

# Harbord Financial Services Limited

ABN: 25 097 282 525

Financial Statements

For the half-year ended 31 December 2019

# Harbord Financial Services Limited

## Directors' Report

Your directors submit the financial report of the company for the half-year ended 31 December 2019.

### Directors

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

Trevor Leslie Sargeant	Noela Rose Roberts
John Vaccaro	Denise Faith Goldstein
Ian John Greentree	Peter Eric Harley OAM
David James Irvine	Anthony Curtiss Bevan
Martin Edwin Brook	Julie Rigoni

### Principal activities

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

### Review of operations

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

Half-year ended 31 December 2019	Half-year ended 31 December 2018
\$ 48,483	\$ 78,393

### New Accounting Standards implemented

The company has implemented a new Accounting Standard which has come into effect and is included in the results. AASB 16: *Leases* (AASB 16) has been applied retrospectively without restatement of comparatives by recognising the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: *Leases*.

### Events after the end of the reporting period

There are no matters or circumstances that have arisen since the end of the half year reporting period that have significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company.

### Auditor's independence declaration

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

Signed in accordance with a resolution of the directors at Freshwater, New South Wales.

Chairman



Trevor Leslie Sargeant

Dated this 3rd day of March 2020

**Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Harbord Financial Services Limited**

We declare that, to the best of our knowledge and belief, for the half-year ended 31 December 2019 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review
- ii. any applicable code of professional conduct in relation to the review.



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated: 03 March 2020



**Graeme Stewart**  
**Lead Auditor**

# Harbord Financial Services Limited

## Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2019

	2019 \$	2018 \$
Revenue from ordinary activities	645,403	680,736
Employee benefits expense	(289,622)	(290,253)
Charitable donations, sponsorship, advertising and promotion	(131,108)	(124,411)
Occupancy and associated costs	(15,806)	(69,073)
Systems costs	(16,634)	(16,408)
Depreciation and amortisation expense	(67,357)	(13,950)
Finance costs	(7,067)	-
General administration expenses	(50,889)	(58,511)
<b>Profit before income tax</b>	<b>66,920</b>	<b>108,130</b>
Income tax expense	(18,437)	(29,737)
<b>Profit after income tax</b>	<b>48,483</b>	<b>78,393</b>
<b>Total comprehensive income for the half-year attributable to the ordinary shareholders of the company:</b>	<b>48,483</b>	<b>78,393</b>
<b>Earnings per share</b>	<b>¢</b>	<b>¢</b>
- Basic and diluted earnings per share:	7.00	11.31

# Harbord Financial Services Limited

## Statement of Financial Position

For the half-year ended 31 December 2019

	Note	31-Dec-19 \$	30-Jun-19 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		883,406	778,347
Trade and other receivables		128,757	115,573
Current tax asset		-	15,234
<b>Total current assets</b>		<b>1,012,163</b>	<b>909,154</b>
<b>Non-current assets</b>			
Property, plant and equipment		330,542	336,667
Right of use assets	7	257,205	-
Intangible assets		27,271	33,048
Deferred tax assets		31,472	18,839
Financial assets		5,000	5,000
<b>Total non-current assets</b>		<b>651,490</b>	<b>393,554</b>
<b>TOTAL ASSETS</b>		<b>1,663,653</b>	<b>1,302,708</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		134,885	59,517
Current tax liabilities		1,072	-
Lease liabilities	7	103,793	-
Provisions		80,927	76,745
<b>Total current liabilities</b>		<b>320,677</b>	<b>136,262</b>
<b>Non-current liabilities</b>			
Trade and other payables		12,311	12,311
Lease liabilities	7	160,437	-
Provisions		46,703	9,668
<b>Total non-current liabilities</b>		<b>219,451</b>	<b>21,979</b>
<b>TOTAL LIABILITIES</b>		<b>540,128</b>	<b>158,241</b>
<b>NET ASSETS</b>		<b>1,123,525</b>	<b>1,144,467</b>
<b>EQUITY</b>			
Issued capital		613,376	613,376
Retained earnings	8	510,149	531,091
<b>TOTAL EQUITY</b>		<b>1,123,525</b>	<b>1,144,467</b>

# Harbord Financial Services Limited

## Statement of Changes in Equity

For the half-year ended 31 December 2019

	Note	Issued capital \$	Retained earnings \$	Total equity \$
<b>Balance at 1 July 2018</b>		613,376	490,380	1,103,756
Total comprehensive income for the half-year		-	78,393	78,393
<b>Transactions with owners in their capacity as owners:</b>				
Dividends provided for or paid	9	-	(69,306)	(69,306)
<b>Balance at 31 December 2018</b>		<b>613,376</b>	<b>499,467</b>	<b>1,112,843</b>
<b>Balance at 1 July 2019</b>		613,376	531,091	1,144,467
Cumulative retrospective effect of AASB 16: <i>Leases</i>	2	-	(27,841)	(27,841)
<b>Restated balance at 1 July 2019</b>			<b>503,250</b>	<b>1,116,626</b>
Total comprehensive income for the half-year		-	48,483	48,483
<b>Transactions with owners in their capacity as owners:</b>				
Dividends provided for or paid	9	-	(41,584)	(41,584)
<b>Balance at 31 December 2019</b>		<b>613,376</b>	<b>510,149</b>	<b>1,123,525</b>

# Harbord Financial Services Limited

## Statement of Cash Flows

For the half-year ended 31 December 2019

	Note	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		677,824	727,211
Payments to suppliers and employees		(516,921)	(571,238)
Lease payments (interest component)	7	(6,301)	-
Interest received		6,963	10,693
Interest paid		(766)	-
Income taxes paid		(4,203)	(27,702)
<b>Net cash provided by operating activities</b>		<b>156,596</b>	<b>138,964</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(2,240)	(153,335)
<b>Net cash used in investing activities</b>		<b>(2,240)</b>	<b>(153,335)</b>
<b>Cash flows from financing activities</b>			
Lease payments (principal component)	7	(49,297)	-
<b>Net cash used in financing activities</b>		<b>(49,297)</b>	<b>-</b>
<b>Net cash increase/(decrease) in cash held</b>		<b>105,059</b>	<b>(14,371)</b>
Cash and cash equivalents at the beginning of the financial year		778,347	941,336
<b>Cash and cash equivalents at the end of the half-year</b>		<b>883,406</b>	<b>926,965</b>

# Harbord Financial Services Limited

## Notes to the Financial Statements

For the half-year ended 31 December 2019

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### Note 1. Summary of significant accounting policies

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#### Statement of Compliance

This general purpose financial report has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: *Interim Financial Reporting*.

#### Basis of preparation

This financial report is intended to provide users with an update on the latest annual financial statements and does not include all the notes of the type normally included in an annual financial report. Accordingly the report shall be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by the company during the period.

#### Accounting policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial report and the previous corresponding interim period, apart from new Accounting Standard detailed below.

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

#### New Accounting Standards Implemented

The company has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period. The company had to change its accounting policies and make adjustments as a result of adopting AASB 16.

The impact of the adoption of this Standard and the respective accounting policies is disclosed in Note 2.

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### Note 2. Changes in accounting policies

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This note describes the nature and effect of the adoption of AASB 16 on the company's financial statements and discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

#### a) Types of leases

The company has entered into non-cancellable leases on its branch premises.

#### b) Impact on comparatives

The company has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information has not been restated.



# Harbord Financial Services Limited

## Notes to the Financial Statements

For the half-year ended 31 December 2019

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### Note 2. Changes in accounting policies (*continued*)

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#### c) Leases

*The company as lessee*

At inception of a contract, the company assess if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the company where the company is a lessee. However, all contracts that are classified as short-term leases (i.e. leases with a remaining term of 12 months or less) and leases of low value assets are recognised as operating expenses on a straight-line basis over the term of the lease.

#### d) Initial application of AASB 16

The company has recognised a lease liability and right-of-use asset for all leases recognised as operating leases under the now inoperative AASB 117: *Leases* where the company is the lessee.

Lease liabilities are shown at the present value of the remaining lease payments. The company's incremental borrowing rate as at 1 July 2019 has been used to discount the lease payments.

The following practical expedients have been used by the company in applying AASB 16 for the first time:

- A single discount rate has been applied.
- Initial direct costs have been excluded from the measurement of the right-of-use asset at the date of initial application.
- The use of hindsight to determine lease terms on contracts that have options to extend or terminate.

#### e) Financial impact

Impacts on the financial statements and notes as at and for the half-year ended 31 December 2019 are shown throughout this report. As at the date of transition the impact of the new standard is summarised below in the noted items:

Balance sheet as at 1 July 2019	\$
Right-of-use assets	310,420
Make-good provision	(35,295)
Lease liabilities	(313,527)
Deferred tax asset	10,561
<b>Accumulated losses</b>	<b><u>(27,841)</u></b>

Lease liabilities reconciliation on transition

Operating lease disclosure as at 30 June 2019	333,591
Add: variable market review increase	10,111
Less: AASB 117 lease commitments reconciliation	(9,270)
Less: discounted to present value	(20,905)
Lease liability as at 1 July 2019	<b><u>313,527</u></b>

Lease liabilities were discounted using a weighted average discount rate of 4.30%.

# Harbord Financial Services Limited

## Notes to the Financial Statements

For the half-year ended 31 December 2019

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### Note 2. Changes in accounting policies (*continued*)

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#### f) Recognition exemption

The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition under AASB 16.

	31-Dec-19 \$	30-Jun-19 \$
Expenses relating to low value leases	6,888	-

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### Note 3. Events subsequent to reporting date

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

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### Note 4. Contingent assets and liabilities

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During the 2018/19 financial period, the company entered into a construction contract with Freshwater 2 Pty Ltd for the construction of a new branch at lot 2, 9-15 Lawrence Street, Freshwater, New South Wales. The company has to date incurred costs of \$226,260 which have been capitalised as work in progress (WIP). The construction is expected to cost \$1,500,000 and to be finalised in 30 June 2021, at which time the WIP will be transferred to Buildings and begin depreciating. The company has no obligation to pay for the remainder of the building until 30 June 2021 and may rescind the contract at any time before then.

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

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### Note 5. Segment reporting

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

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### Note 6. Related parties

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Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2019 annual financial report.

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### Note 7. Leases

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The company has an operating lease for its branch premises. The lease commenced on the 14 June 2017 for an initial five year term. The lease has two additional options for a further five years each, which are reasonably not expected to be exercised due to the movement of branch locations.

# Harbord Financial Services Limited

## Notes to the Financial Statements

For the half-year ended 31 December 2019

### Note 7. Leases (continued)

#### a) Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used was 4.30%.

The discount rate used in calculating the present value of enforceable future payments takes into account the particular circumstances applicable to the underlying leased assets (including the amount, lease term, economic environment, and other relevant factors).

The company has estimated remaining lease terms including the effects of any renewal options or termination options expected to be reasonably exercised, applying hindsight where appropriate.

	31-Dec-19 \$	30-Jun-19 \$
<b>Current:</b>		
Branch lease liabilities	113,143	-
Unexpired interest	(9,350)	-
	<u>103,793</u>	<u>-</u>
<b>Non-current</b>		
Branch lease liabilities	165,691	-
Unexpired interest	(5,254)	-
	<u>160,437</u>	<u>-</u>
Impact on the current reporting period:		
<b>Lease liabilities</b>		
Initial recognition on adoption	313,527	-
Lease payments (interest component)	6,301	-
Lease payments	(55,598)	-
Lease liabilities as at 31 December 2019	<u>264,230</u>	<u>-</u>
<b>Maturity analysis</b>		
- not later than 12 months	113,143	-
- between 12 months and 5 years	165,691	-
Lease payments total	<u>278,834</u>	<u>-</u>
Less unexpired interest	(14,604)	-
Present value of lease liabilities	<u>264,230</u>	<u>-</u>

# Harbord Financial Services Limited

## Notes to the Financial Statements

For the half-year ended 31 December 2019

### Note 7. Leases (continued)

#### b) Right-of-use assets

Right-of-use assets were measured at amounts equal to the present value of enforceable future payments on the adoption date, adjusted for lease incentives, make-good provisions, and initial direct costs.

	31-Dec-19 \$	30-Jun-19 \$
Impact on the current reporting period:		
<b>Right-of-use assets</b>		
Initial recognition on adoption	532,149	-
Accumulated depreciation on adoption	(221,729)	-
Depreciation expense	(53,215)	-
Right-of-use assets as at 31 December 2019	<u>257,205</u>	<u>-</u>

#### c) Impact on the profit or loss

Comparison under current AASB 16 and form AASB 117	\$
Decrease in occupancy and associated costs	55,598
Increase in finance costs on lease liabilities	(6,301)
Increase in depreciation and amortisation expense	(53,215)
<b>Decrease in profit before tax</b>	<u>(3,918)</u>
Increase in current income tax expense	(15,289)
Increase in current income tax expense - deferred tax	16,367
<b>Decrease in profit before tax</b>	<u>(2,840)</u>

	31-Dec-19 \$	30-Jun-19 \$
<b>Note 8. Accumulated losses</b>		
Balance at the beginning of the financial year	531,091	490,380
Net profit from ordinary activities after income tax	48,483	110,017
Cumulative adjustment of leases under AASB 16	(27,841)	-
Dividends provided for or paid	(41,584)	(69,306)
Balance at the end of the reporting period	<u>510,149</u>	<u>531,091</u>

	31-Dec-19 Cents	\$	31-Dec-18 Cents	\$
<b>Note 9. Dividends provided for or paid</b>				
Fully franked dividend declared in the period and recognised as a liability:	<u>6</u>	<u>41,584</u>	<u>10</u>	<u>69,306</u>

The tax rate at which dividends have been franked is 27.5% (2018: 27.5%).

# Harbord Financial Services Limited

## Directors' Declaration

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

1. The financial statements and notes thereto are in accordance with the *Corporations Act 2001* including:
  - a. giving a true and fair view of the financial position of the entity as at 31 December 2019 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date;
  - b. complying with Australian Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Chairman



**Trevor Leslie Sargeant**

Dated this 3 day of March 2020.

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

### **Report on the half-year financial report**

We have reviewed the accompanying half-year financial report of Harbord Financial Services Limited, which comprises the balance sheet as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

### **Directors' responsibility for the half-year financial report**

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

### **Auditor's responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Harbord Financial Services Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

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

## **Independence**

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

## **Auditor's opinion**

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

- a. giving a true and fair view of the company's financial position at 31 December 2019 and of its performance for the half-year ended on that date
- b. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated: 03 March 2020



**Graeme Stewart**  
**Lead Auditor**

Taxation

Business Services

Community Banking

Audit

Share Registry

Your partners  
**in success**



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