

Harbord Financial Services Limited

ACN: 097 282 525

**Financial Report for the year ended
30 June 2008**

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Directors' report

For year ending 30 June 2008

Your Directors submit the financial report of the Company for the financial year ended 30 June 2008.

Directors

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

Trevor Sargeant
Chairman
Dentist

Garry Chadwick
Treasurer & Member Marketing Committee
Accountant / Business owner

Ian Greentree
Company Secretary
Business Consultant

Ian Joynson
Director & Member Marketing Committee
Retiree former news agent

Brad O'Connor
Director
Manufacturer Biodegradable products

Martin Brooks
Director & Member Marketing Committee
Pharmacist

Darren Jones
Director
Builder

John Vacarro
Director & Member Marketing Committee
Real Estate Agent
Appointed 27 November 2007

Lisa Bostfield
Director
Business Owner Personnel
Resigned 13 August 2007

Noela Roberts
Director & Member Marketing Committee
Business owner / / retired accountant
Appointed 27 November 2007

Directors' report (continued)

Directors were in office for this entire year unless otherwise stated.

No Directors have material interests in contracts or proposed contracts with the Company

Principal activities

The principal activities of the Company during the course of the financial year were in facilitating **Community Bank**[®] services under management rights to operate a franchised branch of Bendigo & Adelaide Bank Limited.

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

Operating results

Operations have continued to perform in line with expectations. The profit /(loss) of the Company for the financial year after provision for income tax was:

Year ended 30 June 2008	Year ended 30 June 2007
\$	\$
175,322	186,785

Remuneration report

The Board is responsible for the determination of remuneration packages and policies, in association with Bendigo & Adelaide Bank Limited, for all managers and staff. The manager is invited to attend the Board meetings as required to discuss performance and remuneration packages.

The manager is paid a salary in line with other **Community Bank**[®] branch managers taking into consideration his professionalism and experience in the industry.

The Directors have a discretionary bonus system that that use to pay bonuses to staff if the Board determines if appropriate.

Directors' report (continued)

Directors' remuneration

For the year ended 30 June 2008. No director received and remuneration including superannuation from the Company. The Board positions are held on a voluntary basis.

Dividends

	Cents per Share	Total Dividend Paid
Final dividends recommended for the 2008 financial year	10c partly franked	\$69,306
Dividends paid in the year for 2007 financial year	10c unfranked	\$69,306
Interim dividend for the year	-	-
Final dividends paid in 2007 for the 2006 financial year	3.5c unfranked	\$24,257

The Directors have resolved that a 10 cents partly franked dividend be paid to ordinary shareholders from the profits of the financial year ended 30 June 2008. The dividend will be paid in February 2009 based on shareholding as at 1 February 2009.

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report or the financial report.

Matter subsequent to the end of the financial year

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or state of affairs of the Company, in future years.

However, the Board would like to make the shareholders aware that they are currently working with Bendigo & Adelaide Bank Limited and a Steering Committee from members of the Spit Junction Community (Mosman) at the possibility of Harbord Financial Services Limited opening a second **Community Bank®** at Spit Junction. This proposal is in early stages with feasibility and other activities to be undertaken before a decision can be made.

Directors' report (continued)

Likely developments

The Company will continue its policy of facilitating banking services to the community. Please refer to the comments above re Spit Junction.

Environmental regulation

The Company is not subject to any significant environmental regulation

Directors' benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest except as disclosed in note 16 to the financial statements.

Indemnification and Insurance of Directors and Officers

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an Auditor of the Company or related body corporate.

Non Audit services

The Company has not employed the Auditor on any assignments additional to their statutory duties where the Auditor's expertise and experience with the Company would deem to be important. Details of the amounts paid or payable to the Auditor (Raymond J. Patmore) for audit services provided during the year are set out in the notes to the accounts.

The Board of Directors has considered the position, and is satisfied that nothing imposed the general standard of independence for Auditors imposed by the Corporations Act 2001.

Auditors' independence declaration

A copy of the Auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10

Directors' report (continued)

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, thirteen board meetings were held. Directors also participated in sub groups throughout the year.

Director		Board Meetings	
		Eligible	Attended
L. Bousfield	Resigned Aug 07	2	1
M. E. Brook		13	9
G. Chadwick		13	13
I. J. Greentree		13	11
D. G. Jones		13	10
I. C. Joynson		13	12
B. O'Connor	Appointed Nov 07	13	6
N. R. Roberts		7	5
T. L. Sargeant		13	13
J. Vaccaro	Appointed Nov 07	7	7

Signed in accordance with a resolution of the Board of Directors at Freshwater on October 2008.

On behalf of the Directors


.....
T. SARGEANT

Chairman

FRESHWATER 27/10/2008


.....
I. GREENTREE

Director

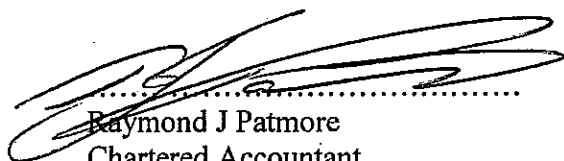
FRESHWATER 27/10/2008

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 2008 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,
Freshwater NSW 2096

Liability limited by a scheme approved under Professional Standards Legislation

Dated at Sydney 20 October 2008

Financial statements

Income statement

For year ending 30 June 2008

	Note	2008	2007
		\$	\$
Revenues from ordinary activities	3	1,080,587	870,474
Charitable donations and sponsorships		117,439	77,986
Salaries and employee benefits expense		380,831	360,146
Advertising and promotion expenses		8,008	35,603
Occupancy and associated costs		119,230	88,895
I.T. and Systems costs		25,143	22,602
Depreciation and amortisation expense	4	42,582	35,617
General administration and other expenses		123,917	62,840
Profit before income tax expense		263,437	186,785
Income tax expense	5	88,115	-
Profit/(loss) for the period		175,322	186,785
Profit/(loss) attributable to members of the entity		175,322	186,785
Earnings per share (cents per share)		¢	¢
Basic for profit for the year	18,19	25.29	26.95

The accompanying notes, from page 12 form part of the Financial Statements

Financial Statements Continued

Balance sheet

As at 30 June 2008

	Note	2008 \$	2007 \$
Assets			
Current assets			
Cash assets	6	515,804	291,155
Trade and other receivables	7	104,364	81,343
Total current assets		620,168	372,498
Non-current assets			
Property, plant and equipment	8	98,079	127,845
Intangible assets	9	125,817	145,380
Total non-current assets		223,896	273,225
Total assets		844,064	645,722
Liabilities			
Current liabilities			
Trade and other payables	10	40,387	42,673
Current tax liabilities	5	81,231	-
Short term Provisions	11	35,720	34,686
Total current liabilities		157,338	77,359
Non-current liabilities			
Long term Provisions	11	12,310	-
Total non-current liabilities		12,310	-
Total liabilities		169,648	77,359
Net assets		674,416	568,363
Equity			
Issued capital	12	693,059	693,059
Retained profits / accumulated losses	13	(18,643)	(124,696)
Total equity		674,416	568,363

The accompanying notes, from page 12 form part of the Financial Statements

Financial Statements Continued

Statement of cash flows

As at 30 June 2008

	note	2008 \$	2007 \$
Cash flows from operating activities			
Receipts from customers	3	1,051,159	868,783
Interest received		29,428	1,691
		1,080,587	870,474
Payments to suppliers and employees		818,292	748,072
Payments of GST yet to be paid or refunded		(11,126)	13,810
Net cash provided by operating activities	14	273,421	108,592
Cash flows from investing activities			
Proceeds			
Less Provision for amortisation and depreciation		42,582	35,617
Payment for Equipment, plant and furniture		-	(25,657)
Accrued income		(34,396)	1,667
Net cash (used in) investing activities		8,186	(11,627)
Cash flows from financing activities			
Provision for long service leave		12,572	
Dividends paid		(69,530)	24,257
Net cash provided by financing activities/		(56,958)	(24,257)
Net increase (decrease in cash held)		224,649	120,219
Cash at beginning of financial year (1 July)		291,155	170,936
Cash at end of the financial year (30 June)	6(a)	515,804	291,155

The accompanying notes, from page 12 form part of the Financial Statements

Financial Statements Continued

Statement of changes in equity

As at 30 June 2008

	Note	2008 \$	2007 \$
Total equity at the beginning of the period		568,363	405,835
Net profit / (loss) for the period	5	263,437	186,785
Net income / expense recognised directly in equity	5	(88,115)	592,610
Dividends provided for or paid	17	(69,268)	(24,257)
Total equity at the end of the period		674,417	568,363
Issued Capital			
Issued capital at beginning of the period		693,059	693,059
Issued capital at end of period		693,059	693,059

The accompanying notes, from page 12 form part of the Financial Statements

Notes to the Financial Statements

For the year ending 30 June 2008

Note 1. Summary of significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001.

Compliance with IFRS

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

Historical cost convention

The financial report has been prepared under the historical cost conventions on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST). The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable for the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operation cash flows.

Notes to the Financial Statements continued

Note 1. Summary of significant accounting policies (continued)

Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Employee entitlements

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The Company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

Intangibles

The cost of the Company's franchise fee has been recorded at cost and is amortised on a straight line basis at a rate of 20% per annum.

Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Comparative figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Notes to the Financial Statements (continued)

Note 1. Summary of significant accounting policies (continued)

Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements	40 years
- plant and equipment	2.5 – 40 years
- furniture and fittings	4 - 40 years

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

There are no estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

Notes to the Financial Statements (continued)

Note 1. Summary of significant accounting policies (continued)

Trade receivables and payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Borrowings

All loans are initially measured at the principal amount. Interest is recognised as an expense as it accrues.

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Contributed equity

Ordinary shares are recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Notes to the Financial Statements (continued)

Note 2. Financial risk management

The Company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the Board of Directors.

(i) Market risk

The Company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The Company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The Company is not exposed to commodity price risk.

(iii) Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The Company's franchise agreement limits the Company's credit exposure to one financial institution, being Bendigo Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The Company believes that its sound relationship with Bendigo Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest risk

Interest-bearing assets are held with Bendigo Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest-rate risk. The Company believes that its sound relationship with Bendigo Bank Limited mitigates this risk significantly.

Notes to the Financial Statements (continued)

	2008	2007
	\$	\$

Note 3. Revenue from ordinary activities

Operating activities:		
- services commissions	1,051,159	868,783
- other revenue		
Total revenue from operating activities	1,051,159	868,783
Non – operating activities:		
- interest received	29,428	1,691
Total revenue from non – operating activities	29,428	1,691
Total revenues from ordinary activities	1,080,587	870,474

Note 4. Expenses

Depreciation of non current assets:		
-office furniture plant and equipment	21,418	67,172
-leasehold improvements	<u>11,163</u>	<u>(41,555)</u>
	32,581	25,617
Amortisation of non- current assets:		
-franchise agreement	10,000	10,000
Total depreciation and amortisation	42,581	35,617
General Administration expenses		
General Administration ordinary activities	116,102	218,622
Bad Debts	7,815	-
Total General administration and other expenses	123,917	618,622

Notes to the Financial Statements (continued)

	2008	2007
	\$	\$

Note 5. Income tax expense

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

Operating profit	263,437	186,785
Prima facie tax on profit from ordinary activities at 30%	79,031	56,036
Add tax effect of:		
- non-deductible expenses	6,349	853
- timing difference expenses	4,003	18,450
- recoupment of prior year losses	(1,268)	(75,339)
Current tax	88,115	-
Income tax expense on operating profit / (loss)	88,115	-
Instalments pre-paid on current tax payable	(6,884)	-
Current tax payable	81,231	-

Note 6. Cash assets

Cash at bank and on hand	58,812	297
Term deposits	456,993	290,858
	515,804	291,155

The above figures reconciled to cash at the end of the financial year as shown in the statement of cash-flows as follows:

6 (a) Reconciliation of cash

Cash at bank and on hand	58,812	297
Term deposit	456,993	290,858
	515,804	291,155

Notes to the Financial Statements (continued)

	2008	2007
	\$	\$

Note 7. Trade and other receivables

Current

Trade receivables	104,045	71,143
Prepayments	319	10,200
	104,364	81,343

Note 8. Property, plant and equipment

ATM

At cost	1,681	8,428
Less accumulated depreciation	504	-
	1,177	8,428

Structural improvements

At cost	12,000	
Less accumulated depreciation	4,800	
	7,200	

Office furniture and equipment

At cost	206,173	218,173
Less accumulated depreciation	116,471	98,756
	89,702	119,417

Total written down amount	98,079	127,845
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Notes to the Financial Statements (continued)

	2008	2007
	\$	\$

Note 8. Property, plant and equipment

Movements in carrying amounts

Office furniture and equipment

Carrying amount at beginning	119,417	29,923
Additions	-	188,250
Disposal transfer to Structural	12,000	-
Less: depreciation expense	17,715	98,756
Carrying amount at end	89,702	119,417

Structural improvements

Additions transferred from Office Equipment	12,000	-
Disposal	-	-
Less: depreciation expense	4,800	-
Carrying amount at end	7,200	-

ATM

Carrying amount at beginning	8428	748
Additions	-	7,680
Disposal	6,747	-
Less: depreciation expense	504	-
Carrying amount at end	1,177	8,428

Total written down amount	98,079	127,845
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Note 9. Intangibles assets

Franchise fee

At cost	50,000	50,000
Less accumulated amortisation	20,000	10,000
	30,000	40,000

Leasehold improvements

At cost	164,740	164,740
Less accumulated depreciation	68,923	59,360
	95,817	105,380
Total written down amount	125,817	145,380

Notes to the Financial Statements (continued)

	2008	2007
	\$	\$

Note 10. Trade and other payables

Other creditors	-	10,069
Accruals	40,387	29,526
Interest bearing liabilities	-	3,078
Total payables	40,387	42,673

Note 11. Provisions

Current Assets

Provisions for holiday pay	35,715	34,686
	35,715	34,686

Non current Assets

Provision for long service leave	12,310	-
	12,310	-

Number of employees at year end	8	8
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Note 12. Contributed equity

693,059 ordinary shares fully paid of \$1 each	693,059	693,059
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Note 13. Retained earnings

Balance at the beginning of the financial year	(124,696)	(287,224)
Net profit / (loss) from ordinary activities after income tax	175,322	186,785
Dividends paid	(69,306)	(24,257)
Adjustments to previous dividends paid	37	
Balance at end of the financial year	(18,643)	(124,696)

Notes to the Financial Statements (continued)

	2008	2007
	\$	\$

Note 14. Statement of cash flows

Reconciliation of profit / (loss) from ordinary activities after tax to net cash provided by operating activities		
Profit / (loss) from ordinary activities after income tax	175,325	186,785
Non cash items		
- depreciation	42,582	35,617
- amortisation		
Changes in assets and liabilities:		
- (increase) / decrease in receivables	(23,021)	(14,646)
- (increase) / decrease in other assets	(13,750)	(144,796)
- increase / (decrease) in payables & accruals	(2,286)	42,787
- increase / (decrease) in provisions	13,343	2,845
Income tax provision	81,228	-
Net cash flows provided by operating activities	273,421	108,592

Note 15. Auditors' remuneration

Amounts received or due and receivable by the Auditor of the Company for:		
- audit and review services	4,495	2,500
- non audit services	-	-
Total	4,495	2,500

Note 16. Directors and Related party disclosures

During the normal course of business operations, Harbord Financial Services Limited utilised the services offered by local community business. Some of these transactions included businesses which some directors have direct or indirect interest. These transactions are considered to be at an arms length basis and are on normal commercial terms.

When considering sponsorship or payments to sporting and community groups any director that had an association with such organisation declared their association to the Board and did not vote on the motion.

There was no movement in any of the Directors shareholdings during the year.

Notes to the Financial Statements (continued)

	2008	2007
	\$	\$

Note 17. Dividends paid or provided

(a) Ordinary shares

Final dividend for the year ended 30 June 2007 of 10 cents per share see Note 13

	Cents	Cents
Un franked – cents per share (693,059 shares)	10 cents	3.5 cents
	\$	\$

(b) Dividends not recognised at year end

Since the year end the Directors have recommended the payment of a final dividend of 10 cents per fully paid ordinary share (2007 – 10 cents) partly franked based on tax at 30%. The aggregate amount proposed dividend expected to be paid in February 2009 out of retained profits at 30 June 2008, but not recognised as a liability at year end is,

69,306 69,306

Note 18. Earnings per share

(a) Profit attributable to the ordinary equity holders of the Company used in calculating earnings per share

175,322 186,785

	Number	Number
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(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share

693,059 693,059

Note 19. Events occurring after the balance sheet date

There have been no events after the end of the financial year that would materially affect the financial statements

Note 20. Segment reporting

The economic entity operates in the service sector where it facilitates Community Bank[®] services pursuant to a franchise agreement with Bendigo and Adelaide Bank

Limited. The economic entity operates in the geographic area of Freshwater (Warringah) New South Wales.

Notes to the Financial Statements (continued)

Note 21. Registered office and principal place of business

The registered office and principal place of business is:

Registered Office
20 Albert Street
Freshwater NSW 2096

Principal Place of Business
20 Albert Street
Freshwater NSW 2096

Note 22. Financial instruments

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.

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.

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 \$17,227.00.

Notes to the Financial Statements (continued)

Interest Rate Risk

The following table details the company's exposure to interest rate risk at 30 June 2008:

2008	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 \$		
Financial Assets							
Cash	1.75	58,811					58,811
Term deposits	5.79	456,993					456,993
Receivables						109,208	109,208
		515,804				109,208	625,012
Financial Liabilities							
Interest bearing liabilities							
Payables		38,666					38,666

The company has cash on deposit of \$456,993.00 and cash at bank of \$58,811.00 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 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 \$		
Financial Assets							
Cash	0.05	297					297
Term Deposits	4.55	290,858					290,858
Trade receivables						71,143	71,143
Other							
		291,155				71,143	362,298
Financial Liabilities							
Interest bearing liabilities							
Payables		42,673					42,673


Directors' 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
FRESHWATER 27/10/2008


.....
I. J. GREENTREE
Director
FRESHWATER 27/10/2008

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 2008 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.

Auditor's Report (continued)

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.

Independence

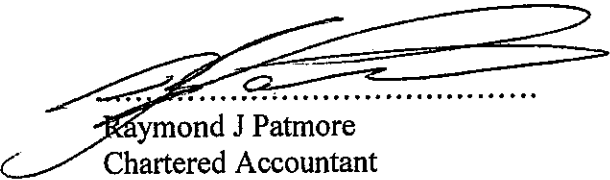
In conducting my audit, I followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

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 2008 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,
Freshwater NSW 2096

Liability limited by a scheme approved under Professional Standards Legislation

Dated at Sydney 20 October 2008