

# **Harbord**

**Financial Services Limited**

**Financial Statements**

**for the half-year ended**

**31 December 2010**

**Harbord Financial Services Limited**  
**ABN 25 097 282 525**  
**Directors' Report**

Your directors submit the financial report of the company for the half-year ended 31 December 2010.

**Directors**

The names of directors who held office during the half year and until the date of this report are as below:

Trevor Leslie Sargeant

Noela Rose Roberts

Ian John Greentree

Ian Charles Joynson

Garry Stanley Chadwick

John Vaccaro

Martin Edwin Brook

Bradley Raymond O'Connor

Darren Grigor Jones

**Principal Activities**

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

**Review and Results of Operations**

Operations have continued to perform in line with expectations. The net profit of the company for the financial period after the provision of income tax was: \$71,365 [2009: \$59,063].

**Matters Subsequent to the End of the Reporting Period**

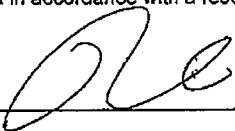
On 22 February 2011 the company's Franchise partner Bendigo & Adelaide Bank Limited announced that commencing 1 April 2011 two income streams (Term Deposits greater than 90 days and Fixed Rate Home Loans) will have their trailing commission cut from 0.5% to 0.375%. This reduction in commission rate is expected to have a material effect on the expected revenue and profits of the company in the 2011/2012 financial year. The Board estimates that the change will reduce income by \$77,000 based on current budgets and it will continue to monitor budgets to ensure maximisation of returns to shareholders and the community. Further confirmation of the financial effect will be available in the 2011 Annual Report.

There are no other matters or circumstances that have arisen since the end of the half year reporting period 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.

**Auditors' Independence Declaration**

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 2.

Signed in accordance with a resolution of the directors at Harbord, New South Wales on 11 March 2011.



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**Trevor Leslie Sargeant, Chairman**

### **Auditor's Independence Declaration**

As lead auditor for the review of Harbord Financial Services Limited for the half year ended 31 December 2010 I declare that, to the best of my knowledge and belief, there have been:

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



**DAVID HUTCHINGS**  
**ANDREW FREWIN & STEWART**  
61-65 Bull Street, Bendigo, 3550

Dated this 11th day of March 2011

**Harbord Financial Services Limited**  
**ABN 25 097 282 525**  
**Statement of Comprehensive Income**  
**for the half-year ended 31 December 2010**

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Revenue from ordinary activities	734,277	629,938
Employee benefits expense	(299,417)	(266,412)
Charitable donations, sponsorship, advertising and promotion	(165,611)	(118,908)
Occupancy and associated costs	(54,330)	(54,238)
Systems costs	(28,807)	(28,187)
Depreciation and amortisation expense	(15,909)	(12,235)
General administration expenses	(65,561)	(67,183)
	104,642	82,775
<b>Profit before income tax expense</b>	<b>104,642</b>	<b>82,775</b>
Income tax expense	(33,277)	(23,712)
	71,365	59,063
<b>Profit after income tax expense</b>	<b>71,365</b>	<b>59,063</b>
	<b>71,365</b>	<b>59,063</b>
<b>Total comprehensive income for the year attributable to members</b>	<b>71,365</b>	<b>59,063</b>
	<b><u>c</u></b>	<b><u>c</u></b>
<b>Earnings per Share</b>	<b><u>c</u></b>	<b><u>c</u></b>
Basic for profit for the period:	10.28	8.52

*The accompanying notes form part of these financial statements.*

**Harbord Financial Services Limited**  
**ABN 25 097 282 525**  
**Balance Sheet**  
**as at 31 December 2010**

	31-Dec 2010 \$	30-Jun 2010 \$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash assets	661,092	512,014
Trade and other receivables	138,863	139,443
Shares in listed companies	5,000	5,000
<b>Total Current Assets</b>	<u><b>804,955</b></u>	<u><b>656,457</b></u>
<b>Non-Current Assets</b>		
Property, plant and equipment	187,570	188,610
Intangible assets	15,000	20,000
Deferred tax asset	22,221	19,129
<b>Total Non-Current Assets</b>	<u><b>224,791</b></u>	<u><b>227,739</b></u>
<b>Total Assets</b>	<u><b>1,029,746</b></u>	<u><b>884,196</b></u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	118,055	71,743
Current tax liabilities	41,555	23,982
Provisions	150,889	40,547
<b>Total Current Liabilities</b>	<u><b>310,499</b></u>	<u><b>136,272</b></u>
<b>Non-Current Liabilities</b>		
Provisions	4,394	35,130
<b>Total Non-Current Liabilities</b>	<u><b>4,394</b></u>	<u><b>35,130</b></u>
<b>Total Liabilities</b>	<u><b>314,893</b></u>	<u><b>171,402</b></u>
<b>Net Assets</b>	<u><b>714,853</b></u>	<u><b>712,794</b></u>
<b>Equity</b>		
Issued capital	613,376	613,376
Retained earnings	101,477	99,418
<b>Total Equity</b>	<u><b>714,853</b></u>	<u><b>712,794</b></u>

*The accompanying notes form part of these financial statements.*

**Harbord Financial Services Limited**  
**ABN 25 097 282 525**  
**Statement of Changes in Equity**  
**for the half-year ended 31 December 2010**

	<b>Issued Capital \$</b>	<b>Retained Earnings \$</b>	<b>Total Equity \$</b>
<b>Balance at 1 July 2009</b>	613,376	31,264	644,640
Total comprehensive income for the period	<u>-</u>	<u>59,063</u>	<u>59,063</u>
	<b>613,376</b>	<b>90,327</b>	<b>703,703</b>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	<u>-</u>	<u>(55,445)</u>	<u>(55,445)</u>
<b>Balance at 31 December 2009</b>	<b><u>613,376</u></b>	<b><u>34,882</u></b>	<b><u>648,258</u></b>
<b>Balance at 1 July 2010</b>	613,376	99,418	712,794
Total comprehensive income for the period	<u>-</u>	<u>71,365</u>	<u>71,365</u>
	<b>613,376</b>	<b>170,783</b>	<b>784,159</b>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	<u>-</u>	<u>(69,306)</u>	<u>(69,306)</u>
<b>Balance at 31 December 2010</b>	<b><u>613,376</u></b>	<b><u>101,477</u></b>	<b><u>714,853</u></b>

*The accompanying notes form part of these financial statements.*

**Harbord Financial Services Limited**  
**ABN 25 097 282 525**  
**Cash Flow Statement**  
**for the half-year ended 31 December 2010**

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	777,360	664,994
Payments to suppliers and employees	(611,222)	(519,190)
Interest paid	-	(8,094)
Interest received	11,605	17,304
Income taxes paid	(18,796)	(10,000)
<b>Net cash provided by operating activities</b>	<b><u>158,947</u></b>	<b><u>145,014</u></b>
<b>Cash Flows From Investing Activities</b>		
Payments for property, plant and equipment	(9,869)	(2,336)
<b>Net cash used in investing activities</b>	<b><u>(9,869)</u></b>	<b><u>(2,336)</u></b>
<b>Net increase in cash held</b>	<b>149,078</b>	<b>142,678</b>
Cash at the beginning of the financial year	512,014	437,726
<b>Cash at the end of the half-year</b>	<b><u>661,092</u></b>	<b><u>580,404</u></b>

*The accompanying notes form part of these financial statements.*

**Harbord Financial Services Limited**  
**ABN 25 097 282 525**  
**Notes to the financial statements**  
**for the half-year ended 31 December 2010**

**Note 1. Basis of Preparation of the Half-Year Financial Statements**

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards, *AASB 134: Interim Financial Reporting*, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The half-year financial report is intended to provide users with an update on the latest annual financial statements and does not include all the notes of the type normally included in an annual financial report. Accordingly the report shall be read in conjunction with the annual financial report for the year ended 30 June 2010 and any public announcements made by the company during the

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements and the previous corresponding interim period.

The half-year financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Adoption of new and revised Accounting Standards

During the current year the entity has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the company.

*AASB 101 Presentation of Financial Statements*

In September 2007 the Australian Accounting Standards Board revised AASB 101, and as a result there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the company's financial statements.

*Disclosure impact*

*Terminology changes* – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

*Reporting changes in equity* – The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

*Statement of comprehensive income* – The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The company's financial statements contain a single statement of comprehensive income.



**Harbord Financial Services Limited**  
**ABN 25 097 282 525**  
**Notes to the financial statements**  
**for the half-year ended 31 December 2010**

**Note 1. Basis of Preparation of the Half-Year Financial Statements (continued)**

Adoption of new and revised Accounting Standards (continued)

*Other comprehensive income* – The revised version of AASB 101 introduces the concept of “other comprehensive income” which comprises of income and expense that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

New Accounting Standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods, as follows:

- *AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013)*
- *AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011)*

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The company has determined these amendments will have no impact on the preparation of the financial statements and therefore they have not been applied.

**Note 2. Events Subsequent to Reporting Date**

On 22 February 2011 the company's Franchise partner Bendigo & Adelaide Bank Limited announced that commencing 1 April 2011 two income streams (Term Deposits greater than 90 days and Fixed Rate Home Loans) will have their trailing commission cut from 0.5% to 0.375%. This reduction in commission rate is expected to have a material effect on the expected revenue and profits of the company in the 2011/2012 financial year. The Board estimates that the change will reduce income by \$77,000 based on current budgets and it will continue to monitor budgets to ensure maximisation of returns to shareholders and the community. Further confirmation of the financial effect will be available in the 2011 Annual Report.

There have been no other events subsequent to reporting date that would materially effect the financial statements at the reporting date.

**Note 3. Contingent Assets and Liabilities**

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

**Note 4. Segment Reporting**

The economic entity operates in a single service sector where it facilitates community banking services in Harbord, New South Wales pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

**Harbord Financial Services Limited**  
**ABN 25 097 282 525**  
**Notes to the financial statements**  
**for the half-year ended 31 December 2010**

**Note 5. Dividends Paid/Provided**

	<b>2010 Cents</b>	<b>2010 \$</b>	<b>2009 Cents</b>	<b>2009 \$</b>
Dividend declared in the period and recognised as a liability:	10.00	69,306	-	-
100% fully franked (2009: 100%)				
In addition to the above the directors have resolved that fully franked dividend will be paid to ordinary shareholders. The dividend will be paid on the 26 February 2010 based on the shareholdings as at 24 February 2010. The aggregate amount of the proposed dividend not recognised as a liability at the end of the half year is:	-	-	8.00	55,445

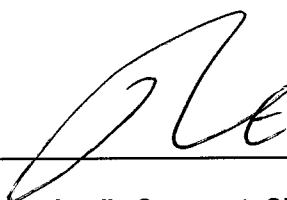
**Harbord Financial Services Limited**  
**ABN 25 097 282 525**  
**Directors' Declaration**

In the opinion of the directors of Harbord Financial Services Limited ("the company"):

- 1 The financial statements and notes thereto are in accordance with the *Corporations Act 2001* including:
  - (a) giving a true and fair view of the financial position of the entity as at 31 December 2010 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date;
  - (b) complying with Australian Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- 2 There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

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



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**Trevor Leslie Sargeant, Chairman**

Dated this 11th day of March 2011.

## **INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of Harbord Financial Services Limited

### **Report on the Half Year Financial Report**

We have reviewed the accompanying half year financial report of Harbord Financial Services Limited, which comprises the balance sheet as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the half year then ended, selected explanatory notes and the directors' declaration.

### **Directors' Responsibility for the Financial Report**

The directors of the company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2010 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Harbord Financial Services Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

## **Independence**

In conducting our review we have complied with the independence requirements of the Corporations Act 2001.

## **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Harbord Financial Services Limited is not in accordance with the Corporations Act 2001 including:

Giving a true and fair view of the company's financial position at 31 December 2010 and of its performance for the half-year ended on that date; and  
Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.



**DAVID HUTCHINGS**  
**ANDREW FREWIN & STEWART**  
61-65 Bull Street, Bendigo, 3550

Dated this 11th day of March 2011