provisions	(8,643)	1,548
- Increase/(decrease) in tax liabilities	(23,525)	29,370
Net cash flows provided by operating activities	<u>182,687</u>	<u>417,466</u>

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 28 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	2021 \$	2020 \$
Financial assets			
Cash and cash equivalents	13	468,414	262,871
Term deposits	13	-	750,000
Trade and other receivables	15	76,575	97,635
		<u>544,989</u>	<u>1,110,506</u>
Financial liabilities			
Trade and other payables	20	415,724	65,778
Secured bank loans	21	1,343,362	-
Lease liabilities	22	48,288	213,585
		<u>1,807,374</u>	<u>279,363</u>

Note 29 Auditor's remuneration

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

	2021 \$	2020 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	5,000	4,800
<i>Non audit services</i>		
- Taxation advice and tax compliance services	1,700	600
- General advisory services	4,150	2,970
- Share registry services	5,514	1,900
Total auditor's remuneration	<u>16,364</u>	<u>10,270</u>

Note 30 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
 Violet Grace Warner

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 30 Related parties (*continued*)

b) Key management personnel compensation

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

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

c) Related party transactions

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

Note 31 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 2021		30 June 2020	
	Cents	\$	Cents	\$
Fully franked dividend	10.00	69,306	6.00	41,584

The tax rate at which dividends have been franked is 26% (2020: 27.5%).

b) Franking account balance

Franking credits available for subsequent reporting periods

	2021 \$	2020 \$
Franking account balance at the beginning of the financial year	240,255	236,904
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	56,642	53,981
- Franking credits/(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	(24,351)	(34,857)
- Franking debits from the payment of franked distributions	17,917	(15,773)
Franking account balance at the end of the financial year	290,463	240,255
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	(85,331)	29,370
Franking credits available for future reporting periods	205,132	269,625

The ability to utilise franking credits is dependent upon the company's ability to declare dividends. The tax rate at which future dividends will be franked is 25%.

Harbord Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 32 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.

	2021 \$	2020 \$
Profit attributable to ordinary shareholders	28,478	215,042
	Number	Number
Weighted-average number of ordinary shares	693,059	693,059
	Cents	Cents
Basic and diluted earnings per share	4.11	31.03

Note 33 Commitments

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

Note 34 Contingencies

	2021 \$	2020 \$
<i>Contingent liabilities at reporting date</i>		
Not otherwise provided for or disclosed in the financial statements:		
Contingent liabilities	59,000	-

Contingent liabilities related predominantly to actual or potential claims on the company for which amounts are reasonably estimated but the liability is not probable and therefore the company has not provided for such amount in these financial statements.

Assessing the amount or liabilities that are not probable is highly judgemental. Contingent liabilities are disclosed on the basis of the known maximum exposure. The company has surrendered the existing lease and a contingent liability arose from the Deed of Settlement. The liability was contingent upon the new lessee meeting there lease obligation until June 2022.

Note 35 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 2021 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 29th day of September 2021

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Harbord Financial Services Limited's (the company), which comprises:

- Statement of financial position as at 30 June 2021
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

In our opinion, the accompanying financial report of 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 2021 and of its financial performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

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

Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 29 September 2021



Joshua Griffin
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	270	183,206
1,001 to 5,000	127	398,852
5,001 to 10,000	9	72,232
10,001 to 100,000	3	38,769
101,000 and over	-	-
Total shareholders	409	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:

Suite 1 / 1-3 Moore Road Freshwater NSW 2096 Phone (02) 9939 8990

The principal administrative office of the company is located at:

Suite 1 / 1-3 Moore Road Freshwater NSW 2096 Phone (02) 9939 8990

The principal place of business of the company is located at:

Community Bank Freshwater

Shop 1 / 9 Lawrence Street FRESHWATER NSW 2096 Ph (02) 9939 6744

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

		2017	2018	2019	2020	2021
Gross revenue	\$	1,370,584	1,427,180	1,318,608	1,362,330	1,189,372
Net profit before tax	\$	329,803	274,534	152,019	276,360	25,991
Total assets	\$	1,208,678	1,268,105	1,302,708	1,735,556	3,166,599
Total liabilities	\$	233,730	164,349	158,241	445,472	1,917,343
Total equity	\$	974,948	1,103,756	1,144,467	1,290,084	1,249,256

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	123.25 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 (Dec'd)

now Ambassador

Community Support for the year ended 30 June 2021

DONATIONS		
NAME OF RECIPIENT	DESCRIPTION	AMOUNT
StreetWork Australia Ltd	Donation to provide of purchase of equipment for StreetBeats program	\$200
Soroptimist International Northern Beaches	Donation for the purchase of one (1) laptop for a student at Biala Hostel	\$1,500
Mark Hughes Foundation Ltd	Donation purchase of 100 qty Beanies to sell in CBF as Beanies for Brain Cancer fundraiser	\$1,954
Cancer Council NSW	Donation from Biggest Morning Tea 27/5/2021 fundraiser	\$400
Greta Cook	Donation for Student Mackellar Campus to attend The Y NSW Youth Parliament 2021 program	\$300
Harbord Public School Band program	Donation sponsorship to assist with purchase of 1 x Yamaha YTS280 Tenor Sax	\$1,899
	TOTAL	\$6,253

COMMUNITY GRANTS		
NAME OF RECIPIENT	DESCRIPTION	AMOUNT
Gus Reid - St Paul's Catholic College	2018 FCB Tertiary Scholarship – All Rounder	\$5,000
Claudia Hayman - St Luke's Grammar School	2020 FCB Tertiary Scholarship + Ken Ward Memorial Scholarship	\$5,000
Evelyn Choukhman - NBSC Cromer Campus	2020 FCB Tertiary Scholarship	\$1,000
Neve Morgan - NBSC Manly Campus	2020 FCB Tertiary Scholarship	\$1,000
Georgia Weston - NBSC Mackellar Girls Campus	2020 FCB Tertiary Scholarship	\$1,000
Jamaica Leech - NBSC Freshwater Senior Campus	2020 FCB Tertiary Scholarship	\$1,000

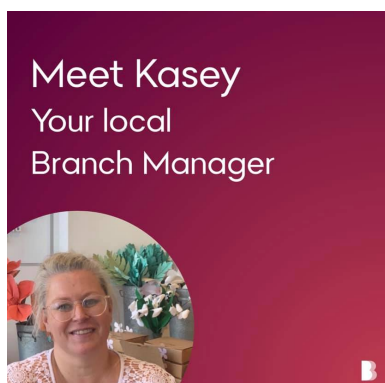
Jacob Feledy - St Paul's Catholic College	2019 FCB Tertiary Scholarship	\$500
Benjamin Copping - St Augustine's College	2020 FCB Tertiary Scholarship	\$1,000
Sam Le Geyt - NBSC Balgowlah Campus	2020 FCB Tertiary Scholarship	\$1,000
Katelyn Castle - NBSC Mackellar Girls Campus	2018 FCB Tertiary Scholarship + Ken Ward Memorial Scholarship	\$2,500
Joshua Smith - NBSC Balgowlah Boys Campus	2019 FCB Tertiary Scholarship + Ken Ward Memorial Scholarship	\$5,000
Krishaa Tulsiani – NBSC Manly Campus	2021 FCB Tertiary Scholarship	\$500
Nicholas Taylor – St Pauls Catholic College	2021 FCB Tertiary Scholarship	\$500
Nikolas Pender – St Augustines College	2021 FCB Tertiary Scholarship	\$500
Samuel Bell – St Lukes Grammar School	2021 FCB Tertiary Scholarship	\$500
Antonio Trapuzzano - St Paul's Catholic College	2018 FCB Tertiary Scholarship	\$1,000
Piper Harrison - NBSC Mackellar Girls Campus	2021 FCB Tertiary Scholarship + Ken Ward Memorial Scholarship	\$2,500
Riona Chapman – Stella Maris College	2020 FCB Tertiary Scholarship	\$500
Andrew Mizon - NBSC Freshwater Senior Campus	2021 FCB Tertiary Scholarship	\$500
Jayden Hurst - NBSC Cromer Campus	2021 FCB Tertiary Scholarship	\$500
Archie Viesis - NBSC Balgowlah Campus	2021 FCB Tertiary Scholarship	\$500
Holly Horswill - Stella Maris College	2021 FCB Tertiary Scholarship	\$500
	TOTAL	\$32,000
* 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
Northern Beaches Pickleball Assoc Inc.	Gold sponsorship 2nd instalment 2020/2021	\$500.00
Friends of Ivanhoe Park Botanic Garden Inc.	2020/2021 Sponsorship	\$500.00
Curl Curl Youth Club	2020 season Sponsorship	\$2,000.00
Manly Croquet Club	2020/2021 sponsorship	\$500.00
South Curl Curl SLSC Inc.	Warringah Chamber of Commerce Breakfast meeting 28/10/2020 hall hire	\$100.00
Spill the Beans Inc.	2020/2021 sponsorship	\$700.00
Freshwater Surf Life Saving Club	2020/2021 sponsorship to assist with purchase of new All-Terrain Vehicle	\$14,024.00
Harbord Swimming Club Inc.	2020/2021 sponsorship	\$1,000.00
Freshwater Longboard Club Inc.	2020/2021 sponsorship	\$500.00
Warringah Cricket Club Inc.	Bronze Club sponsor 2020/21	\$500.00
Manly Warringah Netball Assoc.	MWNA / CBF Senior Club person of year 2020 KE Young	\$200.00
North Curl Curl Knights JRLFC Inc.	2020/2021 sponsorship	\$1,200.00
Manly Warringah Netball Assoc.	MWNA Snr Ump of Year 2020 L Davidson	\$200.00
Freshwater Longboard Club Inc.	Presentation dinner ticket 1 x plus 1 free ticket	\$58.00
Manly Warringah AFL Club Inc.	2021 season sponsorship - Community & Player sponsor	\$1,000.00
Manly United Football Club Ltd	2020/2021 sponsorship MWFA & MUFC	\$25,000.00

Manly Vale Community Garden Inc.	Sept 2019 MVCG Spring Fair	\$500.00
Rotary Club of Balgowlah Inc.	BRONZE sponsor for 26/03/2021 Charity Golf day & dinner	\$500.00
Manly Warringah Avicultural Society Inc	2020/2021 sponsorship	\$300
Harbord Women's Bowling Club	2021 Spon of HWBC Annual trophy day prize money	\$700
Curl Curl Youth Football Club	2021 season Silver sponsorship	\$1,000
Manly Bombers J AFC	2021 Golf day 2 x tickets	\$272
Manly United Football Club Ltd	2021 Gala dinner 4 tickets	\$272
Manly United Football Club Ltd	2021 golf day 2 x tickets	\$264
Manly Warringah Netball Assoc.	MWNA Pat Kelland Junior Umpire of the Year 2020 – G Kelland	\$200
Harbord United Junior Rugby League F.C Inc	FCB BB Gift Race 31/08/2019 U12 Club winner	\$500
	TOTAL	\$52,600

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

Welcoming community Organisations throughout the year to use the pop up space, hosting Warringah Chamber of Commerce event in branch and farewell to staff member Cheerie Watt



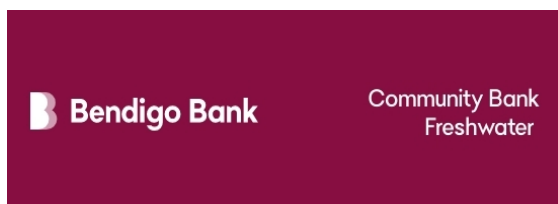
@christomasillustration



@osloandry



Farewell Cheerie



Community Bank Freshwater
Shop 1 / 9-11 Lawrence Street 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:
Suite 1 / 1-3 Moore Road Freshwater NSW 2096
02 9939 6744

The principal administrative office of the company is located at:
Suite 1 / 1-3 Moore Road Freshwater NSW 2096
02 9939 6744



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