

HARBORD FINANCIAL SERVICES LIMITED ACN: 097 282 525  
20 Albert Street Harbord NSW 2096. Phone (02) 9939 6744

Harbord

**Community Bank** Branch **Bendigo Bank**



Bendigo Bank

2007

Sixth  
ANNUAL REPORT

**HARBORD  
FINANCIAL  
SERVICES  
LIMITED**

**ACN 097 282 525**

**FINANCIAL REPORT FOR THE  
FINANCIAL YEAR Ended  
30 June 2007**

# HARBORD FINANCIAL SERVICES LIMITED

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# HARBORD FINANCIAL SERVICES LIMITED

## CHAIRMAN'S REPORT

Dear Shareholders,

It is my pleasure to report on the progress of Harbord Financial Services Limited (HFSL) for the year ended 30<sup>th</sup> June 2007

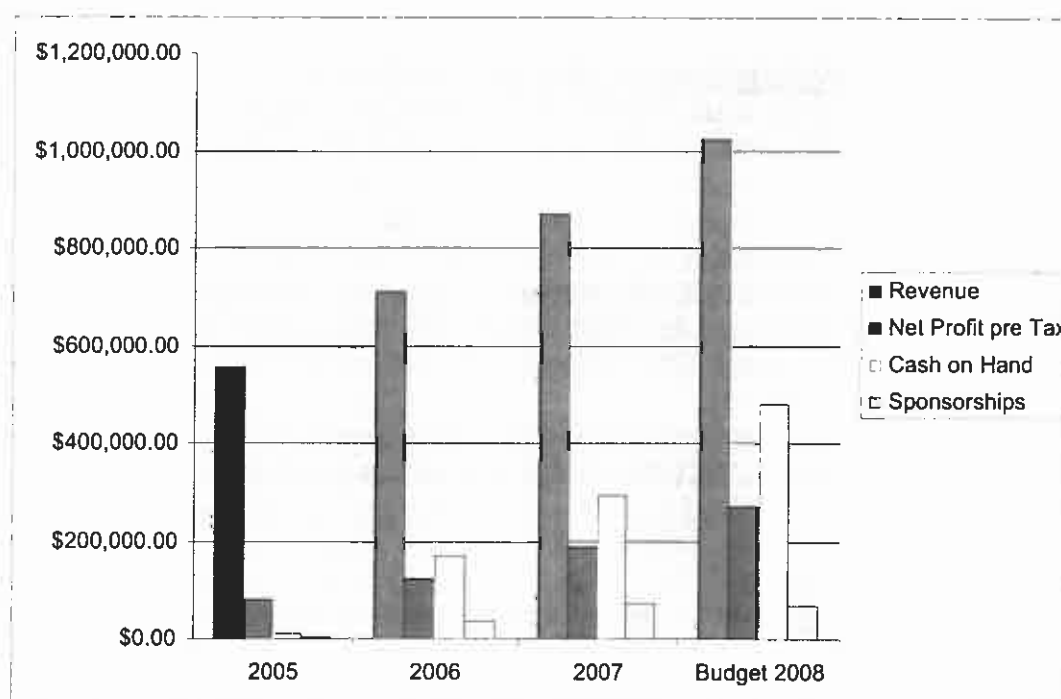
### Operating Results

As planned the Directors and our staff have been focused on achieving the Board's 2007 financial performance goals.

We are proud to say we have again met all our targets despite a general slowdown and stiff competition in the loan markets.

As a result revenue from ordinary activities grew from \$709,152 to \$868,781, an increase of 23% for the year. This has resulted in a substantial increase in pre tax profit from \$121,830 to \$186,786 or 53%.

The most pleasing consequence of this strong performance was the growth in cash assets as indicated in the graph below and our ability to provide significant sponsorships and support to the community. Please refer to the inside back cover for details.



### Dividend Payment

Your Directors have declared an unfranked dividend this year of 10 cents per share (last year 3.5 cents) at a cost of \$69,306. This is almost triple that of last year.

This dividend will be paid in February as was the case last year.

In declaring this dividend your Directors were cognisant of the company's cash reserves, 2007 profitability, prospects for 2008 as indicated on the graph above and the constraints of our Constitution. The Directors also considered the patience of the Shareholders and their long wait for a return on their investment.

## **HARBORD FINANCIAL SERVICES LIMITED**

### **Adding Value to the Community.**

Despite still being somewhat in our infancy we have seen a decided increase in our sponsorships (see graph above) and other financial support to numerous local clubs and community organisations. Details of these amounts are listed on the back page of this report.

Consistent with the motivation of your Board to breathe life back into our local precinct and local businesses HFSL has joined forces with the Harbord Chamber of Commerce to further promote and develop opportunities for local businesses and further foster good relations within our community.

Additionally it is the Board's vision to significantly enhance our support for the Harbord Precinct with a number of local community initiatives during the next two to three years before looking outside the area for other opportunities. We feel strongly that before all else our community comes first.

One of these initiatives just underway is a project to develop advancement of the youth of our community. Our Junior Observer Program in conjunction with Freshwater Campus will not only see a bursary provided for University study to the most outstanding participant, but an opportunity to gain exposure and insights into running a small public company, as those participants will be invited to participate in Board Meetings and add value to this business. We see this as also encouraging these participants to serve their community in a voluntary capacity in the future and develop a strong community spirit.

### **Outlook and Aspirations**

The graph above provides an indication that we expect continued growth for 2008 with a view to providing even more rewards for the community and shareholders alike.

### **New ATM at Dee Why Beach**

Finally after various uncontrollable delays we have just commissioned the new ATM at Dee Why Beach and the hope is that it will bring significant rewards to HFSL this year and beyond. The realisation of success will see us then investigate further sites and opportunity.

It is felt that at this time given the limited personnel resource available this is the only form of expansion outside our branch that is possible without endangering our core business.

### **Stock Exchange Listing**

HFSL is investigating the complex process of listing on the Bendigo Stock Exchange in 2008 which would provide all shareholders with a public forum in which to buy and sell their shares. To facilitate this, a number of amendments are required to the Constitution. Both Bendigo Bank and the Directors recommend that these changes to the Constitution occur.

### **Directors' Contribution**

Once again I wish to acknowledge the voluntary efforts of all our Directors. Without them, I doubt our Bank would be the great success it is. We lead the way in New South Wales and are considered by Bendigo Bank as such. The Directors met monthly during the year with the exception of January 2007.

This year has seen the departure of Lisa Bousfield who has resigned due to business commitments. We will miss her contribution and wish her well.

## **HARBORD FINANCIAL SERVICES LIMITED**

Brad O'Connor, Martin Brook and I will stand down in rotation at the AGM as per the Constitution and offer ourselves for re-election.

### **New Directors**

Two additional well known and respected local identities, namely Noela Roberts and John Vaccaro have offered themselves as Directors to be elected at the AGM. The Board has reviewed their applications and unanimously recommend their appointment.

### **Acknowledging Our Staff**

We are truly blessed to have what we consider the best team possible at HFSL. Ken Ward, Angela, Su-Ellen, Becci, Sandy, Kasey, Cheerie and Simone are efficient, friendly and caring both to customers and the business alike.

During the year Stephen left our branch to take up a role with Bendigo Bank in Queensland. As part of the boards plan to encourage and facilitate a career progression for staff the vacancy was able to be filled internally by Sandy and Becky with other staff moving up to fill their positions and to work extra hours. A new employee will join the branch soon as a customer service officer.

We also wish to acknowledge Ray Patmore, our auditor for his assistance and guidance in compliance issues.

### **Other Constitution Changes Suggested**

Mr Brian Dunphy (a founding) ex Director of HFSL, has only now after over five past years in office, put forward various Resolutions to amend our Constitution. He has sought changes to the Constitution including a change in the manner in which casual vacancies of Directors are filled during the year.

My report unfortunately would not be complete without addressing these issues. The Board has carefully reviewed the motions put forward and sought advice from its principal, Bendigo Bank Limited as to the position, and were summarily advised that in their experience it would be unadvisable to even attempt the difficult task of changing the "tried and true" successful standard Constitution now in place that allows all shareholders to confirm the appointment of each new Director at the next Annual General Meeting.

On the rare (and in fact apparently only two) occasions advertising Board vacancies has been tried elsewhere, it created division and dissention internally and we were advised would not be considered again in the future.

In any case to effect such a change (in accordance with the Corporations Act a Special Resolution is required with consent by a 75% majority of Shareholders entitled to vote at the Annual General Meeting) Bendigo Bank Limited must approve the amendment as under the Franchise Agreement no changes can be made to the Constitution unless approved by Bendigo Bank Limited. At this stage, Bendigo have advised us that they feel that they would not approve these proposed amendments.

He was formally advised of this decision as soon as it was made.

Notwithstanding, sadly, he continues to pursue his cause.

We did feel his suggestion to list all donations and sponsorships in the report was a good one and that list is enclosed herewith.

It should always be remembered that as per the Constitution, at each AGM three of the current Directors (from a maximum total of nine) in rotation must resign and seek reappointed from a vote of the shareholders. Any casual vacancies filled during the year must be confirmed from a vote by the shareholders. Should there be any dissention by a majority of Shareholders in the manner in which the

## HARBORD FINANCIAL SERVICES LIMITED

Company is run or any Directors are performing, then there is and always will be opportunity for those in disagreement to voice their concerns, and vote against any or all reappointments.

The Constitution currently has in place a provision to allow for people to nominate and stand for election at the Annual General Meeting against the directors who are required to resign each year (A director must resign after three years on the board) or to fill a vacancy. The shareholders then vote for the Director. This is a normal and healthy democratic process that is used by most public companies and Community Banks.

Our experience has taught us it is not easy to find well qualified local people who are also passionate and committed about our Community, to take demanding voluntary positions in an organisation such as ours, particularly when as a Director they are legally personally liable should the company operate illegally or while insolvent. At the last AGM we invited Shareholders at that meeting to put forward any willing candidates they felt would add value to the Board. No additional volunteers from that invitation came forward.

### In Conclusion.

**I implore you, therefore, to attend the AGM and support your current hard working and successful Board or at the very least return your proxy in my favour in the stamped addressed envelope provided so that we can continue our bona fide efforts without disruption.**

**The growing success of the Branch this year is further proof that we continue to work hard and without favour and currently have a successful and proven formula in place.**

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

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



**Trevor Sargeant  
Chairman**

## HARBORD FINANCIAL SERVICES LIMITED

### DIRECTOR'S REPORT

#### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

The Directors of Harbord Financial services Limited submit herewith the annual financial report for the financial year ended 30 June 2007. In order to comply with the provisions of the Corporations Act 2001.

#### **DIRECTORS**

The names of the Company's Directors who held office during or since the end of the financial year are as follows:

Lisa Bousfield	Appointed as a Director on 29 October 2002. (Resigned)
Martin E. Brook	Appointed as a Director on 24 September 2001.
Garry Chadwick	Appointed as a Director on 29 October 2002
Brian P. Dunphy	Appointed as a Director on 26 June 2001 (Resigned)
Ian J. Greentree	Appointed as a Director on 1 July 2005
Darren G. Jones	Appointed as a Director on 14 August 2006
Ian C. Joynson	Appointed as a Director on 26 June 2001
Brad O'Connor	Appointed as a Director on 1 July 2005
Trevor L. Sargeant	Appointed as a Director on 24 September 2001

#### **DIRECTORS WHO HAVE RESIGNED**

The below-named Directors who held office during the financial year have resigned during or since the end of the financial year :

Brian P. Dunphy	Resigned as a Director on 24 November 2006
Lisa. Bousfield	Resigned as a Director on 13 August 2007

#### **DIRECTORS INTERESTS**

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

#### **PRINCIPAL ACTIVITIES**

The company's principal activities in the course of the financial year were in providing community banking services under management rights to operate a franchised branch of Bendigo Bank Ltd known as the Harbord Community Bank Branch.

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



**HARBORD FINANCIAL SERVICES LIMITED**  
**DIRECTORS REPORT**

**(Continued)**

**REVIEW OF OPERATIONS**

The Chairman's Report contains a review of the company operations.

The net amount of the company's surplus for the financial year ended 30 June 2007 was \$186,785.00. (2006: \$121,056.00).

**CHANGES IN STATE OF AFFAIRS**

During the financial year there was no significant change in the company's state of affairs other than that referred to in the accounts or notes thereto.

**ENVIRONMENTAL REGULATIONS**

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory, which applies at the date of this report.

**SUBSEQUENT EVENTS**

There has not been any circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has 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 financial years.

**FUTURE DEVELOPMENTS**

Disclosure of information regarding likely developments in the operations of the company and the expected results of those operations is likely to result in unreasonable prejudice to the company. Accordingly, this information has not been disclosed in this report.

The Board are working towards a possible listing of shares in the company on the Bendigo Stock Exchange which is part of the Newcastle Stock Exchange Group.

**DIVIDENDS**

The company has paid an unfranked dividend for 2006 of 3.5 (2005: 2.25) cents per ordinary share since the start of the financial year.

**INDEMNIFICATION OF OFFICERS AND AUDITORS**

During the financial year, the company paid a premium in respect of a contract ensuring the Directors of the company (as named above) and all executive officers of the company and of any related body corporate against a liability incurred as such a Director, Secretary or Executive Officer to the extent permitted by the Corporations Act 2001.

**HARBORD FINANCIAL SERVICES LIMITED**  
**DIRECTORS REPORT**

**(Continued)**

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has indemnified all Directors and Officers in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as a Director or Officer of the Company except where the liability arises out of conduct involving the lack of good faith.

**DIRECTORS' MEETING**

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each Director. During the financial year, twelve board meetings were held. Directors also participated in sub groups throughout the year and all Directors received regular weekly programme updates / notices of planning and events.

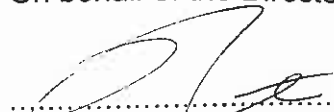
Director	Board Meetings	
	Eligible	Attended
Trevor L. Sargeant (Chairman)	12	12
Lisa Bousfield	12	7
Martin E. Brook	12	10
Garry Chadwick (Treasurer)	12	11
Brian P. Dunphy (resigned 24/11/06)	5	4
Ian J. Greentree (Company Secretary)	12	11
Darren G. Jones	11	8
Ian C. Joynson	12	12
Brad O'Connor	12	10

**Auditor's Independence Declaration**

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act is included on page 8 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Harbord, New South Wales.

On behalf of the Directors

  
.....  
**Trevor SARGEANT**  
**Chairman**  
**18/10/2007**

  
.....  
**Ian GREENTREE**  
**Company Secretary**  
**18/10/2007**

**HARBORD FINANCIAL SERVICES LIMITED**

**AUDITOR'S INDEPENDENCE DECLARATION**

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 2007 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Raymond J Patmore  
Chartered Accountant  
49 Wyndora Avenue, Harbord NSW 2096

Liability limited by a scheme approved under Professional Standards Legislation

Dated at Sydney 19 October 2007

# HARBORD FINANCIAL SERVICES LIMITED

## AUDITOR'S REPORT

### INDEPENDENT AUDIT REPORT TO THE MEMBERS OF HARBORD FINANCIAL SERVICES LIMITED

#### REPORT ON THE FINANCIAL REPORT

I have audited the accompanying financial statements of Harbord Financial Services Limited (the company), which comprises the balance sheet as at 30 June 2007 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, 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 fair presentation of the financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian accounting Standards. These Auditing Standards require that I 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair 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 controls. An audit involves evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**HARBORD FINANCIAL SERVICES LIMITED**

**AUDITOR'S REPORT**

(Continued)

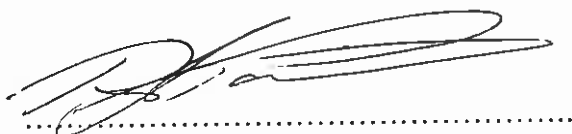
**INDEPENDENCE**

In conducting my audit, I have complied with the independence requirements of the Corporations Act 2001. I have provided the directors of the company with a written Auditor's Independence Declaration, a copy of which is included in the annual report.

**AUDIT OPINION**

In my opinion, the financial report of Harbord Financial Services Limited is in accordance with the Corporations Act 2001, including:

- a. (i) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and  
(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001;
- b. other mandatory financial reporting requirements in Australia.



.....  
Raymond J Patmore  
Chartered Accountant  
49 Wyndora Avenue, Harbord NSW 2096

Dated at Sydney 19 October 2007

**HARBORD FINANCIAL SERVICES LIMITED**

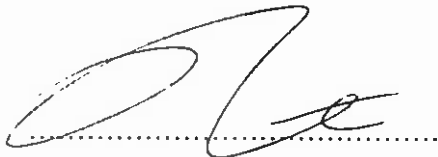
**DIRECTOR'S DECLARATION**

The Directors declare that:

- (a) The attached financial statements and notes thereto comply with accounting standards.
- (b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance of the company.
- (c) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- (d) In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to S.295(5) of the Corporations Act 2001.

On behalf of the Directors.



**Trevor SARGEANT**  
**Chairman**  
**HARBORD 18/10/2007**



**Ian GREENTREE**  
**Company Secretary**  
**HARBORD 18/10/2007**

**HARBORD FINANCIAL SERVICES LIMITED**

**STATEMENT OF FINANCIAL PERFORMANCE**

**INCOME STATEMENT for YEAR ENDED 30 JUNE 2007**

	NOTE	2007 \$	2006 \$
Revenue from ordinary activities	2 (a)	870,474	710,220
Depreciation/Amortisation Expense		(35,617)	(33,217)
Employee Benefits Expense		(360,146)	(307,110)
Occupancy Expenses		(69,304)	(66,875)
Other expenses from ordinary activities		(218,622)	(181,961)
<b>Profit / (Loss) from ordinary activities before income tax expense</b>	2	<b>186,785</b>	<b>121,057</b>
Income tax expense relating to ordinary activities		-	-
<b>Net Profit / (Loss)</b>	12	<b>186,785</b>	<b>121,057</b>
<b><i>Total Changes in Equity other than those resulting from transactions with owners as owners</i></b>		<b>186,785</b>	<b>121,057</b>

*Notes to the financial statements are included on pages 16 to 24*

HARBORD FINANCIAL SERVICES LIMITED

BALANCE SHEET

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	NOTE	2007 \$	2006 \$
<b>CURRENT ASSETS</b>			
CASH ASSETS	5	291,155	170,936
RECEIVABLES	4	71,143	56,497
OTHER	6	10,200	1,702
<b>TOTAL CURRENT ASSETS</b>		<b>372,497</b>	<b>229,135</b>
<b>NON-CURRENT ASSETS</b>			
PROPERTY, PLANT AND EQUIPMENT	7/7A	127,845	22,101
INTANGIBLE ASSETS	7B	145,380	218,411
<b>TOTAL NON-CURRENT ASSETS</b>		<b>273,225</b>	<b>240,512</b>
<b>TOTAL ASSETS</b>		<b>645,722</b>	<b>469,647</b>
<b>CURRENT LIABILITIES</b>			
ACCOUNTS PAYABLE	8	42,673	31,971
PROVISIONS	9	34,686	31,841
<b>TOTAL CURRENT LIABILITIES</b>		<b>77,359</b>	<b>63,812</b>
<b>TOTAL LIABILITIES</b>		<b>77,359</b>	<b>63,812</b>
<b>NET ASSETS</b>		<b>568,363</b>	<b>405,835</b>
<b>EQUITY</b>			
CONTRIBUTED EQUITY	13	693,059	693,059
ACCUMULATED LOSSES	12	124,696	287,244
<b>TOTAL EQUITY</b>		<b>568,363</b>	<b>405,835</b>

*Notes to the financial statements are included on pages 16 to 24*



HARBORD FINANCIAL SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

AS AT 30 JUNE 2007

	NOTE	2007 \$	2006 \$
Total Equity at beginning of the financial year		405,835	297,933
Net income / expense recognised directly in equity		-	-
Net Profit for the Year		186,785	121,057
<b>Total recognised income &amp; expenses for the year</b>		<b>592,610</b>	<b>418,990</b>
Dividends Paid		(24,257)	(15,155)
Add Increase in Capital (issued shares)			2,000
Cost of issuing Shares		-	-
<b>Total Equity at end of Financial Year</b>		<b>568,363</b>	<b>405,835</b>

*Notes to the financial statements are included on pages 16 to 24*

HARBORD FINANCIAL SERVICES LIMITED

STATEMENT OF CASH FLOWS

AS AT 30 JUNE 2007

	NOTE	2007 \$ <i>Inflows/ (Outflows)</i>	2006 \$ <i>Inflows/ (Outflows)</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
COMMISSIONS		120,514	89,582
FEEs RECEIVED		561,708	438,799
GROSS FEES		136,560	130,771
REBATES RECEIVED		50,000	50,000
INTEREST RECEIVED		1,692	1,068
		<u>870,474</u>	<u>709,153</u>
PAYMENTS TO SUPPLERS AND EMPLOYEES		748,072	565,727
BORROWING COSTS PAID		0	0
PAYMENTS OF GST YET TO BE PAID/REFUNDED		13,810	9,893
		<u>761,882</u>	<u>575,620</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	17(b)	<u><b>108,592</b></u>	<u><b>133,533</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>PROCEEDS</b>			
LESS PROV'N FOR AMORTISATION & DEPRECIATION		35,617	33,217
PAYMENT FOR PROPERTY, PLANT & EQUIPMENT		(25,657)	0
INCOME ACCRUED		1,667	(7,175)
		<u>(11,627)</u>	<u>26,042</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<u><b>(11,627)</b></u>	<u><b>26,042</b></u>
<b>NET (Decrease) / Increase IN CASH HELD</b>		<u><b>120,219</b></u>	<u><b>159,575</b></u>
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		<u>170,936</u>	<u>11,361</u>
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	17(a)	<u><b>291,155</b></u>	<u><b>170,936</b></u>

*Notes to the financial statements are included on pages 16 to 24*

**HARBORD FINANCIAL SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

**(Continued)**

**1. SUMMARY OF ACCOUNTING POLICIES (continued)**

**B. RECEIVABLES**

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts.

**C. INCOME TAX**

Income tax is not payable as the company has carried forward losses and a deferred tax asset is not recognised as it is not considered material.

**D. RECOVERABLE AMOUNT OF NON-CURRENT ASSETS**

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. Recoverable amount is determined as the present value of the amount expected to be recovered through undiscounted cash inflows and outflows arising from the continued use and subsequent disposal of the non-current asset.

**E. ACCOUNTS PAYABLE**

Trade payables and other accounts payable are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services.

**F. FRANCHISE FEES**

Franchise Fee payments are recognised as an expense on a basis which reflects the pattern in which economic benefits from the leased assets are consumed.

**G. EMPLOYEE BENEFITS**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and when it is probable that settlement will be required and are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave, and long service leave expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

**HARBORD FINANCIAL SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

**(Continued)**

**1. SUMMARY OF ACCOUNTING POLICIES (continued)**

Provisions made in respect of long service leave which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to the reporting date.

**H. GOODS AND SERVICES TAX**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- (ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

**I. GOING CONCERN**

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the course of business.

The ability of the company to continue as a going concern is dependent on its ability to:

- Generate sufficient cash flows from operations to meet its financial obligation.
- Secure further project contracts.
- Continue to manage the performance of the company, including increasing operation cash flows and reducing overheads.
- Reduce its outgoing.
- Derive sufficient revenue from its existing operations.

**HARBORD FINANCIAL SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

**(Continued)**

At the date of this report and having considered the above factors, the directors are confident that the company will be able to continue as a going concern.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>2. PROFIT FROM ORDINARY ACTIVITIES</b>		
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX INCLUDES THE FOLLOWING ITEMS OF REVENUE AND EXPENSE:		
<b>(A) OPERATING REVENUE</b>		
<b>RENDERING OF SERVICES</b>		
RENDERING OF SERVICE	698,269	569,570
OTHER	170,514	139,582
<b>INTEREST REVENUE</b>		
OTHER ENTITIES	1,691	1,068
	<b>870,474</b>	<b>710,220</b>
<b>(B) OPERATING EXPENSES</b>		
FRANCHISE FEE AMORTISATION	10,000	
DEPRECIATION OF FIXED ASSETS	67,172	353
LEASEHOLD IMPROVEMENTS AMORTISATION	(41,555)	12,723
<b>3. REMUNERATION OF AUDITORS</b>		
AUDITING THE FINANCIAL REPORT	2,500	1,836
<b>4. CURRENT RECEIVABLES</b>		
INCOME ACRUED	<b>71,143</b>	<b>56,498</b>
<b>5. OTHER FINANCIAL ASSETS</b>		
CASH ON HAND	297	1,111
CASH AT BANK	-	69,825
DEPOSITS AT CALL	290,858	100,000
	<b>291,155</b>	<b>170,936</b>
<b>6. OTHER CURRENT ASSETS</b>		
PREPAYMENT	10,200	1,702

**HARBORD FINANCIAL SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

**(Continued)**

	2007 \$	2006 \$
<b>7. PROPERTY, PLANT &amp; EQUIPMENT, OFFICE EQUIPMENT</b>		
FURNITURE & FITTINGS AT COST	218,173	29,923
LESS PROVISION FOR DEPRECIATION	98,756	8,570
BALANCE AS AT 30 JUNE 2007	<u>119,417</u>	<u>21,353</u>
<b>7A ATM DEE WHY</b>		
COSTS/COMPUTER SOFTWARE AT COST	8,428	898
LESS PROVISION FOR DEPRECIATION	-	150
BALANCE AS AT 30 JUNE 2007	<u>8,428</u>	<u>748</u>
<b>NET BOOK VALUE 7&amp;7A AS AT 30 JUNE 2007</b>	<u>127,845</u>	<u>22,101</u>
<b>7B. LEASEHOLD IMPROVEMENTS AT COST</b>	214,740	-
LESS AMORTISATION	69,360	-
TOTAL INTANGIBLES	<u>145,380</u>	<u>-</u>
<b>8. CURRENT ACCOUNTS PAYABLE</b>		
OTHER CREDITORS	10,069	8,170
ACCRUED EXPENSES	15,716	6,662
GST ON SUPPLIES	13,810	17,139
	<u>39,595</u>	<u>31,971</u>
<b>9. CURRENT PROVISIONS</b>		
EMPLOYEE BENEFITS (NOTE 11)	<u>34,686</u>	<u>31,841</u>
<b>10. NON-CURRENT PROVISIONS</b>	-	-
EMPLOYEE BENEFITS (NOTE 11)	<u>-</u>	<u>-</u>
<b>11. EMPLOYEE BENEFITS</b>		
THE AGGREGATE EMPLOYEE BENEFITS LIABILITY RECOGNISED AND INCLUDED IN THE FINANCIAL STATEMENTS:		
PROVISION FOR EMPLOYEE BENEFITS:		
CURRENT (NOTE 9)	34,686	31,841
NON-CURRENT (NOTE 10)	-	-
ACCRUED SALARIES & WAGES	-	-
	<u>34,686</u>	<u>31,841</u>
<b>NUMBER OF EMPLOYEES AT END OF FINANCIAL YEAR</b>	<u>8</u>	<u>6</u>

**HARBORD FINANCIAL SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

**(Continued)**

	2007 \$	2006 \$
<b>12. ACCUMULATED LOSSES</b>		
BALANCE AT BEGINNING OF FINANCIAL YEAR	(287,224)	(393,125)
NET PROFIT / (LOSS)	186,785	121,056
ORDINARY DIVIDEND PAID	(24,257)	(15,155)
	(124,696)	(287,224)

**13. SHARE CAPITAL**

THE COMPANY IS A PUBLIC COMPANY WITH ISSUED CAPITAL OF 693,059 ORDINARY FULLY PAID SHARES OF \$1.00 EACH.

**14. REMUNERATION OF DIRECTORS**

Directors of Harbord Financial Services Limited during the year were:

- L. Bousfield
- M. E. Brooks
- G. Chadwick
- B. P. Dunphy
- I. J. Greentree
- D. G. Jones
- I. C Joykson
- B. O'Connor
- T. L. Sargeant

The Directors received no remuneration from the Company, or any other related body corporate, during the current or prior year.

	2007 \$	2006 \$
<b>15. COMMITMENTS FOR EXPENDITURE</b>		
COMMITMENTS UNDER NON-CANCELLABLE OPERATING LEASES AND HIRE EXPENDITURE CONTRACTED:		
NOT LATER THAN 1 YEAR		
LATER THAN 1 YEAR BUT NOT LATER THAN 5 YEARS		
	NIL	NIL

**HARBORD FINANCIAL SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

**(Continued)**

**16. SEGMENT INFORMATION**

Harbord Financial Services Limited operates only in Australia working within the finance sector.

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>17. NOTES TO THE STATEMENT OF CASH FLOWS</b>		
<b>(a) Reconciliation of Cash</b>		
For the purpose of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank drafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
CASH	297	70,936
DEPOSITS AT CALL	290,858	100,000
	<b>291,155</b>	<b>170,936</b>
<b>(b) Reconciliation of Profit before Tax to Net Cash Flows from Operating Activities</b>		
NET PROFIT / (LOSS) FOR THE YEAR	186,785	121,057
DEPRECIATION OF NON-CURRENT ASSETS	35,617	33,215
CHANGES IN NET ASSETS & LIABILITIES:		
Decrease / (Increase) in receivables	(14,646)	2,564
Decrease in inventories	-	-
(Increase) / Decrease in other current assets	(144,796)	
Increase in trade payables & accruals	42,787	(12,289)
(Decrease) / Increase in provisions	2,845	(11,014)
Increase in unexpended grants		
	<b>108,592</b>	<b>133,533</b>



**HARBORD FINANCIAL SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

(Continued)

**18. FINANCIAL INSTRUMENTS**

**a) Significant Accounting Policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

**b) Interest Rate Risk**

The following table details the company's exposure to interest rate risk at 30 June 2007:

2007	Average Interest Rate %	Variable Interest Rate \$	Fixed Interest Rate Maturity			Non-Interest Bearing \$	Total \$
			Less than 1 Year \$	1-5 Years \$	More than 5 Years \$		
<b>Financial Assets</b>							
Cash	5.50%	291,155					291,155
Trade receivables						71,143	71,143
Other						10,200	10,200
		291,155				81,343	372,498
<b>Financial Liabilities</b>							
Trade payables & accruals						77,836	77,836
Other							
Employee entitlements						31,841	31,841
						109,677	109,677

The company has cash on deposit of \$290,858 and cash on hand and at bank of \$297.00 at the end of the financial year. These assets are denominated in Australian dollars and are earning interest at market rates.

The following table details the company's exposure to interest rate risk at 30 June 2006:

2006	Average Interest Rate %	Variable Interest Rate \$	Fixed Interest Rate Maturity			Non-Interest Bearing \$	Total \$
			Less than 1 Year \$	1-5 Years \$	More than 5 Years \$		
<b>Financial Assets</b>							
Cash	5.5%	170,936					170,936
Trade receivables						56,498	56,498
Other						1,702	1,702
		170,936				58,200	229,136
<b>Financial Liabilities</b>							
Trade payables & accruals						31,971	31,971
Other							
Employee entitlements						31,841	31,841
						63,812	63,812

**HARBORD FINANCIAL SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

**(Continued)**

**18. FINANCIAL INSTRUMENTS (Continued)**

**c) *Credit Risk***

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the company. The company has adopted the policy of only dealing with creditworthy counter parties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The company measures credit risk on a fair value basis. The company's maximum credit risk exposure as at the reporting date is \$262,821.00

**d) *Net Fair Value***

The net fair value of all financial assets and liabilities of the company is reflected in the carrying amounts of these assets and liabilities as shown in these financial statements.

**19. ADDITIONAL COMPANY INFORMATION**

Harbord Financial Services Limited is incorporated and operating in Australia

**Registered Office**  
20 Albert Street  
Harbord NSW 2096

**Principal Place of Business**  
20 Albert Street  
Harbord NSW 2096

## 2006-2007 Sponsorship and Advertising

NAME OF RECIPIENT	FOR	AMOUNT
Combined Churches Christmas Carols	Christmas Carols books and Puppet show	\$2,191.23
Freshwater Softball Club	Floozies Polo shirts & printing	\$740.30
Freshwater Swimming Club	Bendigo Bank prints on shirts	\$636.35
Harbord Bowling Club	Premier League team shirts/caps/bags	\$2,612.50
Harbord Financial Services Ltd (note 1)	Sunshades used by the Community, Clubs etc	\$13,200.00
Harbord Firgid Frogs Winter Swim Club	Embroidery on shirts	\$750.00
Harbord Harlequins Rugby Club	2007 Sponsorship	\$2,500.00
Harbord Harlequins Rugby Club	2006 Sponsorship	\$1,550.00
Harbord Public School	Annual Maths awards	\$100.00
Harbord Public School	Homework book sponsorship advertisement	\$550.00
Harbord Public School Spring Fair	New account vouchers 10 x \$50	\$500.00
Harbord Womens Bowling Club	Harbord Trophy day	\$300.00
Manly Bombers JAFC	New Jerseys & Equipment	\$623.80
Manly Bombers JAFC	2007 Sponsorship	\$700.00
Neighbourhood Watch	Newsletter	\$600.00
North Curl Curl Knights JRLFC	Jersey Sponsorship U/7's	\$750.00
South Curl Curl SLSC Inc	IRB / boat/ motor/signwriting	\$17,472.00
St Pauls Catholic College Manly	Raffle ticket supporting UK Tour	\$50.00
Sydney Northern Beaches Water Polo	Clock Warringah Acquatic Centre 50% (note 2)	\$3,357.50
Valley United RLFC	Signage/advertising for Harbord Park	\$500.00
Warringah Council	Jacka Park Play Equipment	\$27,500.00
Warringah Softball Club	Polo shirts & printing	\$802.10
<b>TOTAL</b>		<b>\$77,985.78</b>

Note 1. A number of community groups requested sunshades. To allow for the optimum use, the sunshades remain the property of HFSL. They will be lent to various groups as required. Eg summer and winter sporting groups. Request made to the Branch.

Note 2. HFSL contributed half the cost of the clock which is a permanent fixture at the Acquatic Centre to be used by all visitors.

The first step to obtain sponsorship is Banking with Bendigo Bank at the Harbord Community Branch. **It's Your Bank**

If you are involved with a community organisation or sporting club, Harbord Community Branch would welcome your banking.