

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

2006

**HARBORD  
FINANCIAL  
SERVICES  
LIMITED**

**ACN 097 282 525**

**FINANCIAL REPORT FOR THE FINANCIAL YEAR**

**Ended 30 June 2006**

HARBORD FINANCIAL SERVICES LIMITED

**INDEX**

	PAGE
Chairman's Report .....	1
Director's Report .....	3
Auditor's Independence Declaration .....	7
Auditor's Report .....	8
Director's Declaration .....	10
Statement of Financial Performance .....	11
Statement of Financial Position .....	12
Statement of Cash Flows .....	13
Notes to and forming part of the Financial Statements .....	14

## HARBORD FINANCIAL SERVICES LIMITED

# CHAIRMAN'S REPORT

Dear Shareholders

I have great pleasure in enclosing the notice of the annual general meeting of Harbord Financial Services Ltd. The meeting will be held on Monday 27 November 2006 commencing at 6.30pm at the Freshwater Surf Life Saving Club, Freshwater Beach, followed by cocktails and snacks.

Our bank, the Harbord Community Bank continues to trade profitably; \$121,056 net profit last financial year. As a result of the initiative and support of the community, our bank has been able to distribute many thousands of dollars in support and sponsorship. This includes the donation of a new IRB valued at \$15,000 to Freshwater Surf Club, sponsorship of the Christmas Carols at Freshwater, a notice board for the Freshwater Senior Campus and clothing and equipment for sporting and children's' groups such as Harbord Harlequins Rugby, Harbord Devils League and Cricket, Harbord Seaside Football, North Curl Curl Knights, softball clubs, Freshwater Amateur Swimming Club, Harbord and St John's Schools, Harbord Community Kindergarten and South Curl Curl Nippers. I personally find this very satisfying. This is what Harbord Community Bank spirit is all about.

John Lang OA has retired from the board to take up a position of Business Development Ambassador with us. John is a very experienced and busy director. Yes John has 3 separate board meetings on our second Monday of the month. Thankyou John and we will continue to appreciate your advice, experience and support for our great bank.

Your board appointed Darren Jones as the new director. Darren offers important skills, energy and experience to facilitate our push into the next stage of development. Welcome to the team Darren.

Steven Forster has returned to the 'heartland' as supervisor/customer relations officer. This offers our bank and customers the opportunity of even more qualified advice, better service and that extra relationship that Ken, our manager and his staff, Angie, Sandra, Kasey, Cherie, Becky, Sue-Ellen, Simone and Steve, strive to achieve. Thankyou all.

The Board of Harbord Financial Services Ltd has recommended 3.5 cent dividend per share for this financial year and shareholders will be asked to vote at the AGM for approval of this dividend.

Our community is fortunate to have a board of directors who, on a voluntary basis, continue to offer multi-vocational talents, enthusiasm, time and energy to achieve these tremendous goals.

Thankyou, Brian Dunphy, Garry Chadwick, Ian Joynson, Ian Greentree, Martin Brook, Brad O'Connor, Lisa Bousfield and John Lang OA (retired).

Our team, after four, eventful and successful years, has effectively turned the corner, become profitable and have now repaid borrowings and is constantly returning that money back to the community.

## HARBORD FINANCIAL SERVICES LIMITED

We have established a very successful bank in Harbord and transformed the future of our town centre to one of optimism and purpose. This was stage one of our vision... the foundation. Our second was to see the community bank principles of Bendigo Bank return profit to our community and thereby unite and strengthen our community values, economy and camaraderie.

We will continue, with energy and focus in this direction and concurrently with the shareholders and community support, direct our bank to a more structured, focused and profitable future.

'Our Bank, going forward together'.

As always, it is a privilege to serve such a unique community.

A handwritten signature in black ink, appearing to read 'Trevor Sargeant', written in a cursive style.

Trevor Sargeant  
Chairman

## HARBORD FINANCIAL SERVICES LIMITED

### **DIRECTOR'S REPORT**

The Directors of Harbord Financial Services Limited submit herewith the annual financial report for the financial year ended 30 June 2006. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

L. Bousfield	Appointed as a Director on 29 October 2002.
M. E. Brook	Appointed as a Director on 24 September 2001.
G. Chadwick	Appointed as a Director on 29 October 2002.
B. P. Dunphy	Appointed as a Director on 26 June 2001.
I. Greentree	Appointed as a Director on 1 July 2005.
D. Jones	Appointed as a Director on 14 August 2006.
I. C. Joynson	Appointed as a Director on 26 June 2001.
B. O'Connor	Appointed as a Director on 1 July 2005.
T. L. Sargeant	Appointed as a Director on 24 September 2001.

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

The below-named Directors held office during and since the end of the financial year:

J. Lang	Appointed as a Director on 1 July 2005. Resigned as a Director on 7 July 2007
---------	---

## HARBORD FINANCIAL SERVICES LIMITED

# DIRECTOR'S REPORT

(Continued)

### **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.

### **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 2006 was \$ 121,056.00. (2005: \$ 77,825.00).

### **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 that 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.

### **Dividends**

The company has paid an unfranked dividend of 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.

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

**HARBORD FINANCIAL SERVICES LIMITED**

**DIRECTOR'S REPORT**

(Continued)

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

**Directors' Meetings**

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, eleven board meetings were held. Directors also participated in sub groups throughout the year and all Directors received regular programme updates / notices of planning and events.

Director	Board Meetings	
	Eligible	Attended
L. Bousfield	11	5
M. E. Brook	11	9
G. Chadwick	11	11
B. P. Dunphy	11	11
I. Greentree	11	11
I. C. Joyson	11	10
J. Lang	11	5
B. O'Connor	11	7
T. L. Sargeant	11	10



**DIRECTOR'S REPORT**

(Continued)

**Auditor's Independence Declaration**

The auditor's independence declaration is included on page 6 of the financial report.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



.....  
**T. SARGEANT**  
Chairman

SYDNEY 16/10/2006



.....  
**B. P. DUNPHY**  
Company Secretary  
SYDNEY 16/10/2006

**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 2006 there has 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 29 September 2006

**AUDITOR'S REPORT**

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

**Scope**

**The financial report and director's responsibility**

The financial report comprises the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes to the financial statements and the directors' declaration for Harbord Financial Services Limited for the year ended 30 June 2006 as set out on pages 10 to 25.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

**Audit Approach**

I have conducted an independent audit in order to express an opinion to the members of the company. My audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of the audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

I performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent, with my understanding of the company's financial position and of its performance as represented by the results of its operations and cash flows.

I formed my audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

**AUDITOR'S REPORT**

(Continued)

**Independence**

In conducting my audit, I followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, I declare to the best of my knowledge and belief that the auditor's independence declaration set out in the financial report has not changed as at the date of providing my audit opinion.

**Audit Opinion**

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

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



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

Liability limited by a scheme approved under Professional Standards Legislation

Dated at Sydney 29 September 2006

**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.



.....  
**T. L. SARGEANT**  
Director

**SYDNEY 16/10/2006**



.....  
**B. P. DUNPHY**  
Company Secretary

**SYDNEY 16/10/2006**

HARBORD FINANCIAL SERVICES LIMITED

**STATEMENT OF FINANCIAL PERFORMANCE**

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

	NOTE	2006 \$	2005 \$
Revenue from ordinary activities	2 (a)	710,220	553,380
Borrowing Costs Expense		-	(4,686)
Depreciation/Amortisation Expense		(33,217)	(33,043)
Employee Benefits Expense		(307,110)	(243,444)
Occupancy Expenses		(66,875)	(64,828)
Other expenses from ordinary activities		(181,961)	(129,554)
<b>Profit / (Loss) from ordinary activities before income tax expense</b>	2	<u>121,057</u>	<u>77,825</u>
Income tax expense relating to ordinary activities		-	-
<b>Net Profit / (Loss)</b>	12	<u>121,057</u>	<u>77,825</u>
<b><i>Total Changes in Equity other than those resulting from transactions with owners as owners</i></b>		<u>121,057</u>	<u>77,825</u>

HARBORD FINANCIAL SERVICES LIMITED

**STATEMENT OF FINANCIAL POSITION**

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

	NOTE	2006 \$	2005 \$
<b>CURRENT ASSETS</b>			
CASH ASSETS	4	170,936	11,361
RECEIVABLES	5	56,497	49,322
OTHER	6	1,702	4,032
<b>TOTAL CURRENT ASSETS</b>		<b>229,135</b>	<b>64,715</b>
<b>NON-CURRENT ASSETS</b>			
PROPERTY, PLANT AND EQUIPMENT	7	22,101	24,373
INTANGIBLE ASSETS		218,411	249,354
<b>TOTAL NON-CURRENT ASSETS</b>		<b>240,512</b>	<b>273,727</b>
<b>TOTAL ASSETS</b>		<b>469,647</b>	<b>338,442</b>
<b>CURRENT LIABILITIES</b>			
ACCOUNTS PAYABLE	8	31,971	19,682
PROVISIONS	9	31,841	20,827
<b>TOTAL CURRENT LIABILITIES</b>		<b>63,812</b>	<b>40,509</b>
<b>TOTAL LIABILITIES</b>		<b>63,812</b>	<b>40,509</b>
<b>NET ASSETS</b>		<b>405,835</b>	<b>297,933</b>
<b>RETAINED PROFIT</b>	12	<b>405,835</b>	<b>297,933</b>

HARBORD FINANCIAL SERVICES LIMITED

**STATEMENT OF CASH FLOWS**

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

	NOTE	2006 \$ <i>Inflows/ (Outflows)</i>	2005 \$ <i>Inflows/ (Outflows)</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
COMMISSIONS		89,582	75,768
FEES RECEIVED		438,799	324,776
GROSS FEES		130,771	107,003
REBATES RECEIVED		50,000	45,833
INTEREST RECEIVED		1,068	-
		<u>709,153</u>	<u>553,380</u>
PAYMENTS TO SUPPLERS AND EMPLOYEES		<u>565,727</u>	<u>453,852</u>
BORROWING COSTS PAID		0	4,686
PAYMENTS OF GST YET TO BE PAID/REFUNDED		<u>9,893</u>	<u>8967</u>
		<u>575,620</u>	<u>449,571</u>
<b>NET CASH (USED) / GENERATED BY OPERATING ACTIVITIES</b>	17(b)	<u>133,533</u>	<u>103,809</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>PROCEEDS</b>			
LESS PROV'N FOR AMORTISATION & DEPRECIATION		<u>(33,217)</u>	<u>(33,043)</u>
PAYMENT FOR PROPERTY, PLANT & EQUIPMENT		0	(1,190)
INCOME ACCRUED		<u>(7,175)</u>	<u>(20,434)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<u>26,042</u>	<u>11,419</u>
<b>NET (DECREASE) / INCREASE IN CASH HELD</b>		159,575	115,228
<b>CASH AT THE BEGINNING OF THE FINANCIAL YEAR</b>		<u>11,361</u>	<u>(103,867)</u>
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	17(a)	<u>170,936</u>	<u>11,361</u>



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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Preparation***

The financial report is a general purpose financial report which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

***Compliance with IFRS***

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS).

Application of ASSB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. These financial statements are the first financial statements to be prepared in accordance with AIFRS. AASB 1 First-time Adoption of Australian Equivalents to International Financial reporting Standards has been applied in preparing these financial statements

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair value of the consideration given in exchange for assets.

***Significant Accounting Policies***

Accounting policies are selected and applied in a manner which ensures that the resultant financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

**A. DEPRECIATION**

Depreciation on fixed assets is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life. The following estimated useful lives are used in the calculation of depreciation.

- Office equipment     3-20 years

**B. RECEIVABLES**

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

**HARBORD FINANCIAL SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**(Continued)**

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

**C. INCOME TAX**

Income tax is not payable as the company has carried forward losses and a deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

**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. OPERATING LEASES**

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

**HARBORD FINANCIAL SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**(Continued)**

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

**I. 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.

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.

**J. 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.

**K. 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.

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

**(Continued)**

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

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 obligations.
- Secure renewal of the franchise agreement.
- Continue to manage the performance of the company, including increasing operational cash flows and reducing overheads.
- Reduce its outgoings.
- Derive sufficient revenue from its existing operations.

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.

HARBORD FINANCIAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS**

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

**(Continued)**

	2006	2005
	\$	\$
<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	569,570	431,779
OTHER	139,582	121,601
<b>INTEREST REVENUE</b>		
OTHER ENTITIES	1,068	-
	<b>710,220</b>	<b>553,380</b>

HARBORD FINANCIAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS**

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

**(Continued)**

	2006	2005
	\$	\$
<b>7. PROPERTY, PLANT &amp; EQUIPMENT, OFFICE EQUIPMENT</b>		
FURNITURE & FITTINGS AT COST	29,923	29,923
LESS PROVISION FOR DEPRECIATION	8,570	6,298
BALANCE AS AT 30 JUNE 2006	<u>21,353</u>	<u>23,625</u>
COMPUTER SOFTWARE AT COST	898	899
LESS PROVISION FOR DEPRECIATION	150	150
BALANCE AS AT 30 JUNE 2006	<u>748</u>	<u>749</u>
 <b>NET BOOK VALUE</b> AS AT 30 JUNE 2006	 22,101	 24,374
	<hr/>	<hr/>
<b>8. CURRENT ACCOUNTS PAYABLE</b>		
OTHER CREDITORS	8,170	0
ACCRUED EXPENSES	6,662	4,738
GST ON SUPPLIES	17,139	14,944
	<u>31,971</u>	<u>19,682</u>
 <b>9. CURRENT PROVISIONS</b>		
EMPLOYEE BENEFITS	<u>31,841</u>	<u>20,828</u>
 NUMBER OF EMPLOYEES AT END OF FINANCIAL YEAR	 <u>7</u>	 <u>6</u>

HARBORD FINANCIAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS**

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

**(Continued)**

	2006	2005
	\$	\$
<b>10. ACCUMULATED LOSSES</b>		
BALANCE AT BEGINNING OF FINANCIAL YEAR	(393,125)	(470,950)
NET PROFIT / (LOSS)	121,056	77,825
ORDINARY DIVIDEND PAID	(15,155)	0
	<hr/>	<hr/>
BALANCE AT END OF FINANCIAL YEAR	<u>(287,224)</u>	<u>(393,125)</u>

**11. SHARE CAPITAL**

THE COMPANY IS A PUBLIC COMPANY WITH ISSUED CAPITAL OF 691,059 ORDINARY FULLY PAID SHARES OF \$1.00 EACH.

HARBORD FINANCIAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS**

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

**(Continued)**

**12. REMUNERATION OF DIRECTORS**

Directors of the Harbord Financial Services Limited during the year were:

L. Bousfield  
M. E. Brooks  
G. Chadwick  
B. P. Dunphy  
I. Greentree  
I. C Joynson  
J. Lang  
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.

**13. COMMITMENTS FOR EXPENDITURE**

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

	<u>2006</u>	<u>2005</u>
	\$	\$
	NIL	NIL

The operating lease relates to the use of a photocopier machine with a lease term of 5 years, commencing in the prior year. The company does not have an option to purchase the leased asset at the expiry of the lease period.



**HARBORD FINANCIAL SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

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

(Continued)

**14. SEGMENT INFORMATION**

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

	2006 \$	2005 \$
<b>15. NOTES TO THE STATEMENT OF CASH FLOWS</b>		

**(a) Reconciliation of Cash**

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	70,936	11,361
DEPOSITS AT CALL	100,000	-
	170,936	11,361

**(b) Reconciliation of Profit before Tax to  
Net Cash Flows from Operating Activities**

NET PROFIT / (LOSS) FOR THE YEAR	121,057	77,825
DEPRECIATION OF NON-CURRENT ASSETS	33,215	33,043
CHANGES IN NET ASSETS & LIABILITIES:		
(Increase) in receivables	(2,564)	(17,099)
Increase in trade payables & accruals	12,289	9,418
Increase in provisions	11,014	13,550
Increase in non-current assets	-	1,190
	133,533	103,809

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

(Continued)

**16. 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 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>	5.00%	170,936					
Cash							170,936
Trade receivables							56,497
Other					1,702	1,702	
		170,936				58,199	229,135
<b>Financial Liabilities</b>							
Trade payables & accruals						31,971	31,197
Other							
Employee entitlements						31,841	31,841
						63,812	63,812

The company has cash on deposit of \$1,003,614.00 and cash at bank of \$12,796.00 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 2005:

2005	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>	4.75%	11,361					
Cash							11,361
Trade receivables							49,322
Other					4,032	4,032	
		11,361				53,354	64,715
<b>Financial Liabilities</b>							
Trade payables & accruals						19,682	19,682
Other							
Employee entitlements						20,827	20,827
						40,509	40,509

**HARBORD FINANCIAL SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**(Continued)**

**16. 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 does not have any material credit risk exposure.

**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.

**17. 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