



annual report 2012

Harbord Financial Services Limited

ABN 25 097 282 525

Freshwater **Community Bank®** Branch of Bendigo Bank

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Sponsorship 2011/2012 listing inside back cover

From the beginning there was strong support for Freshwater **Community Bank**[®]



Community banking on new Harbord branch

The Harbord Community Bank's first customers queued outside the bank's temporary premises and then opened accounts during its first day of trading yesterday in the former Commonwealth Bank branch building. Harbord Community Bank Board committee spokesman Trevor Sargeant said it was a very positive response. "There were queues all day with people making inquiries about lending and business loans and also opening accounts," he said. The bank will move to its true home, the site of the former Westpac bank branch, on June 7.

One of our very first customers opens her new account with Customer Service Officer, Bronwyn Mullins.

"On 19th July 2002 I wrote my first cheque on Bendigo Harbord [Freshwater Community Bank], following a change from one of the major [banks] who had no idea what our company did following a change of personal bankers. Over the last ten years I have had no reason to regret my decision, [Freshwater Community Bank] have exceeded our expectations in every way."

Dominic White
Mitre 10 North Manly



(Above) MP Tony Abbott addresses the audience at our branch opening, June 15th 2002;

(Far Right) Ian Joynson was the main driving force in the creation of the Bank. Pictured with his wife Fay, Ian recently stepped down as a Director, but still contributes as an Ambassador for the Branch;

(Right) Trevor Sargeant who has been Chairman for the entire life of the Bank has recently stepped down but remains a Director on the Board.



In 2002 the doors of then, Harbord Community Bank[®] Branch of Bendigo Bank, opened to the public. Ten years on and the Branch is still an invaluable service to the community

Freshwater Community Bank® started delivering funds into the community



Sponsorship funding has provided all 3 local Surf Life Saving Clubs with new IRB rescue boats

“Freshwater Community Bank have been a major supporter of our organisation for a number of years now, providing significant sponsorship and support, [funding] the procurement and maintenance of a fully equipped IRB. Their support has helped us to provide ongoing training to club members and the general public by way of First Aid and other resuscitation courses.”

Louis Tassone
North Curl Curl SLSC



Our Staff and Directors support local businesses and their own fundraising efforts



Many local schools receive sponsorship funding for new facilities and award programs.



By late 2003 and early 2004, Freshwater Community Bank® began the process of delivering funding back into the local area as part of the Community Bank philosophy

Many local organisations have benefitted from our Annual Grants Program



1st/2nd Harbord Scouts used sponsorship funding to purchase news canoes.



Harbord Devils Cricket have been receiving ongoing support for their In2Cricket Program.

“1st/2nd Harbord Scout Group are incredibly grateful for the generous sponsorship extended to our rapidly expanding cub and scout community. We feel privileged to be on their list of recipients and we enthusiastically encourage all locals to support this amazing community asset.”

**Kathy Wesson
1st/2nd Harbord Scouts**

Our local Neighbourhood Watch Team celebrating 25 years.



Many organisations profited as a result of this investment back into the community. Local groups could afford to reach more members and stronger partnerships were formed.

We shared our success with our investors and the local area



Freshwater **Community Bank**[®] celebrated it's 5th birthday in 2007.



It was time to celebrate with our shareholders, local businesses and sponsored clubs.



The Bank was able to co-fund with Warringah Council new play equipment for Jacka Park.



“Valley United has been supported by Freshwater Community Bank for over 8 years. One of the main areas of support came with a large contribution to the new amenities block at Harbord Park. Without the bank's support this would never have been possible.”

Peter Kelly
Valley United JRLFC

Funding was provided to local rugby league clubs to assist with the rebuilding of the amenities block at Harbord Park.



In 2005 we were able to pay a share dividend to our shareholders who had originally invested in the Bank. Local infrastructure was improved to the benefit of the whole community.

Chairman's Report for year ended 30th June 2012

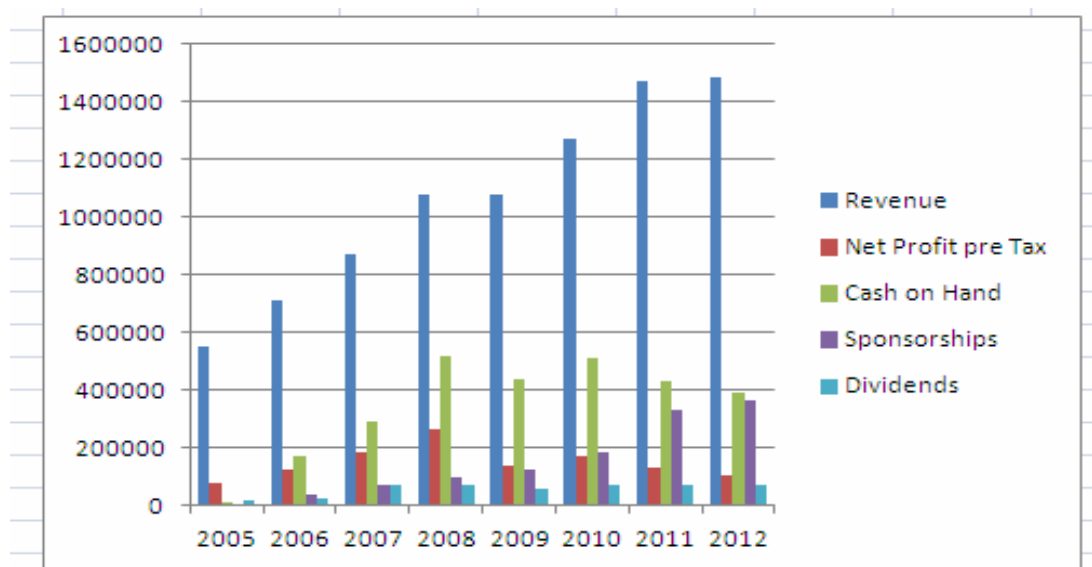
This is the last year I shall have the privilege to report to you as Chairman, however I do remain on the Board. It is my pleasure to report on the continued success of Harbord Financial Services Limited (HFSL) for the year ended 30th June 2012.

Operating Results

Once again we have exceeded our budget in income, despite continued uncertainty here and overseas, and kept our costs under control. This enabled us to distribute additional funds by way of sponsorships in accordance with our charter, effectively reducing our tax liabilities for this year.

Revenue from ordinary activities increased from \$1,469,622 to \$1,482,724 after the full impact of the Bendigo and Adelaide Bank Limited "Restoring the Balance" strategy that began in April 2011 was felt for a whole year. With the anticipated normal increase in costs, and the increase in Sponsorships to \$364,054 from \$329,792 inclusive of Foundation contribution that year, the profit before tax reduced to \$101,116 from \$128,724 in 2011. This has seen cash assets decrease marginally.

The chart below tracks our wonderful progress from the days when we became profitable and delivered our first dividend.



Dividend Payment

Your Directors again approved a franked dividend this year of 10 cents per share (last year 10 cents) which will be paid in February 2013.

Our Competitive Advantage – Our Community Involvement

This year we have seen a further increase in sponsorships and grants including various partnerships with Warringah Council (see graph above) Details of these amounts are listed on the inside back page of this report.

We see this element of our business as the primary focus of HFSL after satisfying our loyal Shareholders who continue to benefit with dividends more than comparable with much larger companies than ours.

The success of your Company is complimented by the business brought to it by the sponsored organisations we in turn support. You might say it is a “win win” situation.

Stock Exchange Change to Low Volume Market 2013

We are advised that shares that are not regularly traded can reflect a low share value. Also there is a significant cost in maintaining a listing on the National Stock Exchange of Australia (NSX). For these reasons we feel it prudent to enter the Low Volume Market as soon as the NSW State Government abolishes Duty on the transfer of unlisted shares (anticipated in July 2013). The process then becomes simple for the Shareholder who advises us directly indicating the price for which they wish to sell, and we match that with offers from potential buyers. The transaction is handled by HFSL but is strictly regulated by ASIC. We feel that in this way we can save money and do our best for our devoted Shareholders. We have included a motion on the Agenda and recommend it to Shareholders.

Directorship and Ambassadorship Changes

Ian Joynson, a founding Director and Brad O'Connor step down this year as Directors but stay on as Ambassadors. Ian has been a driving force in the Bank and his input will be sorely missed at Board level. I would once again like to thank him for his vision for starting our Community Bank Branch®

In their place we welcome our recent additions to the board of Denise Goldstein and Peter Harley who will be put forward to you at the AGM for election.

At the risk of repeating myself I must again say the voluntary efforts of all our Directors helps to make our Company an exciting and stimulating place. Without their passion and commitment, I doubt the Freshwater Community Bank Branch® would continue to be the great success it is.

The Directors met monthly during the year with the exception of January 2012 as well as attending many other Committee meetings. We only had 6 Directors as at 30 June which means only two Directors (1/3) will be retiring by rotation this year who are John Vaccaro and Noela Roberts.

The Ambassador program has been very successful in providing additional voluntary assistance and expertise recently and we have been very fortunate in attracting three new ambassadors: Michael Regan, our re-elected Mayor of Warringah; Kevin Abrahamson, from Manly is a recently retired Director from Bendigo and Adelaide Bank Limited; and Tony Bevan, who for many years was Westpac Bank Manager at Collaroy; who will strengthen our team. Of course we still have Ian Joynson, Brad O'Connor and Tom Guy, a former Youth Observer. Tom is now studying Law at Macquarie University. Already we have seen positive input from all these well credentialed professionals, and look forward to further contributions in the future. It is our goal to have a number of Ambassadors that will build our director succession plan.

Our Youth Observer Program has also seen all participants make worthwhile contributions. Mackellar Girls students Sophie Morton and Lana Remin spent their entire Easter holidays filming and editing a professional 10 minute DVD for our 10 year Celebrations. Tom Dinneen from St Augustine's organised a Marketing program for his tennis club and Andrew Iles created a Surf Calendar which he sold with the proceeds being donated to Bear Cottage. We have been really impressed with their enthusiasm and thank them for their commitment all year.

Acknowledging Staff and others

Once again I thank our Manager Sandy, and staff Helen, Angela, Su-Ellen, Kerry, Cheerie, Kasey, Melanie, Simone and Mariella, who has replaced Belinda, who are efficient, friendly and caring both to customers and the business alike. I would also like to thank our partners at Bendigo Bank.

We also wish to acknowledge our auditor David Hutchings and our accountants Leo and Jayde at AFS for their assistance and guidance in compliance issues and Rose managing our share registry.

Restoring the Balance Update

You may recall last year we advised you that in April 2011, a correction in fee income to restore equality of income between Bendigo and Adelaide Bank Limited and ourselves occurred. This adjustment was estimated to have reduced revenue by approximately \$72,000 during the financial year 2012. This has been the result of imbalances in deposit fund rates due to the GFC. It was expected that the problem would correct itself over time but meantime, a more complex “transfer pricing” mechanism has been designed to more accurately calculate this branch by branch. Unfortunately the problem has not gone away, in fact it has worsened. I must advise that a further correction has been signalled by Bendigo and Adelaide Bank Limited, and will take place in April 2013. It has been demonstrated to us that should the full effect be now passed on it will impact severely on our profit. We are hopeful that this second stage will see a softer transition of an amount similar to 2012, but we cannot be certain.

As a result we ask you to make every effort to encourage all those in your sphere of influence to bank with us so that we can continue to support the Community and our Shareholders at the current level.

In Conclusion.

On behalf of the Board I wish to thank you as Shareholders, for your loyalty and continued support. I have felt for some time that in the interests of good governance a change at the top was overdue but I do remain as a Director. Our Treasurer, Garry Chadwick who succeeds me, will bring a more structured approach to the business which I feel is appropriate for this time in the Company's life. Assisting Garry will be John Vaccaro who takes the position as Deputy Chairman.

We are also blessed with a number of new faces who bring excellent skills that I am sure will only enhance and strengthen this business over time. Of course we hope you will continue to be pro-active, spread the good news by telling our wonderful story and recommending our services to all your family and friends.

Should you wish to add further value to our great cause, we welcome applications for Ambassadorship. For further information of what is required we suggest you go to our website www.harbordfinancialservices.com.au

It is truly a pleasure to serve this great community.

I sincerely thank you for the privilege!!



Trevor Sargeant Chairman 2012

Manager's Report

I am very pleased to advise that results for this year were extremely pleasing with our Branch exceeding all targets in both lending and deposits as set by Bendigo and Adelaide Bank Limited. Our overall footings increased from \$141 million in 2011 to \$162 million for end of financial year 2012.

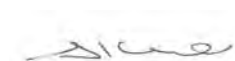
On June 15th we celebrated our 10 year Birthday with a Cocktail Party held at Freshwater Surf Life Saving Club for our Shareholders, Customers, and representatives of our sponsored organizations. We were delighted also to have present Tony Abbot, Local Federal Member and Leader of the Opposition, Mike Baird, Local State Member and State Treasurer, Michael Regan, Mayor of Warringah Council and Jean Hay, Mayor of Manly Council. We also celebrated our success with the Freshwater Community hosting a street fair on 16th September. With Council assistance we were able to close the street and invite local shopkeepers, sponsored organizations and local schools to participate in the day. The weather was on our side and it is estimated that over 10,000 people visited the fair on the day to enjoy local food, entertainment, rides and all that is wonderful about Freshwater. Both events were a great way to celebrate our achievements of the past 10 years. I would like to congratulate all our hard working Directors, Ambassadors and staff for their tireless dedication in making both these events a success both on the day and for their work many weeks prior.

Angela Moore also celebrated 10 years service with The Freshwater Community Bank® and we congratulate her on this milestone. Kasey Kaye has recently been recognized for her increased responsibilities with a position upgrade to Customer Relationship Officer. We are pleased to welcome two new staff members, Marielle Da Silva who comes to us from Spit Junction branch. Marielle is a local Freshwater resident and takes the position of part time Customer Service Officer. We also welcome William Thirsk as a Trainee Customer Service Officer under the State Training Program. Melanie Carson continues to manage and co-ordinate all of all Marketing and Sponsorship from the back office working closing with our sponsored organisations and Simmone Linay our Executive Assistant who assists Melanie and also plays an integral role supporting our Directors. This year we have been able to return \$452,605 of our profit back to this our Community. We do not forget Helen our Investment specialist, Su-Ellen, Cheerie and Kerryn who with the rest of the team play an important role in our overall success and I would like to thank all the staff for their support over the last 12 months.

I continue to receive valuable support from our Partners Bendigo and Adelaide Bank Ltd. I would specially like to thank Alex Hughes, Regional Manager, Michael Sims, Business Banking Manager, Chris Naylor, Retail Lending Manager, Donna Hawke, Group Credit Manager & all their supporting staff located at the State Office.

Of course Freshwater Community Bank® could not continue to grow & be successful without the selfless dedication of the volunteer board of Directors and Ambassadors who support me in my role of Branch Manager. I am eternally grateful for their continual assistance and guidance.

I am very proud to work for this organization and the ongoing contribution its makes to our Community and I also thank our shareholders and customers for their support.



Sandra Kleiner
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2012

Thanks to your support as shareholders the **Community Bank®** network has achieved a significant milestone this year, contributing more than \$80 million to support the communities these unique companies operate within.

This figure was almost unimaginable when the **Community Bank®** model was first launched in 1998, in partnership with the people from the small Victorian wheat farming towns of Rupanyup and Minyip. For these communities the **Community Bank®** model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. However, in the years since the **Community Bank®** model has become so much more.

In the past financial year a further 20 **Community Bank®** branches have opened, this growth is in-line with our forecast and consistent with what we have seen in recent years. Demand for the model remains strong and there are currently another 32 **Community Bank®** sites in development, with many more conversations happening with communities Australia wide.

At the end of the financial year 2011/12 the **Community Bank®** network had achieved the following:

- Returns to community – \$80 million
- **Community Bank®** branches – 295
- **Community Bank®** branch staff – more than 1,400
- **Community Bank®** branch Directors – 1,905
- Volume footings – \$21.75 billion
- Customers – 500,000
- Shareholders – 71,197
- Dividends paid to shareholders – \$28.8 million

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, so they can not only enhance banking services, but more importantly aggregate the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community.

In the past 14 years we have witnessed the **Community Bank®** network's returns to communities grow exponentially each year, with \$470,000 returned within the first five years, \$8.15 million within the first eight and \$22.58 million by the end of the first decade of operation.

Today that figure is an astonishing \$80 million and with the continued growth and popularity of the **Community Bank®** model, returns should top \$100 million by the end of 2013. These dollars add up to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco (telecommunications solution), sponsorships, scholarships and Community Enterprises that provide **Community Bank®** companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank®** company has a committed and strong partner and over the last financial year our company has also seen much success.

Bendigo and Adelaide Bank report (continued)

Last December, our Bank joined the ranks of Australia's A-rated banks following an upgrade announced by Standard & Poor's. Its decision to raise our long-term rating from BBB+ to A- means the Bank (and its **Community Bank®** partners) are now rated 'A' by all three of the world's leading credit rating agencies. This is a huge boost to the Bank and will allow us to access new funding opportunities. It will also enable our group to service supporters who were precluded from banking with us because we were not A rated.

The rating upgrade is a welcome boost for the Bank and its partners at a time when funding is expensive and likely to remain so, margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on our Bank's margin and as **Community Bank®** margin share is still in part based on fixed trails, this is continuing to reflect a skew in margin share between the Bank and its **Community Bank®** partners.

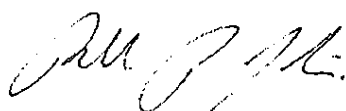
We've been working with the **Community Bank®** network to take action to reduce this imbalance (which is in favour of the **Community Bank®** partners) and see the share of revenue on core banking products closely aligned to the key principal of 50/50 revenue share. Recent market developments are challenging this goal, but the Bank and its partners remain committed to addressing this.

It's Bendigo and Adelaide Bank's vision to be Australia's leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank®** shareholders to support us as we work with our partners to deliver on our goals and ensure our sustained and shared success.

As **Community Bank®** shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about banking and the role it plays in modern society.

We thank you all for the part you play in driving this success.



Russell Jenkins
Executive Customer and Community

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, Fellow of Institute of Public 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	
	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>
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

Auditors' Independence Declaration

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

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



Trevor Leslie Sargeant, Chairman

Harbord Financial Services Limited
ABN 25 097 282 525
Auditor's Declaration



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.

A handwritten signature in black ink, appearing to read 'David Hutchings'.

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

Dated: 11 September 2012

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

P: (03) 5443 0344 F: (03) 5443 5304 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 afs@afsbendigo.com.au www.afsbendigo.com.au

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

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

	<u>Notes</u>	2012 \$	2011 \$
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)
Profit before income tax expense		101,116	128,274
Income tax expense	6	(19,554)	(36,701)
Profit after income tax expense		81,562	91,573
Total comprehensive income for the year		81,562	91,573
Earnings per share (cents per share)		<u>c</u>	<u>c</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 \$
ASSETS			
Current Assets			
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
Total Current Assets		<u>537,202</u>	<u>578,585</u>
Non-Current Assets			
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
Total Non-Current Assets		<u>280,915</u>	<u>240,809</u>
Total Assets		<u>818,117</u>	<u>819,394</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	13	31,519	36,504
Provisions	14	28,453	26,399
Total Current Liabilities		<u>59,972</u>	<u>62,903</u>
Non-Current Liabilities			
Provisions	14	10,828	21,430
Total Non-Current Liabilities		<u>10,828</u>	<u>21,430</u>
Total Liabilities		<u>70,800</u>	<u>84,333</u>
Net Assets		<u>747,317</u>	<u>735,061</u>
Equity			
Issued capital	15	613,376	613,376
Retained earnings	16	133,941	121,685
Total Equity		<u>747,317</u>	<u>735,061</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

	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2010	<u>613,376</u>	<u>99,418</u>	<u>712,794</u>
Total comprehensive income for the year	<u>-</u>	<u>91,573</u>	<u>91,573</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 2011	<u><u>613,376</u></u>	<u><u>121,685</u></u>	<u><u>735,061</u></u>
 Balance at 1 July 2011	 <u>613,376</u>	 <u>121,685</u>	 <u>735,061</u>
Total comprehensive income for the year	<u>-</u>	<u>81,562</u>	<u>81,562</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 2012	<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>	2012 \$	2011 \$
Cash Flows From Operating Activities			
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)
Net cash provided by operating activities	17	<u>96,371</u>	<u>44,132</u>
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(10,451)	(53,230)
Payments for intangible assets		(57,768)	-
Net cash used in investing activities		<u>(68,219)</u>	<u>(53,230)</u>
Cash Flows From Financing Activities			
Dividends paid		(69,306)	(69,306)
Net cash used in financing activities		<u>(69,306)</u>	<u>(69,306)</u>
Net decrease in cash held		(41,154)	(78,404)
Cash and cash equivalents at the beginning of the financial year		433,610	512,014
Cash and cash equivalents at the end of the financial year	7(a)	<u><u>392,456</u></u>	<u><u>433,610</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 2012

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.

Harbord Financial Services Limited
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Notes to the Financial Statements
for the Year Ended 30 June 2012

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.

Harbord Financial Services Limited
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Notes to the Financial Statements
for the Year Ended 30 June 2012

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.

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

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.

Note 4. Revenue from Ordinary Activities

	2012	2011
	\$	\$
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>

Note 5. Expenses

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>5,787</u>	<u>3,798</u>

Harbord Financial Services Limited
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Notes to the Financial Statements
for the Year Ended 30 June 2012

Note 6. Income Tax Expense	2012	2011
	\$	\$
The components of tax expense comprise:		
- 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	12 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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Notes to the Financial Statements
for the Year Ended 30 June 2012

Note 9. Property, Plant and Equipment	2012	2011
	\$	\$
<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>
Movements in carrying amounts:		
<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>
Note 10. Financial Assets		
Available-for-sale financial assets		
Unlisted investments at cost		
Warringah Financial Services Limited	<u>5,000</u>	<u>5,000</u>
Note 11. Intangible Assets		
<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
ABN 25 097 282 525
Notes to the Financial Statements
for the Year Ended 30 June 2012

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

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

Note 15. Contributed Equity	2012	2011
	\$	\$
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
ABN 25 097 282 525
Notes to the Financial Statements
for the Year Ended 30 June 2012

Note 15. 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.

	2012	2011
	\$	\$
Note 16. Retained Earnings		
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	2012	2011
	\$	\$
Amounts received or due and receivable by the auditor of the company for:		
- 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 Joynton (*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	<u>2012</u>	<u>2011</u>
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 Joynton (<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

Note 21. Dividends Paid or Provided	2012	2011
	\$	\$
a. Dividends paid during the year		
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. Franking account balance		
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%).

Note 22. Earnings Per Share	2012	2011
	\$	\$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	81,562	91,573
	<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 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.

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 \$	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.



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.

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

P: (03) 5443 0344

F: (03) 5443 5304

61-65 Bull St./PO Box 454 Bendigo Vic. 3552

afs@afsbendigo.com.au

www.afsbendigo.com.au

TAXATION - AUDIT - BUSINESS SERVICES - FINANCIAL PLANNING

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

NSX REPORT

Harbord Financial Services Limited is a public Company incorporated in Australia and listed on the National Stock Exchange of Australia (NSX).

Shareholding

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

<u>Number of shares held</u>	<u>Number of shareholders</u>	<u>Number of shares held</u>
1 to 1,000	270	187056
1,001 to 5,000	135	456271
5,001 to 10,000	5	37732
10,001 to 100,000	1	12000
100,001 and over	0	0
Total shareholders	411	693,059

Equity securities

Each of the above shareholders are entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the company.

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

Ten largest shareholders

The following table shows the 10 largest shareholders.

<u>Shareholder</u>	<u>Number of fully paid shares held</u>	<u>Percentage of issued capital</u>
GREGORY ANDREW MARAUN <ESTATE PETER NOEL MARAUN A/C>	12000	1.73
BRETROE PTY LTD <JOHN THORPE & PATRICIA KING SUPERANNUATION FUND A/C>	10000	1.44
MRS NOELA ROSE ROBERTS	8001	1.15
WINPAR HOLDINGS LIMITED	7500	1.08
SANTOSHA SUPERANNUATION FUND PTY LTD <SANTOSHA SUPER FUND A/C>	6231	0.90
MR PHILLIP ROHAN MARSH	6000	0.87
MRS MARGARET LOUISE STAAS	5000	0.72
MR HARRY S BEDIKIAN	5000	0.72
MRS MARGARET KATHLEEN HUCKLE & MR ROBERT CHARLES HUCKLE	5000	0.72
MRS SUSAN B MORGAN & MR MICHAEL MORGAN	5000	0.72
KEELPIN PTY LTD <SUPER FUND A/C>	5000	0.72
PETER GARD & JOY GARD <GARD FAMILY SUPER FUND A/C>	5000	0.72
SCOTT ALLEN SMITH	5000	0.72
GOLONG INVESTMENT PTY LTD	5000	0.72
MR WILLIAM ARCHIBALD TUESLEY & MRS BETTY JOYCE TUESLEY	5000	0.72
MR IAN GEOFFREY KIRK <KIRK FAMILY CHILDREN A/C>	5000	0.72
MR GUNTHER BIRK & MRS HELEN LOUISE BIRK	5000	0.72
MR ROBERT ANTHONY WALKER	5000	0.72
GRAHAM RIGONI & JULIE RIGONI	5000	0.72
MR ANDRO TOMICH & MRS LAURA TOMICH	5000	0.72
MR NEIL MICHAEL CRUMMY	5000	0.72
MRS MARTHA JANE CRUMMY	5000	0.72
WHITE CAPERS PTY LTD	5000	0.72
MR LEIGH GERARD SIMON	5000	0.72
MR RONALD VINCENT SPLATT & MRS LESLEY SPLATT	5000	0.72
BMP CONSULTING PTY LTD	5000	0.72
GSC INVESTMENT SERVICES P/L	5000	0.72
GSC INVESTMENT SERVICES P/L <SUPERANNUATION FUND A/C>	5000	0.72
ESTATE LATE JAN CHADWICK	5000	0.72
MR ROSS ALAN DALGLEISH & MRS MARIE THERESE DALGLEISH	5000	0.72
MRS DARIEN WISE	5000	0.72
BILL MESSENGER	5000	0.72
MR ALAN GOURLAY	5000	0.72
MRS KAREN LOUISE GOURLAY	5000	0.72
ANTHONY TIBBLES & GWEN TIBBLES	5000	0.72
CENTRE FOR HEALTH PROMOTION & RESEARCH PTY LTD	5000	0.72
MRS SUTCHADA HEATON	5000	0.72
MR BRADLEY O'CONNOR	5000	0.72
MRS SUSAN JANE MARTIN	5000	0.72
MR STEFAN WILLIAMS & MS JANELLE WILLIAMS	5000	0.72

GARETH PUGH JONES	5000	0.72
SONJA EKSTEIN	5000	0.72
ALEC LAZICH & JOAN LAZICH	5000	0.72
MRS HELEN ELIZABETH CRUMP	5000	0.72
KARL MAX KOLLER	5000	0.72
MR DOUGLAS HAMILTON NORTH	5000	0.72
MRS DEIRDRE CHAMBERS	5000	0.72
MR FRANK NOBLE	5000	0.72
BARRY AUSTIN JONES & IMELDA CLAIRE JONES	5000	0.72
MRS PATRICIA ELLEN HORTON	5000	0.72
MR TREVOR MARK HORTON	5000	0.72
KEN SPARKS <SUPERANNUATION FUND A/C>	5000	0.72
MR RICHARD GRANVILLE WRAY	5000	0.72
MS ANN NOREEN RICHARDS	5000	0.72
JOHN FREDERICK ROBERTS	5000	0.72
SYLVIA MAY MORTON	5000	0.72
REX MCLAREN MAILMAN	5000	0.72
SUSAN MORGAN	5000	0.72
T.B.M. (AUST) PTY LTD	5000	0.72
	314,732	45

Registered office and principal administrative office

The registered office of the company is located at:
20 Albert Street
FRESHWATER NSW 2096
Phone: (02) 9939 6744

The principal administrative office of the company is located at:
20 Albert Street
FRESHWATER NSW 2096
Phone: (02) 9939 8990

Security register

The security register (share register) is kept at:
AFS & Associates
61 - 65 Bull Street
BENDIGO VIC 3550
Phone: (03) 5443 0344

Postal Address:
PO BOX 454
BENDIGO VIC 3552

Company Secretary

Ian Greentree has been the Company Secretary of Harbord Financial Services Limited for 6 years. Ian's qualifications and experience include.

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

Corporate governance

The company has implemented various corporate governance practices, which include:

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

Annexure 3

There are no material differences between the information in the company's Annexure 3 and the information in the financial documents in its Annual Report.

5 Year summary of performance

	2008	2009	2010	2011	2012
Gross revenue	\$ 1,080,587.00	\$ 1,080,357.00	\$ 1,305,443.00	\$ 1,469,622.00	\$ 1,482,724.00
Net profit before tax	\$ 263,437.00	\$ 138,464.00	\$ 173,697.00	\$ 128,274.00	\$ 101,116.00
Total assets	\$ 764,381.00	\$ 743,739.00	\$ 884,196.00	\$ 819,394.00	\$ 818,117.00
Total liabilities	\$ 169,648.00	\$ 99,099.00	\$ 171,402.00	\$ 84,333.00	\$ 70,800.00
Total equity	\$ 594,733.00	\$ 644,640.00	\$ 712,794.00	\$ 735,061.00	\$ 747,317.00

Shareholder Dividend History

YEAR	Cents per share	Total Distribution
2004 / 2005	2.25 cents	\$15,593.83
2005 / 2006	3.5 cents	\$24,257.06
2006 / 2007	10 cents	\$69,305.90
2007 / 2008	10 cents	\$69,305.90
2008 / 2009	8 cents	\$55,444.72
2009 / 2010	10 cents	\$69,305.90
2010 / 2011	10 cents	\$69,305.90
2011 / 2012	10 cents	\$69,305.90
Total	63.75 cents	

Director History

Steering Committee	
Bernard O'Connor	Chairman
Robert Adams	
Brian Dunphy	
Greg Hazlett	
Jeremy Hodges	
Ian Joynson	
Roger Leys	
Peter Lowther	
Bryce Rea	
Deidre McAliden	Public Relations
Peter Kemp	Solicitor
Stephen Armstrong	Accountant
David McCauley	Bendigo Bank
Inaugural Directors	
Domenic Gerace	Chairman
Dr Trevor Sargeant	Vice Chairman
Brian Dunphy	Company Secretary
Martin Brook	
Ian Joynson	
Howard Lipman	
Phillip Murray	
Dr Howard Wong-See (Dec'd)	
Previous Directors	
Brian Dunphy	
Anita Hutcheson	
Phillip Murray	
Andrew Speers	
Howard Lipman	
Dr Howard Wong-See (Dec'd)	
John Lang	
Lisa Bousfield	
Darren Jones	
Brad O'Connor	Now Ambassador
Ian Joynson	Now Ambassador

The business continued to grow from strength to strength



Freshwater Community Bank is the major sponsor for MWNA.

Supporting local events and fundraising efforts for organisations in the Warringah area (below) Curly Sound Waves.



“Freshwater Community Bank has been a huge supporter of Manly Warringah Netball over the last three years becoming the Association’s Principal Sponsor. The financial support has allowed the Association to acquire new equipment and facilities without having to ask for an increase in member fees.”

Debbie Philipson
Manly Warringah Netball Association



A Grant to purchase new instruments improved the performance of Northern Sydney Symphonic Wind Ensemble.

Our Annual Sponsorship and Grants Program has delivered money into schools, surf clubs, sporting clubs & associations, community groups, cultural & arts programs, charities and local events.

Our dedicated Directors and Staff contribute to the success of the bank



Sandy has taken on from Ken and successfully leads the Branch team

"The staff are very friendly and efficient and make you feel welcome every time you walk in. I would encourage everyone to bank with the Freshwater Community Bank so that the community can benefit from their generosity"

**Margaret Tilden
Harbord Community Kindergarten**

Ian Joynton has stepped down from the Board but is still an Ambassador for the Branch

"The staff at the Bank have made me feel welcome from day one, and I now look forward to my daily visits. The level of service provided is second to none and easily exceeds any service I have ever received from any other bank in over 20 years of business. Nothing is too much trouble and it's the personal service I receive that makes all the difference."

**Gavin Stanford
Beachwheels Automotive**

Angela Moore has been with the Branch from the beginning and also celebrates 10 years.



Celebrating our 10th birthday at the 2012 Cocktail Party.



Freshwater Community Bank® employs local people who are customer focussed, have a personal investment in their local area and are committed to the success of the Branch and the community.

Continued support for community organisations and events is vital



This year Freshwater Community Bank celebrated it's 10 years in the community by closing the street and hosting **Celebrate Freshwater**



“Celebrate Freshwater was a great community event. The stalls, shops, music, food, and locals were all great! Thank you everyone at Freshwater Community Bank for organising a fun and fantastic day!” - Liv Hay

“Thank you for putting on such a wonderful event. It is not often that our organisation gets to display our services on such a large scale and we appreciated the opportunity to share our work with the Freshwater community.”

**- Cathy Hockey, Coordinator
Bushlink Disability Employment Group.**



The Bushlink team from Northside Enterprise Inc.

The annual Duke's Day event held at Freshwater Beach



It is estimated that over 50,000 families benefit from the sponsorship funding we provide each year by belonging to one or more of the clubs, schools, groups and events that receive money from the Freshwater Branch.

With further support this success can continue into the next 10 years



Freshwater Community Bank is the major sponsor for the Annual Robbie Slater School's Cup

"We ask you to make every effort to encourage all those in your sphere of influence to bank with us so that we can continue to support the Community and our Shareholders at the current level."

Trevor Sargeant
Chairman 2002-2012



Sandra Kleiner presents Craig Davies, Principal, Harbord Public School, with a football as part of a Sports Kit donated to the school.



2012 Youth Observers were proactive in their roles as advocates for the Branch and initiated local community projects & fundraising.



Many local events rely on our sponsorship funding to ensure quality and safety.



Youth Development Programs, Scholarship Awards and community involvement are high on our priority list for progression.

Your Freshwater Community Bank® Branch has proven that the Community Bank® model works. By investing in us and using the services we provide, we can continue this generosity into the future.

2011 - 2012 Community Grants, Donations and Sponsorship

NAME OF RECIPIENT	SPONSORSHIP DESCRIPTION	AMOUNT
DONATIONS		
Bear Cottage	Donation of fundraising from sales of surf calendar	\$2,000
Beyond Blue / CUBA Nathan Sawyer	Donation on behalf of Curly United Board Association	\$500
Christopher McCahon	Donation to assist with house modification for wheel chair access	\$1,000
CNDCAF Bridge of Hope	Donation on behalf of Freshwater Christmas Carols - Christmas raffle fundraiser	\$580
Collaroy SLSC	Donation for Collaroy SLSL Centenary Club	\$1,000
Lions Club of Manly	Donation for ticket purchase to Circus Quirkus	\$455
Manly & Mosman Parkinson's Support Group	Donation towards Christmas lunch	\$250
Peter Wright Benefit Night (St Augustine's College)	Donation towards fundraising event	\$1,000
Royal Flying Doctors / Team CX	Donation on behalf of Team CX to Royal Flying Doctors Service	\$500
	TOTAL DONATIONS PAID	\$7,285
COMMUNITY GRANTS		
Manly Warringah Police Rugby League club	Grant for Manly Warringah Police Rugby League Community Match Fundraiser	\$2,000
St Paul's Catholic College Manly	Grant for Community Sponsorship	\$5,000
Two Hands Project	Grant for recycling plastic bottles - Community Awareness Event	\$500
	TOTAL COMMUNITY GRANTS PAID	\$7,500
SPONSORSHIP		
Cashflow Netball Team	Sponsorship 2011 Team shirts for Australian Masters Games	\$763
Club Weldon	Sponsorship 2012 to assist completion of club facilities	\$80,000
CUBA	Sponsorship 2012 Nathan Sawyer Memorial Surf Event	\$500
Curl Curl Amateur Swim Club	Sponsorship 2011-2012	\$750
Curl Curl North Public School	Sponsorship 2011-2012 Community Sponsor & Movie Fundraising event	\$10,900
Dee Why Lions Rugby Club	Sponsorship 2012 Assist with playing jerseys & training equipment	\$2,500
Freshwater Amateur Swimming Club	Sponsorship 2011-2012 Freshwater WASA Handicap meet	\$750
Freshwater Community Bank Triathletes	Sponsorship 2011 team for charity triathlon event	\$450
Freshwater Community Carols	Sponsorship 2011 Annual Christmas Carols	\$1,182
Freshwater Senior Campus	Sponsorship 2011 Prizes for academic awards	\$3,000
Freshwater SLSC	Sponsorship 2011-2012 Season Sponsor, Nippers & Duke's Day	\$23,000
Freshwater Softball Club	Sponsorship 2011 for Masters Games	\$1,000
Harbord Bowling & Recreational Club	Sponsorship 2012 FCB Open Two Bowls Triples Tournament	\$10,000
Harbord Community Kindergarten	Sponsorship 2012 of fundraising event	\$1,000
Harbord Community Library	Sponsorship 2011-2012 assistance with facilities & office equipment	\$1,000
Harbord Devils Junior Cricket Club	Sponsorship 2011-2012 Season Sponsor Junior cricket club	\$2,000
Harbord Fish Bowl	Sponsorship 2011-2012 fishing competitions	\$750
Harbord Frigid Frogs Winter Swim Club	Sponsorship 2012 Administration costs & club shirts	\$2,000
Harbord Harlequins Rugby Club	Sponsorship 2012 Season Sponsor	\$4,000
Harbord Out of School Hours / Rash Vests	Sponsorship 2011-2012 purchase of rash vests for children	\$1,849
Harbord Public School - "The K - 6 Club"	Sponsorship 2011-2012 Community Sponsor	\$10,000
Harbord Seaside United FC	Sponsorship 2012 Season Sponsor	\$7,500
Harbord United JRLFC	Sponsorship 2012 Supply team jerseys	\$2,000
Harbord Womens Bowling Club	Sponsorship 2012 carnival day	\$300
Long Reef Boardriders Association	Sponsorship 2011 God's Country Teams Titles Northern Beaches	\$1,500
Mackellar Girls High School	Sponsorship 2011-2012 Community Sponsor	\$5,000
Manly Allambie United FC	Sponsorship 2012 new equipment	\$2,750
Manly Bombers Junior ALF Club	Sponsorship 2012 Season Sponsor	\$2,000
Manly Christian Brothers JRLFC	Sponsorship 2012 Season Sponsor	\$3,000
Manly Council	Sponsorship 2011 Christmas Choral Concert	\$2,273
Manly Cove JRLFC	Sponsorship 2012 team sponsor & new equipment	\$2,000
Manly Croquet Club Inc	Sponsorship 2011 Annual Seabreeze Tournament	\$1,200
Manly Malibu Boardriders Club	Sponsorship 2012 CJ Snowy McAlister Winter Surfing Festival	\$2,000
Manly Seaside Baseball Club	Sponsorship 2011-2012 Season Sponsor	\$3,000
Manly Vale Community Garden	Sponsorship 2011-2012 Assistance to purchase Pizza Oven / Equipment for playgroup	\$1,200
Manly Warringah AFL - The Wolves	Sponsorship 2012 Season Sponsor	\$3,000
Manly Warringah Avicultural Society	Sponsorship 2012 54th Annual Bird Show	\$500
Manly Warringah Football Association	Sponsorship 2011-2012 Season Sponsor	\$20,000
Manly Warringah Netball Association	Sponsorship 2012 Season Sponsor	\$20,055
Manly Warringah Pipe Band	Sponsorship 2011-2012 for band uniform maintenance	\$1,000
Manly Warringah Sea Eagles	Sponsorship 2012 Youth Development Program	\$20,000
North Curl Curl Knights JRLFC	Sponsorship 2012 Assistance with registration & uniform costs	\$2,000
North Curl Curl SLSC	Sponsorship 2011-2012 Season Sponsor, Nippers & 3 Point Challenge	\$20,000
Northern Beaches Orchestra	Sponsorship 2011-2012 Community Sponsor	\$10,000
Northern Beaches Secondary College	Sponsorship 2012 On Show Production	\$5,000
Northside Enterprises Inc	Sponsorship 2011-2012 Supporting Bushlink Program	\$4,500
Rotary Club Brookvale	Sponsorship Pub 2 Pub	\$2,000
St Augustine's College	Sponsorship 2012 Annual Piano Concert	\$2,000
St John the Baptist Catholic School	Sponsorship 2011 Spring Fair Fundraiser	\$5,000
St Mark's Anglican Church Freshwater	Sponsorship 2011 Centenary Photographic Competition & Toy and Tucker Christmas Drive	\$969
Sth Curl Curl SLSC	Sponsorship 2011-2012 Season & 2012-2013 Season and charity golf day	\$40,700
Two Hands Project	Sponsorship 2012 for Community Awareness Event	\$1,073
Valley United JRLC	Sponsorship 2012 Season Sponsor	\$9,090
Warringah Council / Warringah Art Exhibition	Sponsorship 2012 Warringah Art Exhibition	\$1,250
Warringah Softball Club	Sponsorship 2012 Uniform costs & junior sponsorship	\$2,800
	TOTAL SPONSORSHIP PAID	\$364,054
COMMUNITY ENTERPRISE FOUNDATION		
Northern Sydney Symphonic Wind Ensemble	Community Enterprise Foundation 2011-2012 Grant towards percussion instruments	\$73,767
	TOTAL	\$452,605

If you are involved with a community organisation or sporting club,



Freshwater **Community Bank®** Branch
 20 Albert Street Freshwater NSW 2096
 Ph 02 9939 6744 | Fax 02 9939 6844
www.harbordfinancialservices.com.au



Harbord Financial Services Limited

Freshwater
Community Bank® Branch



Franchisee: Harbord Financial Services Limited

Registered office and principal administrative office

The registered office of the company is located at:

20 Albert Street Freshwater NSW 2096 | 02 9939 6744

The principal administrative office of the company is located at:

20 Albert Street Freshwater NSW 2096 | 02 9939 6744

Security Register

The security register (share register) is kept at:

AFS & Associates

61 - 65 Bull Street Bendigo VIC 3550 | 03 5443 0344

Postal Address:

PO Box 454 Bendigo VIC 3552