

# **Harbord**

**Financial Services Limited**

**Financial Statements**

**for the half-year ended**

**31 December 2011**

**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 2011.

**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

Garry Stanley Chadwick

Ian John Greentree

Ian Charles Joynson

Bradley Raymond O'Connor

Martin Edwin Brook

Noela Rose Roberts

John Vaccaro

**Principal Activities**

The principal activity of the company during the course of the financial period was 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. However the profit for the six months ended 31 December 2011 has been reduced significantly due to the decision made by the Board at the August 2011 Board Meeting to commit \$219,852 in sponsorships and donations. A portion of these commitments will be paid in the second half of the 2012 financial year and as a result a provision for sponsorship has been recognised in the balance sheet as at 31 December 2011 for \$113,309.

The net profit of the company for the financial period after the provision of income tax was: \$27,320 [2010: \$71,365].

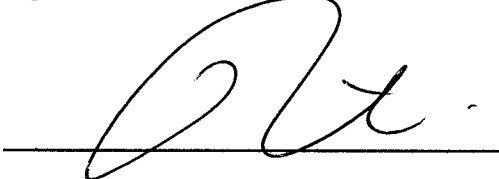
**Matters Subsequent to the End of the Reporting Period**

There are no 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 Freshwater, New South Wales on 27 February 2012.

A handwritten signature in black ink, appearing to read 'T. Sargeant', is written over a horizontal line.

**Trevor Leslie Sargeant, Chairman**

**Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001  
to the directors of Harbord Financial Services Limited**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2011 there have been:

- no contraventions of the auditor independence requirements as set out in 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 27th day of February 2012

**Harbord Financial Services Limited**  
**ABN 25 097 282 525**  
**Statement of Comprehensive Income**  
**for the half-year ended 31 December 2011**

	<u>Notes</u>	<b>2011</b> <b>\$</b>	<b>2010</b> <b>\$</b>
Revenue from ordinary activities		756,566	734,277
Employee benefits expense		(274,225)	(299,417)
Charitable donations, sponsorship, advertising and promotion		(299,058)	(165,611)
Occupancy and associated costs		(57,018)	(54,330)
Systems costs		(11,570)	(28,807)
Depreciation and amortisation expense		(15,673)	(15,909)
General administration expenses		(76,266)	(65,561)
		<hr/>	<hr/>
<b>Profit before income tax expense/credit</b>		22,756	104,642
Income tax expense/credit	5	4,564	(33,277)
		<hr/>	<hr/>
<b>Profit after income tax (expense)/credit</b>		27,320	71,365
		<hr/>	<hr/>
<b>Total comprehensive income for the year attributable to members</b>		<b>27,320</b>	<b>71,365</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Earnings per Share</b>		<u>c</u>	<u>c</u>
Basic from profit for the period:		3.94	10.28

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

**Harbord Financial Services Limited**  
**ABN 25 097 282 525**  
**Balance Sheet**  
**as at 31 December 2011**

	<u>Notes</u>	31-Dec 2011 \$	30-Jun 2011 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash assets		541,338	433,610
Trade and other receivables		140,903	128,360
Current tax asset		11,745	11,615
Investments		5,000	5,000
<b>Total Current Assets</b>		<u><b>698,986</b></u>	<u><b>578,585</b></u>
<b>Non-Current Assets</b>			
Property, plant and equipment		211,024	218,702
Intangible assets		5,000	10,000
Deferred tax asset		44,340	12,107
<b>Total Non-Current Assets</b>		<u><b>260,364</b></u>	<u><b>240,809</b></u>
<b>Total Assets</b>		<u><b>959,350</b></u>	<u><b>819,394</b></u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	7	154,022	36,504
Provisions		93,237	26,399
<b>Total Current Liabilities</b>		<u><b>247,259</b></u>	<u><b>62,903</b></u>
<b>Non-Current Liabilities</b>			
Provisions		19,016	21,430
<b>Total Non-Current Liabilities</b>		<u><b>19,016</b></u>	<u><b>21,430</b></u>
<b>Total Liabilities</b>		<u><b>266,275</b></u>	<u><b>84,333</b></u>
<b>Net Assets</b>		<u><b>693,075</b></u>	<u><b>735,061</b></u>
<b>Equity</b>			
Issued capital		613,376	613,376
Retained earnings		79,699	121,685
<b>Total Equity</b>		<u><b>693,075</b></u>	<u><b>735,061</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 2011**

	<b>Issued Capital \$</b>	<b>Retained Earnings \$</b>	<b>Total Equity \$</b>
<b>Balance at 1 July 2010</b>	613,376	99,418	712,794
Total comprehensive income for the year	<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>	<u><b>613,376</b></u>	<u><b>101,477</b></u>	<u><b>714,853</b></u>
 <b>Balance at 1 July 2011</b>	 613,376	 121,685	 735,061
Total comprehensive income for the year	<u>-</u>	<u>27,320</u>	<u>27,320</u>
	<b>613,376</b>	<b>149,005</b>	<b>762,381</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 2011</b>	<u><b>613,376</b></u>	<u><b>79,699</b></u>	<u><b>693,075</b></u>

*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 2011**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	807,140	777,360
Payments to suppliers and employees	(682,220)	(611,222)
Interest paid	(11)	-
Interest received	13,613	11,605
Income taxes paid	(27,799)	(18,796)
<b>Net cash provided by operating activities</b>	<b><u>110,723</u></b>	<b><u>158,947</u></b>
<b>Cash Flows From Investing Activities</b>		
Payments for property, plant and equipment	(2,995)	(9,869)
<b>Net cash used in investing activities</b>	<b><u>(2,995)</u></b>	<b><u>(9,869)</u></b>
<b>Net increase in cash held</b>	<b>107,728</b>	<b>149,078</b>
Cash at the beginning of the financial year	433,610	512,014
<b>Cash at the end of the half-year</b>	<b><u><u>541,338</u></u></b>	<b><u><u>661,092</u></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 2011**

**Note 1. Summary of Significant Accounting Policies**

Statement of Compliance

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard *AASB 134: Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard *IAS 34: Interim Financial Reporting*.

Basis of Preparation

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 2011 and any public announcements made by the company during the period.

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.

The company has elected not to early adopt the new and amended Accounting Standards and Interpretations, as outlined in the annual financial report for the year ended 30 June 2011, that have mandatory application dates during future reporting periods.

There are no new and revised Standards and amendments thereof and Interpretations effective for the current reporting period relevant to the company that were not disclosed in the annual financial report for the year ended 30 June 2011.

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

There have been no 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 Freshwater, 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 2011**

<b>Note 5. Income Tax Expense</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
The components of tax expense comprise:		
- Current tax	36,669	36,369
- Movement in deferred tax	(32,233)	(3,092)
- Adjustments to tax expense of prior periods	(9,000)	-
	<u>(4,564)</u>	<u>33,277</u>

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

Operating profit	22,756	104,642
Prima facie tax on profit from ordinary activities at 30%	6,827	31,777
Add tax effect of:		
- non-deductible expenses	32,232	1,500
- timing difference expenses	(2,390)	3,092
	<u>36,669</u>	<u>36,369</u>
Movement in deferred tax	(32,233)	(3,092)
Adjustments to tax expense of prior periods	(9,000)	-
	<u>(4,564)</u>	<u>33,277</u>

Adjustments to tax expense of prior periods relates to the tax deductibility of amortisation on the renewal franchise fee and renewal processing fee. A tax deduction was not initially claimed for the amortisation on these items, pending the outcome of a private tax ruling by the Commissioner of Taxation. While the original private tax ruling held that these items were in fact not tax deductible, the ruling was overturned by Administrative Appeals Tribunal decision 607 handed down on 31 August 2011. Therefore amortisation on the renewal franchise fee and renewal processing fee can now be claimed as a tax deduction. Amendment to the applicable income tax returns will be undertaken, with the overall tax effect of the change outlined below:

Year	Franchise Fee	Amortisation Process Fee	Total	Tax effect @ 30%
2009	10,000	-	10,000	3,000
2010	10,000	-	10,000	3,000
2011	10,000	-	10,000	3,000
	<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>9,000</u>

**Harbord Financial Services Limited**  
**ABN 25 097 282 525**  
**Notes to the financial statements**  
**for the half-year ended 31 December 2011**

**Note 6. Dividends Paid/Provided**

	2011 Cents	2011 \$	2010 Cents	2010 \$
Dividend declared in the period and recognised as a liability:	10.00	69,306	10.00	69,306

100% fully franked (2010: 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 28 February 2012 based on the shareholdings as at 14 February 2011. The aggregate amount of the proposed dividend not recognised as a liability at the end of the half year is:

10.00	69,306	0.00	-
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The tax rate at which dividends have been franked is 30% (2010: 30%).

**Note 7. Trade and Other Payables**

	31-Dec 2011 \$	30-Jun 2011 \$
Trade creditors	6,143	6,907
Other creditors and accruals	34,570	29,597
Provision for sponsorship	113,309	-
	<u>154,022</u>	<u>36,504</u>


**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 2011 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 27th day of February 2012.

## **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 2011, the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of significant accounting policies and other explanatory information and the directors' declaration.

### **Directors' Responsibility for the Half-year 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 a 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 half-year 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 2011 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. 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.

## **Auditor's Opinion**

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:

- a) Giving a true and fair view of the company's financial position at 31 December 2011 and of its performance for the half-year ended on that date; and
- b) 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 27th day of February 2012