

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

Harbord



Community Bank Branch **Bendigo Bank**

2002

HARBORD FINANCIAL SERVICES LIMITED

A.B.N. 25 097 282 525

Contents

Chairman's Report

Directors' Report

Statement of Financial Performance

Statement of Financial Position

Statement of Cash Flows

Notes to the Financial Statements

Directors' Declaration

Auditor's Report

Detailed Statement of Financial Performance

Chairperson's Report

For Year Ending 30th June 2002

HISTORY

Due to the energy and enthusiasm of the original Board members and the generosity of our unique community in Harbord, our bank, The Harbord Community Bank, opened its doors on June 15th, 2002, with 408 shareholders and a fully subscribed capital of \$691,058 to fund the project.

CURRENT POSITION

We at present have 918 accounts, with total business levels of \$7,625,000 in loans and deposits. On average 1500 transactions are processed per month, with 80 new accounts being opened each month. As you will see, growth has been below what was anticipated in the prospectus. Operating a community bank in the city of Sydney has proved to be very different to rural NSW and Victoria, where the Bendigo Bank has previously operated. The lack of a structured marketing plan from the Bendigo Bank has been somewhat frustrating. The Harbord Community Bank Board is addressing this situation. Three new members, who have expertise in marketing, personnel and business development, have been appointed as Directors.

With community support, our staff and the Board of the community bank we look forward to a period of prolonged growth.

STAFF

It has been a pleasure working with our manager Stuart Daly, his assistant Steven Foster and customer service officers, Angela Moore, Molly Talbot and Bronwyn Mullens. They are a friendly, helpful and energetic team who enjoy providing the service and expertise to operate our community bank. Thank you all!

BOARD MEMBERS

Two of our founding Board resigned prior to the AGM. Phillip Murray was an integral part of our original Board and made a committed contribution to our Media/Promotions Committee. Dominic Gerace was the Bank's founding Chairman

and a great inspiration. Dominic's commitment, thoroughness and energy for the success of our community bank was truly outstanding. Thank you Dominic and Phil.

I welcome the appointment to the Board of Lisa Bousfield, Gary Chadwick and Andrew Speers. This brings our membership to the full complement of nine. I extend my personal thanks to all Board members both old and new for your voluntary contribution to the Harbord Community Bank and the many hours of your valuable time. Before the Bank officially opened, 3 to 4 meetings a week were the norm. Monthly Board meetings and various sub-committees ensure that constant diligence is assured and on behalf of the Board we look forward to continuing our relationship with the community.

BENDIGO BANK

The Board of Harbord Financial Services Ltd/Harbord Community Bank look forward to working more closely with the staff of the Bendigo Bank and appreciate the attendance of David MacAuley and Glen Kendal at various Board meetings throughout the year.

The opening of a corporate owned and operated Bendigo Bank in Dee Why came as a surprise to the Board but we have been assured that it is a "team" game and therefore look forward to benefiting from a close relationship where expertise, contacts and ideas can be freely exchanged.

PROFESSIONAL ASSISTANCE AND FRIENDS

Thank you to Ray Patmore for his role as Company Auditor, to Pamela Spears our Bookkeeper and to Carol Patmore our original Minute Secretary. And a special thank you to Diedre MacAlinden who was our tireless Media/Public Relations Consultant.

Brian Dunphy and Ian Joynson were both members of the original steering committee. Ian is a dedicated supporter and awesome lobbyist for our Bank. If it wasn't for Ian Joynson, Harbord wouldn't have a bank. Brian Dunphy now holds the combined positions of Company Secretary/Treasurer and accordingly carries an incredible workload. Brian's expertise in corporate law and procedure has been invaluable to the shareholders and the Board. To both Brian and Ian the ultimate accolade is "it wouldn't have happened without you!"

Harbord Financial Services is a community project; you the shareholders, by your financial support have played a significant part in the history of Harbord. Always remember, the Harbord Community Bank is **YOUR BANK** and accordingly requires your continued support to sustain it. By attracting business referrals and new accounts our bank will continue to grow.

On behalf of myself and the Board of the Harbord Community Bank, I thank you for the privilege of serving you.

Trevor Sargeant

Chairman

HARBORD FINANCIAL SERVICES LIMITED

A.B.N. 25 097 282 525

DIRECTORS' REPORT

Your directors present their report on the company for the financial year ended 30 June 2002. The names of the directors in office at any time during or since the end of the year are:

Brian Patrick Dunphy

Appointed director on 26 June 2001. Brian is a registered liquidator and is the Company Secretary.

Ian Charles Joynson

Appointed director on 26 June 2001. Ian is a newsagent.

Trevor Leslie Sargeant

Appointed director on 24 September 2001. Trevor is a dentist and is the Chairman of the Board.

Martin Edwin Brook

Appointed director on 24 September 2001. Martin is a pharmacist.

Howard Lipman

Appointed director on 24 September 2001. Howard is a pharmacist.

Howard Wong-See

Appointed director on 24 September 2001. Howard is a doctor.

Lisa Bousfield

Appointed 29 October 2002. Lisa is a personnel consultant.

Garry Chadwick

Appointed 29 October 2002. Garry is an accountant.

Andrew Speers

Appointed a director on 29 October 2002. Andrew is an environmental consultant.

Robert Nason Adams

Appointed director on 26 June 2001. He resigned on 24 September 2001.

Domenico Gerace

Appointed director on 24 September 2001. He resigned on 29 October 2002.

Allan Gregory Hazlett

Appointed director on 26 June 2001. He resigned on 24 September 2001.

Jeremy James Hodges

Appointed director on 26 June 2001. He resigned on 24 September 2001.

Anita Julie Hutcheson

Appointed director on 24 September 2001. She resigned on 27 November 2001.

Roger Edward Leys

Appointed director on 26 June 2001. He resigned on 24 September 2001.

Peter James Lowther

Appointed director on 26 June 2001. He resigned on 24 September 2001.

Phillip John Murray

Appointed director on 24 September 2001. He resigned on 29 October 2002.

Bernard Patrick O'Connor

Appointed director on 26 June 2001. He resigned on 24 September 2001.

Bryce Colin Rea

Appointed director on 26 June 2001. He resigned on 24 September 2001.

The number of directors' meetings attended by each of the current directors of the company during the year were:

Number of Meetings Held: 25

| | Held | Attended |
|------------------------|-------------|-----------------|
| Brian Patrick Dunphy | 25 | 23 |
| Ian Charles Joynson | 25 | 24 |
| Trevor Leslie Sargeant | 25 | 24 |
| Martin Edwin Brook | 25 | 21 |
| Howard Lipman | 25 | 20 |
| Howard Wong-See | 25 | 25 |
| Lisa Bousfield | 0 | 0 |
| Garry Chadwick | 0 | 0 |
| Andrew Speers | 0 | 0 |

Brian Dunphy, as a director of Freshwater Management Pty Ltd, provides bookkeeping services to the company. No other directors have material interests in contracts or proposed contracts with the company.

Principle Activities

The principle activities of the company during the course of the financial period were in providing community banking services under management rights to operate a franchised branch of Bendigo Bank Ltd.

Results

The net loss of the company for the financial year was \$112,874.

Dividends

The directors recommend that no dividend be paid for the current year.

Significant Changes in the State of Affairs

Due to the protracted nature of the negotiations in respect to the franchise agreement with Bendigo Bank, it was decided by the Board as being commercially prudent to commence paying rent from 26 November 2001 in order to secure the premises. Consequently, the amount charged to the accounts reflects that additional cost of paying rent before commencement of the fit-out of the premises at the end of April 2002.

In the opinion of the directors there were no other 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 report.

Matters Subsequent to the End of Financial Year

In the opinion of the directors, the opening of a corporate operated branch of the Bendigo Bank Ltd in Dee Why in July 2002 may have a significant effect upon the operations of the company in the current financial year and future years. At the time of the issue of the prospectus for the company, the directors were not aware of Bendigo Bank Ltd's intention to open their own branch of the bank in Dee Why. The Board was informally advised of the proposed opening of the branch after the share issue had closed.

The Statement of Financial Position does not reflect the cost of the branch fitout at \$233,756, which was invoiced to the company by Bendigo Bank in September 2002. As the branch opened its doors on 15 June 2002 it was decided that no provision for depreciation was to be taken up in the 2002 financial year. Depreciation of the fitout costs and amortisation of the franchise fee and start up costs will be over five years at 20% per annum.

Likely Developments

The company will continue its policy of providing banking services to the community.

Director's Benefits

No director has received or has become entitled to receive, during or since the financial year, a benefit because of a contract made by the company with a director, a firm which a director is a member, or an entity in which a director has a substantial financial interest, other than Brian Dunphy who has received professional fees for providing bookkeeping services through his company, Freshwater Management Pty Ltd.

Directors' and Auditor's Indemnification

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or a related body corporate) that may arise from their position as a director or manager of the company except where the liability arises out of conduct involving the lack of good faith. The premium paid in respect to this policy is \$3,209.25.

Signed in accordance with a resolution of the Board of Directors.

Chairman
Trevor Leslie Sargeant

Company Secretary
Brian Patrick Dunphy

Dated this 26th day of November 2002

HARBORD FINANCIAL SERVICES LIMITED

A.B.N. 25 097 282 525

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 June 2002

| | Note | \$ | \$ |
|--|------|-----------------|------------------|
| Revenues from Ordinary Activities | 2 | 3,508 | |
| Employee Benefits Expense | | (52,244) | |
| Borrowing Costs Expense | 3 | (44) | |
| Other Expenses from Ordinary Activities | | <u>(63,952)</u> | |
| Profit from Ordinary Activities Before Income Tax Expense | 3 | | (112,732) |
| Income Tax Expense Relating to Ordinary Activities | | | <u>-</u> |
| Net Profit from Ordinary Activities after Income Tax Expense Attributable to Members of the Company | 10 | | <u>(112,732)</u> |
| Total Changes in Equity Other than those Resulting from Transactions with Owners as Owners | | | <u>(112,874)</u> |

The accompanying notes form part of the financial statements

HARBORD FINANCIAL SERVICES LIMITED

A.B.N. 25 097 282 525

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2002

| | Note | \$ | \$ |
|----------------------------------|------|----------------|----------------|
| CURRENT ASSETS | | | |
| Cash | 4 | 435,906 | |
| Other | 6 | <u>22,278</u> | |
| TOTAL CURRENT ASSETS | | | <u>458,184</u> |
| NON-CURRENT ASSETS | | | |
| Property, Plant and Equipment | 5 | 1,767 | |
| Intangible Assets | 7 | <u>129,892</u> | |
| TOTAL NON-CURRENT ASSETS | | | <u>131,659</u> |
| TOTAL ASSETS | | | <u>589,843</u> |
| CURRENT LIABILITIES | | | |
| Payables | 8 | <u>11,517</u> | |
| TOTAL CURRENT LIABILITIES | | | <u>11,517</u> |
| TOTAL LIABILITIES | | | <u>11,517</u> |
| NET ASSETS | | | <u>578,326</u> |
| EQUITY | | | |
| Issued Capital | 9 | 691,058 | |
| Accumulated Losses | 10 | <u>112,732</u> | |
| TOTAL EQUITY | | | <u>578,326</u> |

These statements are to be read in conjunction with
the attached compilation report

HARBORD FINANCIAL SERVICES LIMITED

A.B.N. 25 097 282 525

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2002**

| | |
|---|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | \$ |
| Receipts from customers | 1,557 |
| Interest received | 1,951 |
| Payments to suppliers and employees | (104,679) |
| Borrowing costs paid | (44) |
| Payments of GST yet to be refunded | <u>(22,278)</u> |
| Net cash provided by (used in) operating activities | (123,493) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Payment for property, plant & equipment | (1,767) |
| Payment for intangibles | <u>(129,892)</u> |
| Net cash provided by (used in) investing activities | (131,659) |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Proceeds from issue of shares | 691,058 |
| Net cash provided by (used in) financing activities | 691,058 |
| Net increase / (decrease) in cash held | 255,152 |
| Cash at beginning of year | NIL |
| Cash at end of year | 435,906 |

These statements are to be read in conjunction with
the attached compilation report

HARBORD FINANCIAL SERVICES LIMITED

A.B.N. 25 097 282 525

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2002

Note 1 – Statement of Accounting Policies

These financial statements are a special purpose financial report prepared in order to satisfy the accounts preparation requirements of the Corporations Act.

The statements have been prepared in accordance with the requirements of the Corporations Act and the following applicable Accounting Standards and other mandatory professional reporting requirements:

- AASB 1002 Events Occurring After Balance Date
- AASB 1008 Accounting for Leases
- AASB 1018 Profit and Loss Accounts
- AASB 1019 Measurement and Presentation of Inventories in the Context of the Historical Cost System
- AASB 1020 Accounting for Income Tax (Tax Effect Accounting)
- AASB 1021 Depreciation of Non-Current Assets
- AASB 1025 Application of the Reporting Entity Concept and Other Amendments
- AASB 1031 Materiality
- AASB 1034 Information to be Disclosed in Financial Reports

No other applicable Accounting Standards or other mandatory professional reporting requirements have been applied.

The statements have been prepared on an accruals basis. They are based on historical costs and do not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

These statements are to be read in conjunction with
the attached compilation report

Note 2 – Revenue

| | |
|-----------------------------|--------------|
| Operating Activities | \$ |
| Interest | 1,950 |
| Rendering of Service | 1,520 |
| Other | <u>38</u> |
| Total Revenue | <u>3,508</u> |
| | |
| Interest from | |
| Other Persons | <u>1,950</u> |

Note 3 – Profit From Ordinary Activities

Profit from ordinary activities before income tax
Expense has been determined after:

Expenses**Borrowing Costs**

| | |
|---------------|-----------|
| Other Persons | <u>45</u> |
|---------------|-----------|

Note 4 – Cash

| | |
|--------------|----------------|
| Cash at Bank | 435,706 |
| Cash on Hand | <u>200</u> |
| | <u>435,906</u> |

Note 5 – Property Plant & Equipment

| | |
|----------------------------------|--------------|
| Furniture and Fittings - at cost | <u>1,766</u> |
|----------------------------------|--------------|

Note 6 – Other Assets**Current**

| | |
|---------------------|---------------|
| GST on Acquisitions | <u>22,278</u> |
|---------------------|---------------|

Note 7 – Intangible Assets

| | |
|---------------|----------------|
| Set Up Costs | 79,892 |
| Franchise Fee | <u>50,000</u> |
| | <u>129,892</u> |

These statements are to be read in conjunction with
the attached compilation report

Note 8 – Payables

| | |
|------------------------------------|---------------|
| Current Accrued Expenses | <u>11,517</u> |
|------------------------------------|---------------|

Note 9 – Contributed Equity

| | |
|--------------------|----------------|
| Shareholders Funds | <u>691,058</u> |
|--------------------|----------------|

Note 10 – Retained Profits

| | |
|---|------------------|
| Retained Profits (Accumulated Losses) at the beginning of the Financial Year | - |
| Net Profit Attributable to Members of the Company | <u>(112,732)</u> |
| Retained Profits (Accumulated Losses) at the End of the Financial Year | <u>(112,732)</u> |

These statements are to be read in conjunction with
the attached compilation report

HARBORD FINANCIAL SERVICES LIMITED

A.B.N. 25 097 282 525

DIRECTORS' DECLARATION

The directors have determined that the company is not a reporting entity. The directors have determined that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 10 to 15;
 - a) comply with Accounting Standards as detailed in Note 1 to the financial statements and the Corporations Act 2001, and
 - b) present fairly the company's financial position as at 30 June 2002 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. 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.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Chairman
Trevor Leslie Sargeant

Company Secretary
Brian Patrick Dunphy

Dated this 26th day of November 2002

HARBORD FINANCIAL SERVICES LIMITED

A.B.N. 25 097 282 525

**PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 30 June 2002**

| INCOME | \$ | \$ |
|------------------------|--------------|-----------------------|
| Commissions | 38 | |
| Fees Received | 347 | |
| Gross Fees | 1,172 | |
| Interest Received | <u>1,951</u> | |
| TOTAL INCOME | | 3,508 |
| EXPENSES | | |
| Advertising | 4,009 | |
| Bank Charges | 287 | |
| Computer Expense | 3,600 | |
| Freight & Cartage | 28 | |
| Insurance | 7,817 | |
| Interest | 44 | |
| Legal Costs | 1,325 | |
| Motor Vehicle Expenses | 753 | |
| Postage | 215 | |
| Printing & Stationery | 2,410 | |
| Rent | 40,953 | |
| Salaries | 20,084 | |
| Staff Amenities | 499 | |
| Staff Training | 30,000 | |
| Superannuation | 1,661 | |
| Travelling Expenses | 962 | |
| Telephone | <u>1,593</u> | |
| TOTAL EXPENSES | | <u>116,240</u> |
| OPERATING LOSS | | <u>112,732</u> |