

HARBORD FINANCIAL SERVICES LIMITED

ACN: 097 282 525

Freshwater
Community Bank[®]
Branch



2010

Ninth

ANNUAL REPORT

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Chairman's Report for year ended 30th June 2010

It is my pleasure to report on the progress of Harbord Financial Services Limited (HFSL) for the year ended 30th June 2010

Operating Results

This year has been a year of consolidation while we make improvements in facilities and develop the business further.

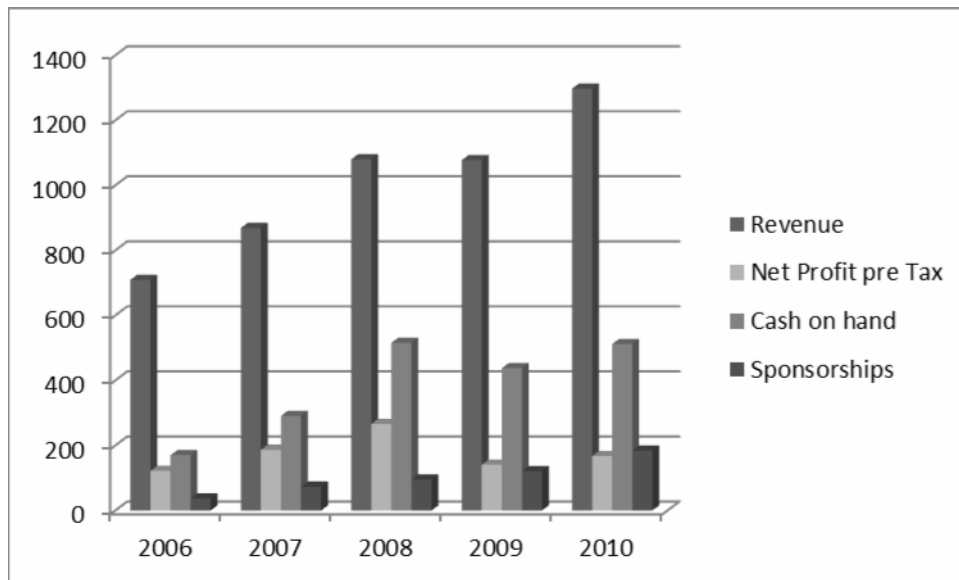
Despite this we have seen a decided improvement in trading this year now that things have returned somewhat to normal after the turbulence of 2008/9

Revenue from ordinary activities improved from \$1,007,761 to \$1,297,348.

With the inevitable increase in costs (and significant community support earmarked in the year of \$184,067 (\$120,824 last year), the profit before tax still increased to a respectable \$167,322 (from \$140,639 in 2009).

This has seen cash assets increase marginally.

We in fact exceeded our forecasted growth in business for this year and we remain confident going forward.



Dividend Payment

Your Directors after reviewing the year and the current situation have recommended a franked dividend for 2010 of 10 cents per share (last year 8 cents). This dividend will be paid in January 2011.

Adding Further Value to the Community.

This year we have seen a further significant increase in our sponsorships (see graph above) and other financial support to numerous local clubs and community organisations. Details of these amounts continue to be listed on the back page of this report.

We intend in the New Year to conduct a Community Forum inviting all interested parties to join with us to find a big community project we can all benefit from.

It is particularly pleasing to see the support we are receiving from our sponsorships and how we are starting to see a flow of new business from members of these organisations. This way we are all helping each other.

Directors Contribution

The voluntary and committed efforts of all our Directors is reflected by the enthusiasm from all our exceptional staff. Without the passion and commitment of all concerned, I doubt our Bank would be the great success it is. The Directors met monthly during the year with the exception of January 2009.

Retiring Directors by rotation this year are Trevor Sargeant, Martin Brook and Brad O'Connor, who have all nominated for re-appointment

This year we also introduced two youth observers to join us at our board meetings. This is another way contributing to youth and allowing them to contribute a younger perspective to our meetings. We would like to thank Tom Guy and Ryan Crewe Brown from St Augustine's College for their contribution.

Acknowledging Our Staff, Auditor and New Assistant Manager

To accommodate the continued expansion and in order to maintain the level of service Belinda, Kerryn and Helen have joined the team. We acknowledge once more their efforts and consider this the best team possible at HFSL.

Ken, Sandy, Angela Sue, Becky, Cheerie, Belinda, Kerryn, Helen and Simone are efficient friendly and caring both to customers and the business alike. We wish to acknowledge our auditor David Hutchings and his team for their assistance and guidance in compliance issues

We would also like to thank the Team at Bendigo and Adelaide Bank Limited for their support and guidance during the year especially our Regional Manager Alex Hughes.

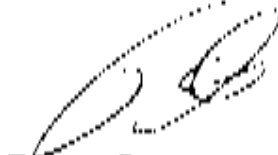
Expanding our facilities

You no doubt have seen improvements to facilities to better service your needs. We thank the staff for their patience and perseverance while this work has proceeded.

In Conclusion.

On behalf of the Board I wish to thank you once again for your continued support and we encourage you to be pro-active, spread the good news by telling our wonderful story and recommending our services to all your friends.

For me it continues to be a privilege to serve this great community



Trevor Sargeant
Chairman

Manager's report

Results this year were pleasing with continued growth in the number of accounts held and in business growth. Total footings increased by 17% to \$129 million with lending up by 17% and deposits growing by 11%.

Much of our success can be attributed to my valuable staff. There are five staff members who have had more than 5 years service at Freshwater, and our customers enjoy dealing with the same friendly faces that know and understand their banking needs. Angela is our only original staff with over 8 years service, closely followed by Rebekah and then Sandy, Su Ellen and Kasey who all joined Freshwater **Community Bank**® in 2005. Kasey is currently on maternity leave but is returning to work in late 2010.

As our business has grown, our staffing needs have also grown in order to provide continued fast, efficient and friendly service. Helen recently transferred from our St Ives branch to bolster our back office operations and we have employed Belinda and Kerryn to take on the duties of Customer Service Officers. This year Sandy has taken on the role of Assistant Manager and her leadership qualities and banking knowledge have greatly assisted me in the area of lending and operations.

Freshwater **Community Bank**® continues to contribute a good proportion of its profits back to the community in the form of sponsorships, donations and other promotions. This financial year we were pleased to have been able to give back more than \$200,000. In order to coordinate this side of the business, Melaine has taken on the role of Business Development Officer and is doing a great job. Working in an organisation that gives so much back to the community gives me a huge amount of pride and makes coming to work each day very enjoyable.

I must not forget Simone who is employed to assist the Board with all the reporting, preparation of financial statements and other shareholder matters that are needed to meet the various statutory requirements. Simone works behind the scenes but her input makes a valuable contribution.

We receive tremendous support from our partners Bendigo and Adelaide bank Ltd in particular, our Regional Manager Alex Hughes and his team. A big thank you from me for this support and your interest in our continued success.

Finally I would like to thank the Board of Directors for all their support and contribution to the success of your company. They are fully committed to the success of Freshwater **Community Bank**® and whilst they are all volunteers, they work tirelessly in their various roles.

Our success is based on the support we receive from our customers and shareholders so I encourage any shareholders who are yet to set up their banking with Freshwater **Community Bank**® to visit us and receive a special banking experience.



Ken Ward
Branch Manager

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 2010.

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

Age: 55

Dentist

Chairman; Committee, Marketing, Audit,
Human Resources.

Interests in shares: 2,001

Garry Stanley Chadwick

Treasurer

Age: 64

Accountant/Company Director

Treasurer; Committee, Marketing, Audit

Interests in shares: 15,001

Ian John Greentree

Secretary

Age: 55

Business Consultant

Company Secretary; Committee, Audit,
Human Resources.

Interests in shares: 1,001

Ian Charles Joynson

Director

Age: 71

Retired Newsagent

Committee, Sponsorship

Interests in shares: 2,001

Bradley Raymond O'Connor

Director

Age: 51

Chief Executive Officer

Committee, Sponsorship

Interests in shares: 5,501

Martin Edwin Brook

Director

Age: 52

Pharmacist

Committee, Human Resources

Interests in shares: 2,001

Darren Grigor Jones

Director

Age: 62

Company Director

Committee, Human Resources

Interests in shares: 3,001

John Vaccaro

Director

Age: 48

Licensed Real Estate Professional

Committee, Marketing

Interest in shares: 501

Noela Rose Roberts

Director

Age: 59

Retired

Committee, Sponsorship

Interests in shares: 6,001

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

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

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.

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

Principal Activities

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

There has 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 2010	Year ended 30 June 2009
\$	\$
123,599	119,213

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 2010 was in the range \$90,000 to \$100,000 (plus superannuation).

Dividends

Dividends paid in the year

Year Ended 30 June 2010	
Cents	\$
8.00	55,445

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	
	<i>Eligible to Attend</i>	<i>Number Attended</i>
Ian John Greentree	12	12
Noela Rose Roberts	12	12
Trevor Leslie Sargeant	12	11
Ian Charles Joynson	12	11
Garry Stanley Chadwick	12	10
John Vaccaro	12	10
Martin Edwin Brook	12	9
Bradley Raymond O'Connor	12	8
Darren Grigor Jones	12 *	5 *

* Darren Grigor Jones attendance doesn't include the leave of absence granted for May and June 2010 for personal reasons

The Board has 6 sub-committees: Audit, Sponsorship, Operations & Human Resource, Building, Strategic Planning and Marketing. All sub-committees have elected directors who meet on a regular, or as needs, basis and present reports/recommendations to the monthly board meetings where required. As well directors have an informal monthly breakfast meeting and a 2 day strategic planning meeting with staff.

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.

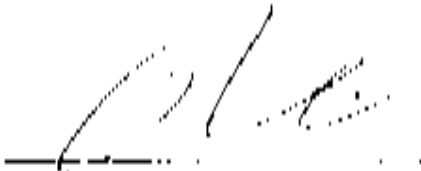
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- 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.

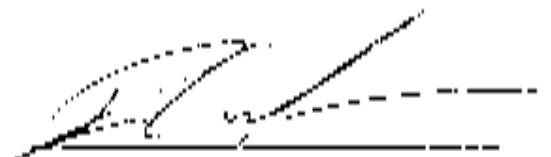
Auditors' Independence Declaration

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 20 September 2010.



Trevor Leslie Sargent, Chairman



Ian John Greentree, Director

**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 2010 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 audit.



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

Dated this 29th day of September 2010

Harbord Financial Services Limited
ABN 25 097 282 525
Statement of Comprehensive Income
for the Year Ended 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
Revenues from ordinary activities	4	1,297,349	1,080,357
Employee benefits expense		(545,848)	(447,611)
Charitable donations, sponsorship, advertising and promotion		(222,375)	(183,274)
Occupancy and associated costs		(114,568)	(111,055)
Systems costs		(24,733)	(25,025)
Depreciation and amortisation expense	5	(24,950)	(32,942)
Finance costs	5	-	(91)
General administration expenses		(191,178)	(141,895)
Profit before income tax expense		173,697	138,464
Income tax expense	6	(50,098)	(19,251)
Profit after income tax expense		123,599	119,213
Total comprehensive income for the year		123,599	119,213
Earnings per share (cents per share)		c	c
- basic for profit for the year	21	17.83	17.20
- dividends paid per share	20	8	10

The accompanying notes form part of these financial statements

Harbord Financial Services Limited
ABN 25 097 282 525
Balance Sheet
as at 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	512,014	437,726
Current tax assets	11	-	37,556
Trade and other receivables	8	139,443	129,214
Shares in Listed Companies		5,000	-
Total Current Assets		<u>656,457</u>	<u>604,496</u>
Non-Current Assets			
Property, plant and equipment	9	188,610	93,998
Intangible assets	10	20,000	30,000
Deferred tax assets	11	19,129	15,245
Total Non-Current Assets		<u>227,739</u>	<u>139,243</u>
Total Assets		<u>884,196</u>	<u>743,739</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	12	71,743	44,408
Current tax liabilities	11	23,982	-
Provisions	13	40,547	38,569
Total Current Liabilities		<u>136,272</u>	<u>82,977</u>
Non-Current Liabilities			
Provisions	13	35,130	16,122
Total Non-Current Liabilities		<u>35,130</u>	<u>16,122</u>
Total Liabilities		<u>171,402</u>	<u>99,099</u>
Net Assets		<u>712,794</u>	<u>644,640</u>
Equity			
Issued capital	14	613,376	613,376
Retained earnings	15	99,418	31,264
Total Equity		<u>712,794</u>	<u>644,640</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 2010

	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2008	<u>613,376</u>	<u>(18,643)</u>	<u>594,733</u>
Total comprehensive income for the year	<u>-</u>	<u>119,213</u>	<u>119,213</u>
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(69,306)	(69,306)
	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 30 June 2009	<u><u>613,376</u></u>	<u><u>31,264</u></u>	<u><u>644,640</u></u>
 Balance at 1 July 2009	 <u>613,376</u>	 <u>31,264</u>	 <u>644,640</u>
Total comprehensive income for the year	<u>-</u>	<u>123,599</u>	<u>123,599</u>
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(55,445)	(55,445)
	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 30 June 2010	<u><u>613,376</u></u>	<u><u>99,418</u></u>	<u><u>712,794</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 2010

	<u>Notes</u>	2010 \$	2009 \$
Cash Flows From Operating Activities			
Receipts from customers		1,177,718	1,135,618
Payments to suppliers and employees		(963,683)	(1,010,819)
Interest received		22,704	37,651
Income tax refund		37,556	-
Income taxes paid		(30,000)	(153,283)
Net cash provided by operating activities	16	<u>244,295</u>	<u>9,167</u>
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(109,562)	(17,939)
Payments for shares in listed companies		(5,000)	-
Net cash used in investing activities		<u>(114,562)</u>	<u>(17,939)</u>
Cash Flows From Financing Activities			
Dividends paid		(55,445)	(69,306)
Net cash used in financing activities		<u>(55,445)</u>	<u>(69,306)</u>
Net increase/(decrease) in cash held		74,288	(78,078)
Cash and cash equivalents at the beginning of the financial year		437,726	515,804
Cash and cash equivalents at the end of the financial year	7(a)	<u><u>512,014</u></u>	<u><u>437,726</u></u>

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 Year Ended 30 June 2010

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, other authoritative pronouncements of the Australian Accounting Standard Boards, and the Corporations Act 2001.

Compliance with IFRS

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

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.

Financial statement presentation

The company has applied revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The company has elected to present all items of income and expense recognised in the period in a single statement of comprehensive income.

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.

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 Freshwater, NSW.

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

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

Harbord Financial Services Limited
ABN 25 097 282 525
Notes to the Financial Statements
for the Year Ended 30 June 2010

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

Bendigo Bank 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).

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).

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.

Harbord Financial Services Limited
ABN 25 097 282 525
Notes to the Financial Statements
for the Year Ended 30 June 2010

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

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.

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.

Harbord Financial Services Limited
ABN 25 097 282 525
Notes to the Financial Statements
for the Year Ended 30 June 2010

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

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.

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.

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.

Harbord Financial Services Limited
ABN 25 097 282 525
Notes to the Financial Statements
for the Year Ended 30 June 2010

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

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.

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.

Harbord Financial Services Limited
ABN 25 097 282 525
Notes to the Financial Statements
for the Year Ended 30 June 2010

Note 2. Financial Risk Management (*continued*)

(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.

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 2010 can be seen in the statement of comprehensive income.

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

Harbord Financial Services Limited
ABN 25 097 282 525
Notes to the Financial Statements
for the Year Ended 30 June 2010

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.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

Harbord Financial Services Limited
ABN 25 097 282 525
Notes to the Financial Statements
for the Year Ended 30 June 2010

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.

	2010	2009
	\$	\$
Note 4. Revenue from Ordinary Activities		
Operating activities:		
- services commissions	1,270,125	1,033,112
- other revenue	4,520	1,500
Total revenue from operating activities	<u>1,274,645</u>	<u>1,034,612</u>
Non-operating activities:		
- interest received	22,704	45,745
Total revenue from non-operating activities	<u>22,704</u>	<u>45,745</u>
Total revenues from ordinary activities	<u><u>1,297,349</u></u>	<u><u>1,080,357</u></u>
Note 5. Expenses		
Depreciation of non-current assets:		
- plant and equipment	4,916	8,577
- leasehold improvements	10,034	14,365
Amortisation of non-current assets:		
- franchise agreement	10,000	10,000
	<u>24,950</u>	<u>32,942</u>
Finance costs:		
- interest paid	<u>-</u>	<u>91</u>
Bad debts	<u>1,091</u>	<u>3,130</u>

Harbord Financial Services Limited
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Notes to the Financial Statements
for the Year Ended 30 June 2010

	2010	2009
	\$	\$
Note 6. Income Tax Expense/Credit		
The components of tax expense comprise:		
- Current tax	53,981	34,496
- Movement in deferred tax	(3,883)	(15,245)
	<u>50,098</u>	<u>19,251</u>

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

Operating profit	173,697	138,464
Prima facie tax on profit from ordinary activities at 30%	52,109	41,539
Add tax effect of:		
- non-deductible expenses	3,120	3,344
- timing difference expenses	3,884	(5,606)
- other deductible expenses	(5,132)	(4,781)
	<u>53,981</u>	<u>34,496</u>
Movement in deferred tax	11 (3,883)	(15,245)
	<u>50,098</u>	<u>19,251</u>

Note 7. Cash and Cash Equivalents

Cash at bank and on hand	138,529	65,602
Term deposits	373,485	372,124
	<u>512,014</u>	<u>437,726</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	138,529	65,602
Term deposits	373,485	372,124
	<u>512,014</u>	<u>437,726</u>

Note 8. Trade and Other Receivables

Trade receivables	113,976	113,477
Other receivables & accruals	9,836	8,094
Prepayments	15,631	7,643
	<u>139,443</u>	<u>129,214</u>

Harbord Financial Services Limited
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Notes to the Financial Statements
for the Year Ended 30 June 2010

	2010	2009
	\$	\$
Note 9. Property, Plant and Equipment		
<u>Plant and equipment</u>		
At cost	90,077	54,491
Less accumulated depreciation	(50,072)	(45,156)
	<u>40,005</u>	<u>9,335</u>
 <u>Leasehold improvements</u>		
At cost	275,970	201,994
Less accumulated depreciation	(127,365)	(117,331)
	<u>148,605</u>	<u>84,663</u>
 Total written down amount	<u>188,610</u>	<u>93,998</u>
 Movements in carrying amounts:		
<u>Plant and equipment</u>		
Carrying amount at beginning	9,335	17,058
Additions	35,587	854
Less: depreciation expense	(4,917)	(8,577)
 Carrying amount at end	<u>40,005</u>	<u>9,335</u>
 <u>Leasehold improvements</u>		
Carrying amount at beginning	84,663	87,155
Additions	73,976	17,083
Disposals	-	(5,210)
Less: depreciation expense	(10,034)	(14,365)
 Carrying amount at end	<u>148,605</u>	<u>84,663</u>
 Total written down amount	<u>188,610</u>	<u>93,998</u>
 Note 10. Intangible Assets		
<u>Franchise fee</u>		
At cost	100,000	100,000
Less: accumulated amortisation	(80,000)	(70,000)
 Total written down amount	<u>20,000</u>	<u>30,000</u>

Harbord Financial Services Limited
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Notes to the Financial Statements
for the Year Ended 30 June 2010

	2010	2009
	\$	\$
Note 11. Tax		
Current:		
Income tax payable	<u>23,982</u>	<u>-</u>
Non-Current:		
<u>Deferred tax assets</u>		
- employee provisions	<u>26,072</u>	<u>19,966</u>
<u>Deferred tax liability</u>		
- accruals	2,253	2,428
- deductible prepayments	<u>4,690</u>	<u>2,293</u>
	<u>6,943</u>	<u>4,721</u>
Net deferred tax asset	<u>19,129</u>	<u>15,245</u>
Movement in deferred tax charged to statement of comprehensive income	<u>(3,883)</u>	<u>(15,245)</u>
Note 12. Trade and Other Payables		
Trade creditors	10,013	40,732
Other creditors & accruals	61,730	3,676
	<u>71,743</u>	<u>44,408</u>
Note 13. Provisions		
Current:		
Provision for annual leave	<u>40,547</u>	<u>38,569</u>
Non-Current:		
Provision for long service leave	<u>35,130</u>	<u>16,122</u>
Number of employees at year end	<u>9</u>	<u>8</u>

Harbord Financial Services Limited
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Notes to the Financial Statements
for the Year Ended 30 June 2010

Note 14. Contributed Equity	2010	2009
	\$	\$
693,059 Ordinary shares fully paid (2009: 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.

Harbord Financial Services Limited
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Notes to the Financial Statements
for the Year Ended 30 June 2010

Note 14. Contributed Equity (*continued*)

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 416 shareholders.

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

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

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

Note 15. Retained Earnings

	2010	2009
	\$	\$
Balance at the beginning of the financial year	31,264	(18,643)
Net profit from ordinary activities after income tax	123,599	119,213
Dividends paid or provided for	(55,445)	(69,306)
Balance at the end of the financial year	<u>99,418</u>	<u>31,264</u>

Harbord Financial Services Limited
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Notes to the Financial Statements
for the Year Ended 30 June 2010

	2010	2009
	\$	\$
Note 16. 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	123,599	119,213
Non cash items:		
- depreciation	14,950	22,942
- amortisation	10,000	10,000
- loss on disposal of fixed asset	-	5,210
Changes in assets and liabilities:		
- increase in receivables	(10,229)	(62,404)
- (increase)/decrease in other assets	57,654	(15,245)
- increase/(decrease) in payables	27,335	(77,210)
-increase in provisions	20,986	6,661
Net cashflows provided by operating activities	<u>244,295</u>	<u>9,167</u>

Note 17. 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	86,280	83,350
- between 12 months and 5 years	81,400	167,680
- greater than 5 years	-	-
	<u>167,680</u>	<u>251,030</u>

The business premises lease is a non-cancellable lease with a 5-year term, with rent payable monthly in advance.

Note 18. Auditors' Remuneration

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

- audit & review services	3,000	4,800
- non audit services	9,922	-
	<u>12,922</u>	<u>4,800</u>

Harbord Financial Services Limited
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Notes to the Financial Statements
for the Year Ended 30 June 2010

Note 19. Director and Related Party Disclosures

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

Ian John Greentree
 Noela Rose Roberts
 Trevor Leslie Sargeant
 Ian Charles Joynson
 Garry Stanley Chadwick
 John Vaccaro
 Martin Edwin Brook
 Bradley Raymond O'Connor
 Darren Grigor Jones

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	<u>2010</u>	<u>2009</u>
Trevor Leslie Sargeant	2,001	2,001
Garry Stanley Chadwick	15,001	15,001
Ian John Greentree	1,001	1,001
Ian Charles Joynson	2,001	2,001
Bradley Raymond O'Connor	5,501	5,501
Martin Edwin Brook	2,001	2,001
Darren Grigor Jones	3,001	3,001
John Vaccaro	501	501
Noela Rose Roberts	6,001	6,001

There was no movement in directors shareholdings during the year.

Note 20. Dividends Paid or Provided

	<u>2010</u>	<u>2009</u>
	\$	\$
a. Dividends paid during the year		
Current year interim dividend		
100% (2009: 100%) franked dividend - 8 cents (2009: 10 cents) per share	<u>55,445</u>	<u>69,268</u>
b. Dividends proposed and not recognised as a liability		
Current year final dividend		
Nil% (2009: 100%) franked dividend - Nil cents (2009: 8 cents) per share	<u>-</u>	<u>55,445</u>

The tax rate at which dividends have been franked is 30% (2009: 30%).

Harbord Financial Services Limited
ABN 25 097 282 525
Notes to the Financial Statements
for the Year Ended 30 June 2010

Note 21. Earnings Per Share	2010	2009
	\$	\$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	123,599	119,213
	<u>Number</u>	<u>Number</u>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	693,059	693,059

Note 22. 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 23. Contingent Liabilities

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

Note 24. Segment Reporting

The economic entity operates in the service sector where it facilitates community banking services in Freshwater, NSW, pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 25. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office
20 Albert Street
Freshwater NSW 2096

Principal Place of Business
20 Albert Street
Freshwater NSW 2096

Harbord Financial Services Limited
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Notes to the Financial Statements for the Year Ended 30 June 2010

Note 26. 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					
	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 %	2009 %
Financial Assets												
Cash and cash equivalents	138,229	65,501			-	-	-	-	300	300	5.04	4.86
Receivables	-	-			-	-	-	-	139,443	129,214	N/A	N/A
Financial Liabilities												
Payables	-	-			-	-	-	-	71,743	44,408	N/A	N/A

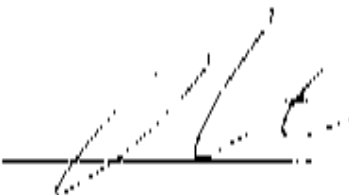
Harbord Financial Services Limited
ABN 25 087 282 525
Directors' Declaration

In accordance with a resolution of the directors of Harbord Financial Services Limited, we state that

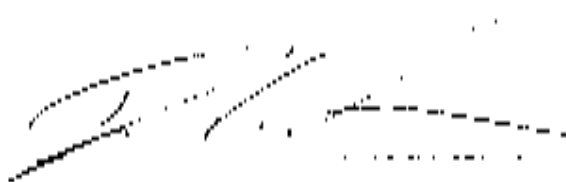
In the opinion of the directors

- (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 2010 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 AASB174 Related Party Disclosures and the Corporations Regulations 2001

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



Trevor Leslie Sargeant, Chairman



Ian John Greentree, Director

Signed on the 29th of September 2010

INDEPENDENT AUDITOR'S REPORT

To the members of Harbor Financial Services Limited

We have audited the accompanying financial report of Harbor Financial Services Limited, which comprises the balance sheet as at 30 June 2010, 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 (including the Australian Accounting Interpretations) 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 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:

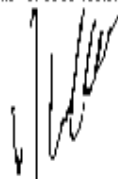
- 1) The financial report of Harbor Financial Services Limited is in accordance with the Corporations Act 2001 including giving a true and fair view of the company's financial position as at 30 June 2010 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 2010. 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 Harbor Financial Services Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.



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

Dated this 29th day of September 2010

BSX report

Registered Office and Principal Administrative Office

The registered office of the company is located at:

20 Albert Street
FRESHWATER NSW 2096
Telephone: 9939 6744

The principal administrative office of the company is located at:

20 Albert Street
FRESHWATER NSW 2096
Telephone: 9939 6744

Share information

In accordance with Bendigo Stock Exchange listing rules the company provides the following information as at 29 September 2010, which is within six weeks of this report being sent to shareholders.

The following table shows the number of shareholders, broken into various categories showing the total number of shares held.

Number of Shares held	Number of shareholders
1 – 1000	276
1,001 – 5,000	134
5,001 – 10,000	5
10,001 – 100,000	1
101,000 and over	00
Total	416

Each of the above shareholders are entitled to one vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than five per cent of voting rights) as each shareholder is entitled to one vote. Normally holding more than five per cent of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the company.

There are 12 shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary fully paid to \$1 per share. There are no unquoted equity securities.

The following table which is required to show the 10 largest shareholders are represented by 59 shareholders as 53 shareholders have 5,000 shares .

Shareholder	Number of Shares	Percentage of Capital
TOOROOKA ENTERPRISES PTY LTD	12,000	1.73%
BRETROE PTY LTD		
<JOHN THORPE & PATRICIA KING SUPERANNUATION FUND A/C>	10,000	1.44%
SANTOSHA SUPERANNUATION FUND PTY LTD		
<SANTOSHA SUPER FUND A/C>	6,231	0.90%
MR PHILLIP ROHAN MARSH	6,000	0.87%
WINPAR HOLDINGS LIMITED	6,000	0.87%
MRS NOELA ROSE ROBERTS	5,001	0.72%
MRS MARGARET LOUISE STAAS	5,000	0.72%
MR HARRY S BEDIKIAN	5,000	0.72%
MRS MARGARET KATHLEEN HUCKLE & MR ROBERT CHARLES HUCKLE	5,000	0.72%
MRS SUSAN B MORGAN & MR MICHAEL MORGAN	5,000	0.72%
ESTATE LATE NORRIE Q JONES & SUSAN MORGAN	5,000	0.72%
KEELPIN PTY LTD<SUPER FUND A/C>	5,000	0.72%
PETER GARD & JOY GARD<GARD FAMILY SUPER FUND A/C>	5,000	0.72%
SCOTT ALLEN SMITH	5,000	0.72%
GOLONG INVESTMENT PTY LTD	5,000	0.72%
MR WILLIAM ARCHIBALD TUESLEY & MRS BETTY JOYCE TUESLEY	5,000	0.72%
MR IAN GEOFFREY KIRK<KIRK FAMILY CHILDREN A/C>	5,000	0.72%
MR GUNTHER BIRK & MRS HELEN LOUISE BIRK	5,000	0.72%
MR ROBERT ANTHONY WALKER	5,000	0.72%
GRAHAM RIGONI & JULIE RIGONI	5,000	0.72%
MR ANDRO TOMICH & MRS LAURA TOMICH	5,000	0.72%
MR NEIL MICHAEL CRUMMY	5,000	0.72%
MRS MARTHA JANE CRUMMY	5,000	0.72%
WHITE CAPERS PTY LTD	5,000	0.72%
MR LEIGH GERARD SIMON	5,000	0.72%
MR RONALD VINCENT SPLATT & MRS LESLEY SPLATT	5,000	0.72%
BMP CONSULTING PTY LTD	5,000	0.72%
GSC INVESTMENT SERVICES P/L	5,000	0.72%
GSC INVESTMENT SERVICES P/L<SUPERANNUATION FUND A/C>	5,000	0.72%
ESTATE LATE JAN CHADWICK	5,000	0.72%
REX MCLAREN MAILMAN & NONA MARJORY MAILMAN	5,000	0.72%
MR ROSS ALAN DALGLEISH & MRS MARIE THERESE DALGLEISH	5,000	0.72%
MRS DARIEN WISE	5,000	0.72%
BILL MESSENGER	5,000	0.72%
MR ALAN GOURLAY	5,000	0.72%
MRS KAREN LOUISE GOURLAY	5,000	0.72%
ANTHONY TIBBLES & GWEN TIBBLES	5,000	0.72%
CENTRE FOR HEALTH PROMOTION & RESEARCH PTY LTD	5,000	0.72%
MRS SUTCHADA HEATON	5,000	0.72%
MR BRADLEY O'CONNOR	5,000	0.72%
MRS SUSAN JANE MARTIN	5,000	0.72%
MR STEFAN WILLIAMS & MS JANELLE WILLIAMS	5,000	0.72%
GARETH PUGH JONES	5,000	0.72%
SONJA EKSTEIN	5,000	0.72%
ALEC LAZICH & JOAN LAZICH	5,000	0.72%
MRS HELEN ELIZABETH CRUMP	5,000	0.72%
KARL MAX KOLLER	5,000	0.72%

MR DOUGLAS HAMILTON NORTH	5,000	0.72%
MRS DEIRDRE CHAMBERS	5,000	0.72%
MR FRANK NOBLE	5,000	0.72%
BARRY AUSTIN JONES & IMELDA CLAIRE JONES	5,000	0.72%
MRS PATRICIA ELLEN HORTON	5,000	0.72%
MR TREVOR MARK HORTON	5,000	0.72%
KEN SPARKS<SUPERANNUATION FUND A/C>	5,000	0.72%
MERSQUAD INVESTMENTS PTY LTD		
<HARBORD GROWERS MARKET A/C>	5,000	0.72%
MR RICHARD GRANVILLE WRAY	5,000	0.72%
MS ANN NOREEN RICHARDS	5,000	0.72%
JOHN FREDERICK ROBERTS	5,000	0.72%
SYLVIA MAY MORTON	5,000	0.72%
Total number of shares and percentage	310,232	44.76%

Security Register

The Security register (share register) is kept at:

AFS & Associates Postal Address:
61 – 65 Bull Street, PO BOX 454
BENDIGO VIC 3550 BENDIGO VIC 3552
Telephone: 03 – 5443 5304

Company Secretary

Ian Greentree has been the company secretary of Harbord Financial Services Ltd for 5 years. Ian's qualifications and experience include:

- Diploma in Law admitted as a Solicitor to the Supreme Court of NSW
- Associate Diploma in Accounting member of National Institute of Accountants
- Associated Chartered Secretaries Australia
- Previous Assistant Company Secretary of Advance Bank Australia Limited.

Corporate Governance

The Company has implemented various corporate practices, which include:

- a) The establishment of an audit committee. Members of the audit committee are Trevor Sargeant, Ian Greentree, Garry Chadwick
- b) Director approval of operating budgets and monitoring of progress against these budgets;
- c) Ongoing Director training;
- d) Monthly Director meetings to discuss performance and strategic plans.

Annexure 3A

There are no material differences between the information in the company's Annexure 3A and the information in the financial documents in its annual report.

2009-2010 Sponsorship and related Advertising

Name of Recipient	Purpose for	Amount
Adam Hennessey / Northern Beaches Surfing	Sponsorship 2010 - "Harbord Community Bank Pro Am Surfing Event"	\$5,000.00
Boleh Logo Pty Ltd	2 x new marquee tents for Community use	\$2,070.00
Club Weldon Inc	Fundraising dinner & advertising in Dinner program	\$2,900.00
Curl Curl Amateur Swim Club	Sponsorship 2010 - Shirts	\$750.00
Curly Sound Waves	Sponsorship 2009 -Corporate sponsor & VIP tickets	\$2,250.00
Dee Why Lions Rugby Union Club	Sponsorship 2009-2010 - jersey's	\$2,273.00
Freshwater Amateur Swimming Club	Sponsorship 2009-2010 - equipment	\$750.00
Freshwater Christmas Carols	Sponsorship 2009	\$400.00
Freshwater Fair	Sponsorship 2010	\$10,000.00
Freshwater Festival of Chamber Music	Sponsorship 2010 & Cocktail party	\$5,200.00
Freshwater Senior Campus	Sponsorship 2009 Manager & Principal Awards	\$5,160.00
Freshwater SLSC	Sponsorship 2009-2010	\$10,000.00
Harbord Bowling Club	Sponsorship "Harbord Open Triples" tournament	\$8,000.00
Harbord Devils Cricket Club	Sponsorship 2009	\$2,000.00
Harbord Frigid Frogs	Sponsorship 2010	\$2,000.00
Harbord Harlequins	Sponsorship 2009-2010 & Black Tie Dinner	\$3,220.00
Harbord Kindergarten	Sponsorship 50th Birthday	\$200.00
Harbord Public School	Sponsor 2009/2010 Trivia night, Maths Award, Staff Development Day	\$11,350.00
Harbord Scout Group - 1st & 2nd	Sponsorship 2009-2010 Canoes with signage	\$2,363.00
Harbord Seaside United Football Club	Sponsorship 2010	\$4,908.00
Harbord United Junior Rugby League FC	Sponsorship 2010	\$2,000.00
Harbord Women's Bowling Club	Sponsorship 2009 Carnival Day	\$250.00
LifeLine Northern Beaches	Sponsorship Golf Day	\$650.00
Manly Allambie Football Club	Sponsorship 2008, 2009, 2010	\$1,200.00
Manly Bombers J AFC	Sponsorship 2010	\$2,000.00
Manly Croquet Club	Sponsorship - Seabreeze Tournament	\$750.00
Manly Mosman Parkinson's Support Group	Sponsorship Christmas dinner	\$200.00
Manly Seaside Baseball Club	Sponsorship 2009 - 2010 season	\$1,000.00
Manly Warringah Avicultural Society	Sponsorship 2010 Annual show	\$500.00
Manly Warringah Netball Association	Sponsorship 2010	\$18,182.00
Manly Wolves AFL	Sponsorship 2010 Local Business Sponsor	\$1,500.00
Manly Young Artists Exhibition 2009	Sponsorship 2009 Exhibition	\$455.00
North Curl Curl Knights Junior RLFC	Sponsorship 2010	\$1,500.00
North Curl Curl SLSC	Sponsorship 2009-2010	\$10,000.00
North Curl Curl SLSC 3 Point Challenge race	Sponsorship 2009	\$8,900.00
Northern Beaches Youth Orchestra	Sponsorship 2009-2010	\$10,000.00
Northside Budgerigar Society of NSW	Sponsorship 2010 Annual show	\$454.00
South Curl Curl SLSC	Sponsorship of CPR courses & Ocean Swim	\$2,785.00
South Curl Curl SLSC	Sponsorship 2009-2010	\$10,000.00
St Augustine's College	Sponsorship 2009 Piano competition	\$2,000.00
St John's the Baptist School	Sponsorship 2009 Spring Fair	\$2,500.00
St Luke's Grammar School	Sponsorship 2009 Spring Fair & Annual Golf Day	\$1,595.00
St Mark's Church	Supply of sunshades for food hamper & toy collection for Christmas	\$129.00
Sydney Multicultural Festival Manly Vale Calabria Bowling Sport & Social Club	Sydney Multicultural Festival 2010 Event Major sponsor	\$20,000.00
Valley United RLFC	Sponsorship 2009 Inaugural Kane Mason Members Day & 2010 season sponsor	\$2,413.00
Warringah Council Art Exhibition	2010 "Harbord Community Bank Bendigo Bank People's Choice Award"	\$1,250.00
Warringah Softball Club	Sponsorship 2009-2010	\$470.00
World Masters Games	Sponsorship Softball team	\$580.00
TOTAL		\$184,057.00

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

Freshwater
Community Bank®
Branch



HARBORD FINANCIAL SERVICES LIMITED ACN: 097 282 525
20 Albert Street, Freshwater NSW 2096 PH: (02) 9939 6744
www.harbordfinancialservices.com.au

