

# **Harbord**

## **Financial Services Limited**

**Financial Statements**

**as at**

**30 June 2012**

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

Your directors submit the financial statements of the company for the financial year ended 30 June 2012.

**Directors**

The names and details of the company's directors who held office during or since the end of the financial year:

**Trevor Leslie Sargeant**

Chairman (*Stepped down as Chairman 17 July 2012*)  
Age: 57  
Dentist  
Holds a Bachelor of Dentistry Science from Sydney University.  
Special Responsibilities: Human Resources Committee, Audit Committee and Business Development Committee  
Interests in shares: 2,001

**Ian John Greentree**

Company Secretary  
Age: 57  
Business Analyst  
Holds qualifications in Law, Accounting and Corporate Secretariat. Worked in the financial services industry for over 20 Years. Currently Working for a Not for Profit organisation  
Special Responsibilities: Audit Committee  
Interests in shares: 1,501

**Noela Rose Roberts**

Director  
Age: 61  
Retired  
Holds a Bachelor of Economics and worked as an accountant for 30 years.  
Special Responsibilities: Business Development Committee and Youth Observer Mentor  
Interests in shares: 9,001

**Bradley Raymond O'Connor**

Director (*Resigned 20 March 2012*)  
Age: 53  
Chief Executive Officer  
Rotary Club Past President. Holds a commercial pilots licence. Has a variety of Commercial Interests  
Special Responsibilities: Business Development Committee  
Interests in shares: 5,501

**Denise Faith Goldstein**

Director (*Appointed 17 July 2012*)  
Age: 60  
Director Smart Technology, Managing Partner SESi Group (Smart Executive Search).  
Holds a Bachelor of Arts, Sociology, Juris Doctorate WSU College of Law, Masters Coaching Certificate.  
Special Responsibilities Human Resources and  
Interests in shares: 1

**Garry Stanley Chadwick**

Treasurer (*Appointed Chairman 17 July 2012*)  
Age: 66  
Accountant/Company Director  
Certified Practising Accountant and Justice of the Peace.  
Special Responsibilities: Business Development Committee and Audit Committee  
Interests in shares: 15,001

**Martin Edwin Brook**

Director  
Age: 54  
Pharmacist  
Holds a Bachelor of Pharmacy and has been a retail Pharmacist for 34 years. Proprietor of Brook's Pharmacy Freshwater for 23 years.  
Special Responsibilities: Human Resources Committee  
Interests in shares: 2,001

**John Vaccaro**

Director  
Age: 50  
Licensed Real Estate Agent  
30 years experience in operating and selling real estate. Licensee in charge, training group leader and supervisor.  
Special Responsibilities: Business Development Committee  
Interests in shares: 501

**Ian Charles Joynson**

Director (*Resigned 22 May 2012*)  
Age: 73  
Retired Newsagent  
Held positions as Proprietor of Harbord Newsagency and Marketing executive of a Public Company  
Special Responsibilities: Business Development Committee and Youth Observer Mentor  
Interests in shares: 2,001

**Peter Eric Harley**

Director (*Appointed 21 August 2012*)  
Age: 65  
Lecturer: Holds a Bachelor of Commerce (UNSW), Grad Dip Labour Relations and the Law (Uni Syd). 43 years of Public Service including 30 years as a Statutory Officer, Senior Manager & Director WorkCover NSW and TestSafe Australia  
Special Responsibilities: Sponsorship Committee  
Interests in shares: 1

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

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

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

**Company Secretary**

The Company Secretary is Ian Greentree. Ian has been the Company's Secretary since 27 November 2006. He has a Diploma in Law admitted as a Solicitor to the Supreme Court of NSW, Associate Diploma in Accounting, member of National Institute of Accountants, Associate of Chartered Secretaries Australia and previously held the position of assistant Company Secretary of Advance Bank Australia Limited.

**Principal Activities**

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

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

**Operating Results**

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

Year ended 30 June 2012	Year ended 30 June 2011
\$	\$
81,562	91,573

**Remuneration Report**

No Director receives remuneration for services as a Company Director or Committee Member.

The Board is responsible for the determination of remuneration packages and policies applicable to the Manager and staff. The Manager is invited to all Board meetings to report on the management of the branch and as required to discuss performance and remuneration packages.

The Manager is paid a base salary, which for the year ended 30 June 2012 was in the range \$90,000 to \$100,000 (plus superannuation).

Dividends	Year Ended 30 June 2012	
	Cents	\$
Dividends paid during the year:	10	69,306

**Significant Changes in the State of Affairs**

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

**Matters Subsequent to 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.

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

### 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.

### 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 attended by each of the directors of the company during the year were:

	Board Meetings Attended		Committee Meetings Attended													
			Audit		Operations and Human Resources		Strategic Planning and Franchise		Business Development and Marketing*		Sponsorship *		Marketing *		Informal Breakfast	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Trevor Leslie Sargeant	11	11	2	2	9	9	5	5	12	7	2	2	12	7	11	11
Garry Stanley Chadwick	11	10	2	2	9	8	5	5	12	9	2	2	12	9	11	11
Ian John Greentree	11	11	2	2	9	9	5	5	-	-	2	2	-	-	11	11
Martin Edwin Brook	11	10	2	1	9	8	5	5	-	-	2	2	-	-	0	0
Noela Rose Roberts	11	8	2	1	9	6	5	4	12	9	2	2	12	9	3	3
John Vaccaro	11	11	2	2	9	9	5	5	12	11	2	2	12	11	11	11
Ian Charles Joynson	10	10	2	2	7	7	5	4	11	10	2	2	11	10	7	7
Bradley Raymond O'Connor	8	3	-	-	7	2	2	-	-	-	2	1	-	-	0	0

A - Eligible to attend  
B - Number attended

Other meetings include the 10th Birthday Committee

### Non Audit Services

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

The board of directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

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

**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 5.

Signed in accordance with a resolution of the board of directors at Freshwater, New South Wales on 11 September 2012.

  
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**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, in relation to the audit for the financial year ended 30 June 2012 there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.



**David Hutchings**  
**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550

Dated: 11 September 2012

**Harbord Financial Services Limited**  
**ABN 25 097 282 525**  
**Statement of Comprehensive Income**  
**for the Year Ended 30 June 2012**

	<u>Notes</u>	<b>2012</b> <b>\$</b>	<b>2011</b> <b>\$</b>
Revenues from ordinary activities	4	1,482,724	1,469,622
Employee benefits expense		(579,949)	(588,185)
Charitable donations, sponsorship, advertising and promotion		(472,987)	(432,759)
Occupancy and associated costs		(120,721)	(116,523)
Systems costs		(23,455)	(23,785)
Depreciation and amortisation expense	5	(31,656)	(33,138)
Finance costs		(238)	(9)
General administration expenses		(152,602)	(146,949)
<b>Profit before income tax expense</b>		<b>101,116</b>	<b>128,274</b>
Income tax expense	6	(19,554)	(36,701)
<b>Profit after income tax expense</b>		<b>81,562</b>	<b>91,573</b>
<b>Total comprehensive income for the year</b>		<b>81,562</b>	<b>91,573</b>
<b>Earnings per share (cents per share)</b>		<u><b>c</b></u>	<u><b>c</b></u>
- basic for profit for the year	22	11.77	13.21

The accompanying notes form part of these financial statements

**Harbord Financial Services Limited**  
**ABN 25 097 282 525**  
**Balance Sheet**  
**as at 30 June 2012**

	<u>Notes</u>	2012 \$	2011 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	392,456	433,610
Trade and other receivables	8	123,741	128,360
Current tax asset	11	21,005	11,615
<b>Total Current Assets</b>		<u><b>537,202</b></u>	<u><b>578,585</b></u>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	207,497	218,702
Financial Assets	10	5,000	5,000
Intangible assets	11	57,768	10,000
Deferred tax assets	12	10,650	12,107
<b>Total Non-Current Assets</b>		<u><b>280,915</b></u>	<u><b>240,809</b></u>
<b>Total Assets</b>		<u><b>818,117</b></u>	<u><b>819,394</b></u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	31,519	36,504
Provisions	14	28,453	26,399
<b>Total Current Liabilities</b>		<u><b>59,972</b></u>	<u><b>62,903</b></u>
<b>Non-Current Liabilities</b>			
Provisions	14	10,828	21,430
<b>Total Non-Current Liabilities</b>		<u><b>10,828</b></u>	<u><b>21,430</b></u>
<b>Total Liabilities</b>		<u><b>70,800</b></u>	<u><b>84,333</b></u>
<b>Net Assets</b>		<u><b>747,317</b></u>	<u><b>735,061</b></u>
<b>Equity</b>			
Issued capital	15	613,376	613,376
Retained earnings	16	133,941	121,685
<b>Total Equity</b>		<u><b>747,317</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 Year Ended 30 June 2012**

	<b>Issued Capital \$</b>	<b>Retained Earnings \$</b>	<b>Total Equity \$</b>
<b>Balance at 1 July 2010</b>	<u>613,376</u>	<u>99,418</u>	<u>712,794</u>
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>91,573</u>	<u>91,573</u>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(69,306)	(69,306)
<b>Balance at 30 June 2011</b>	<u><u>613,376</u></u>	<u><u>121,685</u></u>	<u><u>735,061</u></u>
 <b>Balance at 1 July 2011</b>	 <u>613,376</u>	 <u>121,685</u>	 <u>735,061</u>
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>81,562</u>	<u>81,562</u>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(69,306)	(69,306)
<b>Balance at 30 June 2012</b>	<u><u>613,376</u></u>	<u><u>133,941</u></u>	<u><u>747,317</u></u>

The accompanying notes form part of these financial statements

**Harbord Financial Services Limited**  
**ABN 25 097 282 525**  
**Statement of Cashflows**  
**for the Year Ended 30 June 2012**

	<u>Notes</u>	<b>2012</b> <b>\$</b>	<b>2011</b> <b>\$</b>
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		1,589,538	1,571,828
Payments to suppliers and employees		(1,496,101)	(1,487,752)
Interest received		30,659	25,341
Interest paid		(238)	(9)
Income taxes paid		(27,487)	(65,276)
<b>Net cash provided by operating activities</b>	<b>17</b>	<u>96,371</u>	<u>44,132</u>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(10,451)	(53,230)
Payments for intangible assets		(57,768)	-
<b>Net cash used in investing activities</b>		<u>(68,219)</u>	<u>(53,230)</u>
<b>Cash Flows From Financing Activities</b>			
Dividends paid		(69,306)	(69,306)
<b>Net cash used in financing activities</b>		<u>(69,306)</u>	<u>(69,306)</u>
<b>Net decrease in cash held</b>		(41,154)	(78,404)
Cash and cash equivalents at the beginning of the financial year		433,610	512,014
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7(a)</b>	<u>392,456</u>	<u>433,610</u>

The accompanying notes form part of these financial statements

## Note 1. Summary of Significant Accounting Policies

### a) Basis of Preparation

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

#### Compliance with IFRS

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

#### Critical accounting estimates

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

#### Historical cost convention

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

#### Comparative figures

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

#### Adoption of new and revised Accounting Standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. The adoption of the revised AASB 124 Related Party Disclosures has not resulted in the disclosure of any additional related party transactions in the current period or any prior period and is not likely to affect future periods. The adoption of AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project have not affected the disclosure of any items in the financial statements.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2011.

#### Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Harbord, NSW.

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

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

**Note 1. Summary of Significant Accounting Policies (continued)**

**a) Basis of Preparation (continued)**

Economic dependency – Bendigo and Adelaide Bank Limited (continued)

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

- advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch;
- training for the branch manager and other employees in banking, management systems and interface protocol;
- methods and procedures for the sale of products and provision of services;
- 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; and
- sales techniques and proper customer relations.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

**b) Revenue**

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as “day to day” banking business (ie ‘margin business’). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (ie ‘commission business’). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank®** partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank®** companies remain balanced.

The third source of revenue is a proportion of the fees and charges (ie, what are commonly referred to as ‘bank fees and charges’) charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

**c) Income Tax**

Current tax

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

**Note 1. Summary of Significant Accounting Policies (*continued*)**

**c) Income Tax (*continued*)**

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

**d) Employee Entitlements**

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

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

**e) Cash and Cash Equivalents**

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**f) Trade Receivables and Payables**

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

**Note 1. Summary of Significant Accounting Policies (continued)**

**g) Property, Plant and Equipment**

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

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

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

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

**h) Intangibles**

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

**i) Payment Terms**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

**j) Borrowings**

All loans are initially measured at the principal amount. Interest is recognised as an expense as it accrues.

**k) Financial Instruments**

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

**Note 1. Summary of Significant Accounting Policies (*continued*)**

**k) Financial Instruments (*continued*)**

Classification and subsequent measurement

- (i) *Loans and receivables*  
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.
- (ii) *Held-to-maturity investments*  
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.
- (iii) *Financial liabilities*  
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.
- (iv) *Available-for-sale financial assets*  
Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period, which will be classified as current assets.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

**l) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**m) Provisions**

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

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

**n) Contributed Equity**

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

**o) Earnings Per Share**

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

**Note 1. Summary of Significant Accounting Policies (*continued*)**

**p) Goods and Services Tax**

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

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

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

**Note 2. Financial Risk Management**

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

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

**(i) Market risk**

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

**(ii) Price risk**

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

**(iii) Credit risk**

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

**(iv) Liquidity risk**

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

**(v) Cash flow and fair value interest rate risk**

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

**(vi) Capital management**

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

**Note 2. Financial Risk Management (continued)**

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

- (i) the distribution limit is the greater of:
  - (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
  - (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period; and
- (ii) 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 2012 can be seen in the statement of comprehensive income.

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

**Note 3. Critical Accounting Estimates and Judgements**

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

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

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

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

**Taxation**

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

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

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

**Estimation of useful lives of assets**

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

**Note 3. Critical Accounting Estimates and Judgements (continued)**

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Note 4. Revenue from Ordinary Activities</b>		
Operating activities:		
- services commissions	1,455,959	1,445,312
- other revenue	-	1,299
Total revenue from operating activities	<u>1,455,959</u>	<u>1,446,611</u>
Non-operating activities:		
- interest received	26,765	23,011
Total revenue from non-operating activities	<u>26,765</u>	<u>23,011</u>
Total revenues from ordinary activities	<u><u>1,482,724</u></u>	<u><u>1,469,622</u></u>
 <b>Note 5. Expenses</b>		
Depreciation of non-current assets:		
- plant and equipment	8,387	9,961
- leasehold improvements	13,269	13,177
Amortisation of non-current assets:		
- franchise agreement	10,000	10,000
- franchise renewal fee		
	<u>31,656</u>	<u>33,138</u>
Bad debts	<u><u>5,787</u></u>	<u><u>3,798</u></u>

**Harbord Financial Services Limited**  
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**Note 6. Income Tax Expense**

The components of tax expense comprise:

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
- Current tax	24,097	29,679
- Movement in deferred tax	1,457	7,022
- Adjustments to tax expense of prior periods	(6,000)	-
	<u>19,554</u>	<u>36,701</u>

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

Operating profit	101,116	128,274
Prima facie tax on profit from ordinary activities at 30%	30,335	38,482
Add tax effect of:		
- non-deductible expenses	-	3,000
- timing difference expenses	(1,457)	(7,022)
- other deductible expenses	(4,781)	(4,781)
	<u>24,097</u>	<u>29,679</u>
Movement in deferred tax	<b>12</b> 1,457	7,022
Adjustments to tax expense of prior periods	(6,000)	-
	<u>19,554</u>	<u>36,701</u>

**Note 7. Cash and Cash Equivalents**

Cash at bank and on hand	342,456	60,125
Term deposits	50,000	373,485
	<u>392,456</u>	<u>433,610</u>

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

**Note 7.(a) Reconciliation of cash**

Cash at bank and on hand	342,456	60,125
Term deposits	50,000	373,485
	<u>392,456</u>	<u>433,610</u>

**Note 8. Trade and Other Receivables**

Trade receivables	110,940	115,321
Other receivables and accruals	4,481	5,182
Prepayments	8,320	7,857
	<u>123,741</u>	<u>128,360</u>

**Harbord Financial Services Limited**  
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	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Note 9. Property, Plant and Equipment</b>		
<u>Plant and equipment</u>		
At cost	111,791	101,340
Less accumulated depreciation	(68,420)	(60,033)
	<u>43,371</u>	<u>41,307</u>
 <u>Leasehold improvements</u>		
At cost	317,937	317,937
Less accumulated depreciation	(153,811)	(140,542)
	<u>164,126</u>	<u>177,395</u>
 Total written down amount	<u>207,497</u>	<u>218,702</u>
 <b>Movements in carrying amounts:</b>		
<u>Plant and equipment</u>		
Carrying amount at beginning	41,307	40,005
Additions	10,451	11,263
Disposals	-	-
Less: depreciation expense	(8,387)	(9,961)
Carrying amount at end	<u>43,371</u>	<u>41,307</u>
 <u>Leasehold improvements</u>		
Carrying amount at beginning	177,395	148,605
Additions	-	41,967
Disposals	-	-
Less: depreciation expense	(13,269)	(13,177)
Carrying amount at end	<u>164,126</u>	<u>177,395</u>
 Total written down amount	<u>207,497</u>	<u>218,702</u>
 <b>Note 10. Financial Assets</b>		
<b>Available-for-sale financial assets</b>		
Unlisted investments at cost		
Warringah Financial Services Limited	<u>5,000</u>	<u>5,000</u>
 <b>Note 11. Intangible Assets</b>		
<u>Franchise fee</u>		
At cost	111,554	100,000
Less: accumulated amortisation	(100,000)	(90,000)
	<u>11,554</u>	<u>10,000</u>
 <u>Renewal processing fee</u>		
At cost	46,214	-
Less: accumulated amortisation	-	-
	<u>46,214</u>	<u>-</u>
 Total written down amount	<u>57,768</u>	<u>10,000</u>

**Harbord Financial Services Limited**  
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	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Note 12. Tax</b>		
<b>Current:</b>		
Income tax refundable	<u>21,005</u>	<u>11,615</u>
<b>Non-Current:</b>		
<u>Deferred tax assets</u>		
- employee provisions	<u>13,533</u>	<u>16,019</u>
	<u>13,533</u>	<u>16,019</u>
<u>Deferred tax liability</u>		
- accruals	387	1,555
- deductible prepayments	<u>2,496</u>	<u>2,357</u>
	<u>2,883</u>	<u>3,912</u>
	<u>10,650</u>	<u>12,107</u>
Net deferred tax asset		
	<u>1,457</u>	<u>7,022</u>
Movement in deferred tax charged to statement of comprehensive income		
	<u>1,457</u>	<u>7,022</u>
<b>Note 13. Trade and Other Payables</b>		
Trade creditors	7,131	6,907
Other creditors and accruals	<u>24,388</u>	<u>29,597</u>
	<u>31,519</u>	<u>36,504</u>
<b>Note 14. Provisions</b>		
<b>Current:</b>		
Provision for annual leave	18,271	18,755
Provision for long service leave	10,182	-
Provision for staff bonus	<u>-</u>	<u>7,644</u>
	<u>28,453</u>	<u>26,399</u>
<b>Non-Current:</b>		
Provision for long service leave	<u>10,828</u>	<u>21,430</u>

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<b>Note 15. Contributed Equity</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
693,059 Ordinary shares fully paid (2011: 693,059)	693,059	693,059
Less: equity raising expenses	(79,683)	(79,683)
	<u>613,376</u>	<u>613,376</u>

**Rights attached to shares**

**(a) Voting rights**

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

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

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

**(b) Dividends**

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

**(c) Transfer**

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

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

**Prohibited shareholding interest**

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 374. As at the date of this report, the company had 412 shareholders.

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

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

**Harbord Financial Services Limited**  
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**Note 14. Contributed Equity (continued)**

Prohibited shareholding interest (continued)

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.

The National Stock Exchange (NSX) has advised that in its view the prohibited shareholding provisions are appropriate and equitable but the 'base number test' is not as a result the base number clause does not operate whilst the company remains listed on the NSX.

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.

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Note 16. Retained Earnings</b>		
Balance at the beginning of the financial year	121,685	99,418
Net profit from ordinary activities after income tax	81,562	91,573
Dividends paid or provided for	(69,306)	(69,306)
Balance at the end of the financial year	<u>133,941</u>	<u>121,685</u>

**Note 17. Statement of Cashflows**

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

Profit from ordinary activities after income tax	81,562	91,573
Non cash items:		
- depreciation	21,656	23,138
- amortisation	10,000	10,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	4,619	11,083
- (increase)/decrease in other assets	(7,933)	(4,593)
- increase/(decrease) in payables	(4,985)	(35,239)
- increase/(decrease) in provisions	(8,548)	(27,848)
- increase/(decrease) in current tax liabilities	-	(23,982)
Net cashflows provided by operating activities	<u>96,371</u>	<u>44,132</u>

**Note 18. Leases**

Operating lease commitments

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

Payable - minimum lease payments		
- not later than 12 months	94,241	87,139
- between 12 months and 5 years	369,109	-
- greater than 5 years	-	-
	<u>463,349</u>	<u>87,139</u>

The lease on the branch premises is a non-cancellable lease with a five-year term which expires on 13 June 2017. There are two options to renew the lease for a further five years available to be exercised at the conclusion of each term. Annual rent is currently \$94,241 plus GST.

**Harbord Financial Services Limited**  
**ABN 25 097 282 525**  
**Notes to the Financial Statements**  
**for the Year Ended 30 June 2012**

**Note 19. Auditors' Remuneration**

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

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
- audit and review services	4,500	4,500
- share registry services	2,863	2,663
- non audit services	3,338	2,010
	<u>10,701</u>	<u>9,173</u>

**Note 20. Director and Related Party Disclosures**

The names of directors' who have held office during the financial year are:

Trevor Leslie Sargeant

Garry Stanley Chadwick

Ian John Greentree

Martin Edwin Brook

Noela Rose Roberts

John Vaccaro

Denise Faith Goldstein (*Appointed 17 July 2012*)

Peter Eric Harley (*Appointed 21 August 2012*)

Ian Charles Joynson (*Resigned 22 May 2012*)

Bradley Raymond O'Connor (*Resigned 20 March 2012*)

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

**Directors' Shareholdings**

	<b><u>2012</u></b>	<b><u>2011</u></b>
Trevor Leslie Sargeant	2,001	2,001
Garry Stanley Chadwick	15,001	15,001
Ian John Greentree	1,501	1,501
Martin Edwin Brook	2,001	2,001
Noela Rose Roberts	9,001	9,001
John Vaccaro	501	501
Denise Faith Goldstein ( <i>Appointed 17 July 2012</i> )	-	-
Peter Eric Harley ( <i>Appointed 21 August 2012</i> )	-	-
Ian Charles Joynson ( <i>Resigned 22 May 2012</i> )	2,001	2,001
Bradley Raymond O'Connor ( <i>Resigned 20 March 2012</i> )	5,501	5,501

**Harbord Financial Services Limited**  
**ABN 25 097 282 525**  
**Notes to the Financial Statements**  
**for the Year Ended 30 June 2012**

<b>Note 21. Dividends Paid or Provided</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>a. Dividends paid during the year</b>		
Prior year proposed final 100% (2011: 100%) franked dividend - 10 cents (2011: 10 cents) per share	<u>69,306</u>	<u>69,306</u>
<b>b. Franking account balance</b>		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	75,421	77,637
- franking credits that will arise from payment of income tax payable as at the end of the financial year	-	-
- franking debits that will arise from refund of income tax as at the end of the financial year	<u>(21,005)</u>	<u>(11,615)</u>
Franking credits available for future financial reporting periods:	54,416	66,022
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	<u>-</u>	<u>-</u>
Net franking credits available	<u>54,416</u>	<u>66,022</u>

The tax rate at which dividends have been franked is 30% (2011: 30%).

Dividends proposed will be franked at a rate of 100% (2011: 100%).

<b>Note 22. Earnings Per Share</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	81,562	91,573
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<u>693,059</u>	<u>693,059</u>

**Note 23. Events Occurring After the Balance Sheet Date**

There have been no events after the end of the financial year that would materially affect the financial statements.

**Note 24. Contingent Liabilities**

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

**Note 25. Segment Reporting**

The economic entity operates in the service sector where it facilitates **Community Bank®** services in 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 Year Ended 30 June 2012**

**Note 26. Registered Office/Principal Place of Business**

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

<u>Registered Office</u>	<u>Principal Place of Business</u>
20 Albert Street Freshwater NSW 2096	20 Albert Street Freshwater NSW 2096

Harbord Financial Services Limited  
ABN 25 097 282 525  
Notes to the Financial Statements for the Year Ended 30 June 2012

**Note 27. Financial Instruments**

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
			2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Financial Assets												
Cash and cash equivalents	342,068	59,732	50,000	373,485	-	-	-	-	388	393	5.12	4.23
Receivables	-	-	-	-	-	-	-	-	110,940	115,321	N/A	N/A
Financial Liabilities												
Payables	-	-	-	-	-	-	-	-	31,519	36,504	N/A	N/A

**Harbord Financial Services Limited**  
**ABN 25 097 282 525**  
**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 2012 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



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**Trevor Leslie Sargeant, Chairman**

Signed on the 11 September 2012.

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

### **Report on the financial report**

We have audited the accompanying financial report of Harbord Financial Services Limited, which comprises the balance sheet as at 30 June 2012, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

### **Directors' responsibility for the financial report**

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

### **Auditor's responsibility**

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

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

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

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

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

## Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

## Auditor's opinion on the financial report

In our opinion:

- 1) The financial report of Harbord Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2012 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
- 2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

## Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

## Auditor's opinion

In our opinion, the remuneration report of Harbord Financial Services Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.



**David Hutchings**  
**Andrew Frewin Stewart**  
61 Bull Street Bendigo Vic 3550

Dated: 11 September 2012