

**ANNUAL REPORT
2010**

**Warringah Financial Services Limited
A.C.N. 134 721 216**

Spit Junction Community Bank® Branch

Warringah Financial Services Limited ACN 134 721 216
Franchisee of Bendigo and Adelaide Bank Limited ABN 11 068 049 178 AFSL 237879
652 Military Road, Spit Junction NSW 2088 Phone 02 9960 7122 Fax 02 9969 5122

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Chairman's Report

For year ending 30th June, 2010

Dear Fellow Shareholders

This year we celebrated our first year of business in Spit Junction after the residents and businesses had been deserted by the major banks.

Our banks activity since the opening date has grown to over \$40 million and 800 personal & business accounts.

It is the aim of our Community Bank to provide efficient and excellent banking services and as fellow shareholders we depend on you to refer any leads or contacts to our banking personnel so that they can assist.

On the financial front as you can see from the audited annual report we are still in a negative position however as each month passes our bottom line is improving. We are still expecting to reach a break even point around October 2011 and well within the prospectus estimates.

Since our community bank opened in September 2009 the number of vacant business premises in Spit Junction has decreased and whilst we can not take credit for that, the new business ventures have also provided more opportunity for further banking customers.

It is envisaged that in the not too distant future our board of directors will look for venues to expand our business through providing ATM facilities. Areas in Cremorne, Balmoral and Mosman have been inspected and are being evaluated for profitability. Our manager Chris Bawn has received a number of requests to provide banking services in Cremorne however it would be premature and not financially viable at this stage of our development.

Our board of directors has taken the opportunity of introducing school passbook banking service to some of our local schools (Sacred Heart School and Mosman Preparatory School) which has to date been very successful. Other schools have requested similar services. The objective of providing school banking is to capture the youth for future banking as was the case with the old Commonwealth Bank School Passbook banking and of course the other opportunity is for the schools to transfer their banking business to our community bank.

One of our newly appointed Directors, Virginia Howard has undertaken the task of developing a Junior Observer Programme – you may have seen the coverage of this event in the Mosman Daily, whereby 2 students from local High Schools who are doing business studies will be encouraged to play a role in our Community Bank's future. Of

course there are matters of confidentiality that have to be strictly observed. The other Community Banks that have adopted this educational project have praised its success.

Part of our Community Bank's objectives is to contribute to various local entities by way of promoting their activities with the common goal of improving our community. We receive from our Franchisor a monthly grant to assist in marketing and sponsorship in our area. To date we have contributed approximately \$10,000 to various groups. The SES have been supplied with a CPR dummy for training purposes, a contribution to the Mosman Art Gallery towards Youth Art Awards and other projects.

Throughout this year we have received support from David & Jan Shapter of Mosman 2088 Magazine, Mosman Daily and Brendon Barry proprietor of the Mosman Hotel & Boronia House all of whom are truly appreciated and acknowledged.

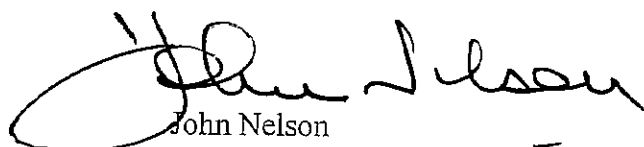
In the brief but extremely busy growth period our Bank Staff have acquitted themselves extremely well. Our Manager Chris Bawn in his report will mention the achievements that have been accomplished. He has enthusiastically taken on the challenge of his managerial role and is to be strongly commended for his efforts. His staff have supported him by performing their duties efficiently and caring for our customers. Some of our staff were recently recipients of the Rotary Pride of Workmanship Awards.

I extend to our Board of Directors a big thank you for their continued support and efforts throughout the year and a warm welcome to our newly appointed Directors, Virginia Howard and Ed Blakely both of whom are well known in our community. Unfortunately at the coming Annual General Meeting we will say good bye to our Directors Mark Wallis and Miles Felstead because of business demands however their services have been truly appreciated.

Our Board of Directors and our Branch Staff extend an acknowledgement of support to our Regional Team for their assistance in particular Alex Hughes for all his valuable contributions.

I wish to thank all our shareholders, customers and the local community for supporting our Community Bank and their vision as our business grows so will our support for our community organisations.

Regards



John Nelson

Chairman

Branch Manager's Report

For year ending 30th June, 2010

The Branch and Company's growth over our first 12 months has been encouraging as many new clients, both businesses and residents, move their banking to our **Community Bank**[®]. In total, we have in excess of 800 accounts.

Our margins continue to increase as the business grows with our 'business on the books' (deposit and lending) growing to just short of \$40 million.

We continue to grow our customers on a weekly basis with an average growth rate over the last 12 months of 15 accounts per week, which has been an excellent result and is a credit to all our staff at the branch and a testament to the service they provide.

The success of our branch since our opening in September 2009 has been due to the commitment of our staff, board of directors and the support of our local community and shareholders.

In our first year, it has been vitally important for us to be visible in our local community as well as providing high level of support and service to our customers. We have been able to provide support to many community groups and not for profit organizations within the local area. Listed below are just some of the groups and events we have supported in our first 12 months:

- The Garrison Knitters Group
- Mosman SES
- Sacred Heart Mosman Primary School
- Blessing of the Animals and Environmental Fair
- Parkinsons NSW Unity Walk
- Mumathon – Gidget Foundation
- The Fortitude Parents Group
- Mosman Men's Shed
- RSPCA

We are very proud of our School Banking Programme, which has been in operation since March with one local school wholly adopting the programme. At least 4 other local schools within our area have expressed a desire to have School Banking and we are planning the rollout to these within the next 6-9 months.

The Bendigo and Adelaide Bank's **Community Bank**[®] network celebrates a momentous milestone recently with the announcement it has now returned more than \$40 million to support local community groups and projects right across Australia.

This milestone further strengthens the importance of the **Community Bank**[®] model in communities as an alternative source of funding for local community initiatives.

In closing, I wish to thank all account holders, shareholder, our staff, board of Directors and Bendigo staff for their continued support in growing the business and in achieving our goals. We all look forward to 2011 being another prosperous year for the Spit Junction **Community Bank**[®] Branch.

Warringah Financial Services Limited
ABN 61 134 721 216
Directors' Report

Your Directors submit their report of the Company for the financial year ended 30 June 2010.

Directors

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

John Leslie Nelson Chairman Accountant	Christopher Peter Bawn (resigned 7 August 2009) Director Bank Manager
Miles Franklin Felstead Company Secretary Real Estate Agent	Murray Michael Block Director Retired
Paul Dracakis Director Jeweller	Gregory Lewis Breden Director Retired
Graeme Ronald Gill Director Newsagent	Fentin McEvoy Director Real Estate Agent
Patricia Arber Director Retired Company Director	Mark Robert Wallis Director Small Business Owner
Virginia Howard (appointed 22 June 2010) Director Public Relations/Fundraising	Edward Blakely (appointed 24 August 2010) Director Director

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 providing community banking services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Operating Results

Operations have performed in line with expectations. The profit/(loss) of the Company for the financial year after provision for income tax was (\$270,419) (2009: (\$4,569)).

Dividends

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

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.

Warringah Financial Services Limited
ABN 61 134 721 216
Directors' Report

Significant events after the balance date

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.

Likely Developments

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

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. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and Insurance of Directors and Officers

The Company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

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 a related body corporate.

Directors Meetings

The number of Directors meetings attended during the year were:

Director	Board Meetings #	Audit Committee Meetings #
John Leslie Nelson	12 (12)	12 (12)
Christopher Peter Bawn (resigned 7 August 2009)	0 (1)	N/A
Miles Franklin Felstead	11 (12)	N/A
Murray Michael Block	12 (12)	N/A
Paul Dracakis	7 (12)	N/A
Gregory Lewis Breden	10 (12)	N/A
Graeme Ronald Gill	11 (12)	11 (12)
Fentin McEvoy	12 (12)	N/A
Patricia Arber	12 (12)	N/A
Mark Robert Wallis	10 (12)	N/A
Virginia Howard (appointed 22 June 2010)	1 (1)	N/A
Edward Blakely (appointed 24 August 2010)	0 (0)	N/A

*# The first number is the meetings attended while in brackets is the number of meetings eligible to attend.
N/A - not a member of that Committee.*

Warringah Financial Services Limited
ABN 61 134 721 216
Directors' Report

Company Secretary

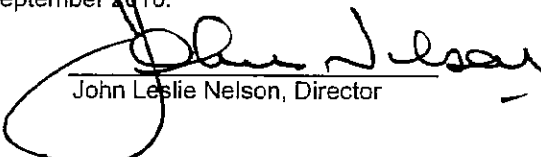
Miles Franklin Felstead has been the Company secretary of Warringah Financial Services Limited since 2008. Miles Franklin Felstead qualifications and experience include being a Registered Valuer, Fellow of The Real Estate Institute of NSW, Fellow of The Australian Property Institute of NSW and a member of the REI Property Management Chapter Committee (Chairman 1989/90). Furthermore he has been a member of the Rotary Club of Mosman since 1981 and has served as president on 2 occasions and is a past president of the Mosman Chamber of Commerce.

Corporate Governance

The Company has implemented various corporate governance practices, which include:

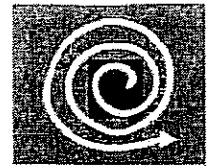
- (a) The establishment of an audit committee. Members of the audit committee are John Leslie Nelson and Graeme Ronald Gill;
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

Signed in accordance with a resolution of the Board of Directors at Mosman, NSW on 15 September 2010.



John Leslie Nelson, Director

Richmond Sinnott & Delahunty
Chartered Accountants



Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

15 September 2010

The Directors
Warringah Financial Services Ltd
PO Box 713
SPIT JUNCTION NSW 2088

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Warringah Financial Services Limited for the year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

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

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Warringah Financial Services Limited
ABN 61 134 721 216
Statement of Comprehensive Income
for the year ended 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
Revenue from ordinary activities	2	133,802	-
Employee benefits expense	3	(262,782)	-
Charitable donations and sponsorship		(1,815)	-
Depreciation and amortisation expense	3	(41,673)	-
Finance costs	3	-	(34)
Other expenses from ordinary activities		<u>(201,919)</u>	<u>(6,493)</u>
Profit/(loss) before income tax expense		(374,387)	(6,527)
Income tax benefit	4	<u>103,968</u>	<u>1,958</u>
Profit/(loss) after income tax expense		(270,419)	(4,569)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>(270,419)</u></u>	<u><u>(4,569)</u></u>
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	21	(24.19)	(45,689)
- diluted for profit / (loss) for the year	21	(24.19)	(45,689)

The accompanying notes form part of these financial statements

Warringah Financial Services Limited
ABN 61 134 721 216
Statement of Financial Position
As at 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
Current Assets			
Cash and cash equivalents	6	433,404	71
Receivables	7	<u>12,897</u>	<u>469</u>
Total Current Assets		<u>446,301</u>	<u>540</u>
Non-Current Assets			
Property, plant and equipment	8	206,498	-
Deferred tax assets	4	105,926	1,958
Intangible assets	9	<u>95,429</u>	<u>435</u>
Total Non-Current Assets		<u>407,853</u>	<u>2,393</u>
Total Assets		<u>854,154</u>	<u>2,933</u>
Current Liabilities			
Payables	10	23,019	30,251
Provisions	11	<u>11,104</u>	<u>-</u>
Total Current Liabilities		<u>34,123</u>	<u>30,251</u>
Total Liabilities		<u>34,123</u>	<u>30,251</u>
Net Assets		<u>820,031</u>	<u>(27,318)</u>
Equity			
Share capital	12	1,095,019	(22,749)
Retained earnings / (accumulated losses)	13	<u>(274,988)</u>	<u>(4,569)</u>
Total Equity		<u>820,031</u>	<u>(27,318)</u>

The accompanying notes form part of these financial statements

Warringah Financial Services Limited
ABN 61 134 721 216
Statement of Cash Flows
For the year ended 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		128,495	(469)
Cash payments in the course of operations		(475,072)	23,758
Interest paid		-	(34)
Interest received		5,307	-
Net cash flows from/(used in) operating activities	14b	<u>(341,270)</u>	<u>23,255</u>
Cash Flows From Investing Activities			
Payment for intangible assets		(120,592)	(435)
Payments for property, plant and equipment		(222,573)	-
Net cash flows from/(used in) investing activities		<u>(343,165)</u>	<u>(435)</u>
Cash Flows From Financing Activities			
Proceeds from issue of shares		1,117,768	10
Share issue costs		-	(22,759)
Net cash flows from/(used in) financing activities		<u>1,117,768</u>	<u>(22,749)</u>
Net increase/(decrease) in cash held		433,333	71
Cash and cash equivalents at start of year		71	-
Cash and cash equivalents at end of year	14a	<u><u>433,404</u></u>	<u><u>71</u></u>

The accompanying notes form part of these financial statements

Warringah Financial Services Limited
ABN 61 134 721 216
Statement of Changes in Equity
for the year ended 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
SHARE CAPITAL			
Balance at start of year		(22,749)	-
Issue of share capital		1,117,768	10
Share issue costs		<u>-</u>	<u>(22,759)</u>
Balance at end of year		<u><u>1,095,019</u></u>	<u><u>(22,749)</u></u>
RETAINED EARNINGS / (ACCUMULATED LOSSES)			
Balance at start of year		(4,569)	-
Profit/(loss) after income tax expense		(270,419)	(4,569)
Dividends paid	20	<u>-</u>	<u>-</u>
Balance at end of year		<u><u>(274,988)</u></u>	<u><u>(4,569)</u></u>

The accompanying notes form part of these financial statements

Warringah Financial Services Limited
ABN 61 134 721 216
Notes to the Financial Statements
for the year ended 30 June 2010

1. Basis of preparation of the Financial Report

(a) Basis of preparation

Warringah Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing community banking services.

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

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 15 September 2010.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2009 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Warringah Financial Services Limited
ABN 61 134 721 216
Notes to the Financial Statements
for the year ended 30 June 2010

1. Basis of preparation of the Financial Report (continued)

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

<i>Class of Asset</i>	<i>Depreciation Rate</i>
Leasehold improvements	2.5%
Plant & equipment	2.5 - 66.7%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Warringah Financial Services Limited
ABN 61 134 721 216
Notes to the Financial Statements
for the year ended 30 June 2010

1. Basis of preparation of the Financial Report (continued)

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 from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the 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 Statement of Financial Position. 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 operating cash flows.

Employee Benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the reporting date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

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.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

Warringah Financial Services Limited
ABN 61 134 721 216
Notes to the Financial Statements
for the year ended 30 June 2010

1. Basis of preparation of the Financial Report (continued)

Receivables and Payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. 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.

Loans and Borrowings

All loans are 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.

Share Capital

Issued and paid up capital is 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.

Comparative figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year. The Company commenced operations during the prior period and hence comparative figures are for the period ending 30 June 2009.

2. Revenue from ordinary activities	2010	2009
	\$	\$
Operating activities		
- services commissions	48,002	-
- other revenue	80,493	-
Total revenue from operating activities	<u>128,495</u>	<u>-</u>
Non-operating activities:		
- interest received	5,307	-
- other revenue	-	-
Total revenue from non-operating activities	<u>5,307</u>	<u>-</u>
Total revenue from ordinary activities	<u><u>133,802</u></u>	<u><u>-</u></u>

Warringah Financial Services Limited
ABN 61 134 721 216
Notes to the Financial Statements
for the year ended 30 June 2010

3. Expenses	2010	2009
	\$	\$
Employee benefits expense		
- wages and salaries	216,908	-
- superannuation costs	18,551	-
- workers' compensation costs	881	-
- other costs	<u>26,442</u>	<u>-</u>
	<u>262,782</u>	<u>-</u>
Depreciation of non-current assets:		
- plant and equipment	13,888	-
- leasehold improvements	2,187	-
Amortisation of non-current assets:		
- intangibles	<u>25,598</u>	<u>-</u>
	<u>41,673</u>	<u>-</u>
Finance Costs:		
- Interest paid	-	34
Bad debts	-	-
4. Income Tax Expense		
The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit/(loss) before income tax at 30%	(112,316)	(1,958)
Add tax effect of:		
- Non-deductible expenses	<u>8,348</u>	<u>-</u>
<i>Current income tax expense</i>	<u>(103,968)</u>	<u>(1,958)</u>
Income tax expense / (benefit)	<u>(103,968)</u>	<u>(1,958)</u>
Deferred tax assets		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	<u>105,926</u>	<u>1,958</u>

Warringah Financial Services Limited
ABN 61 134 721 216
Notes to the Financial Statements
for the year ended 30 June 2010

5. Auditors' Remuneration	2010	2009
	\$	\$
Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:		
- Audit or review of the financial report of the Company	3,900	1,500
- Share registry services	1,800	-
- Accounting work for prospectus	-	2,500
	<u>5,700</u>	<u>4,000</u>
6. Cash and Cash Equivalents		
Cash at bank and on hand	<u>433,404</u>	<u>71</u>
7. Receivables		
GST receivable	-	469
Trade debtors	12,897	-
	<u>12,897</u>	<u>469</u>
8. Property, Plant and Equipment		
<i>Leasehold improvements</i>		
At cost	119,809	-
Less accumulated depreciation	(2,187)	-
	<u>117,622</u>	<u>-</u>
<i>Plant and equipment</i>		
At cost	102,764	-
Less accumulated depreciation	(13,888)	-
	<u>88,876</u>	<u>-</u>
Total written down amount	<u>206,498</u>	<u>-</u>
Movements in carrying amounts		
<i>Leasehold improvements</i>		
Carrying amount at beginning of year	-	-
Additions	119,809	-
Disposals	-	-
Depreciation expense	(2,187)	-
Carrying amount at end of year	<u>117,622</u>	<u>-</u>
<i>Plant and equipment</i>		
Carrying amount at beginning of year	-	-
Additions	102,764	-
Disposals	-	-
Depreciation expense	(13,888)	-
Carrying amount at end of year	<u>88,876</u>	<u>-</u>

Warringah Financial Services Limited
ABN 61 134 721 216
Notes to the Financial Statements
for the year ended 30 June 2010

9. Intangible Assets	2010	2009
	\$	\$
<i>Computer Software</i>		
At cost	11,027	435
Less accumulated amortisation	<u>(4,322)</u>	<u>-</u>
	<u>6,705</u>	<u>435</u>
<i>Preliminary Expenses</i>		
At cost	110,000	-
Less accumulated amortisation	<u>(21,276)</u>	<u>-</u>
	<u>88,724</u>	<u>-</u>
	<u>95,429</u>	<u>435</u>
10. Payables		
Trade creditors	<u>23,019</u>	<u>30,251</u>
	<u>23,019</u>	<u>30,251</u>
11. Provisions		
Employee benefits	<u>11,104</u>	<u>-</u>
12. Share Capital		
10 Ordinary Shares fully paid of \$1 each	10	10
Share capital issued during 2010 (1,117,768 ordinary shares)	1,117,768	-
Equity raising costs	<u>(22,759)</u>	<u>(22,759)</u>
	<u>1,095,019</u>	<u>(22,749)</u>
13. Retained Earnings / (Accumulated Losses)		
Balance at the beginning of the financial year	(4,569)	-
Profit/(loss) after income tax	(270,419)	(4,569)
Dividends	-	-
Balance at the end of the financial year	<u>(274,988)</u>	<u>(4,569)</u>

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14. Statement of Cash Flows	2010	2009
	\$	\$
(a) Cash and cash equivalents		
Cash assets	<u>433,404</u>	<u>71</u>
	<u>433,404</u>	<u>71</u>
(b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities		
Profit / (loss) after income tax	(270,419)	(4,569)
Non cash items		
- Depreciation	16,075	-
- Amortisation	25,598	-
Changes in assets and liabilities		
- (Increase) decrease in deferred income tax asset	(103,968)	(1,958)
- (Increase) decrease in receivables	(12,428)	(469)
- Increase (decrease) in payables	(7,232)	30,251
- Increase (decrease) in provisions	11,104	-
Net cashflows from/(used in) operating activities	<u>(341,270)</u>	<u>23,255</u>

15. Director and Related Party Disclosures

The names of directors who have held office during the financial year are:

John Leslie Nelson
Christopher Peter Bawn (resigned 7 August 2009)
Miles Franklin Felstead
Murray Michael Block
Paul Dracakis
Gregory Lewis Breden
Graeme Ronald Gill
Fentin McEvoy
Patricia Arber
Mark Robert Wallis
Virginia Howard (appointed 22 June 2010)
Edward Blakely (appointed 24 August 2010)

No director or related entity has entered into a material contract with the Company. No director's fees have been paid as the positions are held on a voluntary basis.

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15. Director and Related Party Disclosures (continued)

Directors shareholdings	2010	2009
John Leslie Nelson	5,001	1
Christopher Peter Bawn (resigned 7 August 2009)	1,001	1
Miles Franklin Felstead	1,001	1
Murray Michael Block	35,001	1
Paul Dracakis	10,001	1
Gregory Lewis Breden	15,001	1
Graeme Ronald Gill	10,001	1
Fentin McEvoy	1,001	1
Patricia Arber	10,001	1
Mark Robert Wallis	501	1
Virginia Howard (appointed 22 June 2010)	1,000	-
Edward Blakely (appointed 24 August 2010)	1,000	-

Other than the initial 1 share allocated to each director all shares were purchased during the year ending 30 June 2010. Each share held has a paid up value of \$1 and is fully paid.

16. Subsequent Events

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

17. Contingent Liabilities

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

18. Segment Reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Spit Junction, New South Wales.

19. Corporate Information

Warringah Financial Services Limited is a Company limited by shares incorporated in Australia.

The registered office is: 1st Floor, 942 Military Road
MOSMAN NSW 2088

The principal place of business is: 652 Military Road
MOSMAN NSW 2088

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20. Dividends paid or provided for on ordinary shares

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

21. Earnings per share

	2010	2009
	\$	\$

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit/(loss) after income tax expense	<u>(270,419)</u>	<u>(4,569)</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>1,117,778</u>	<u>10</u>

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22. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	<u>Carrying Amount</u>	
	2010	2009
	\$	\$
Cash assets	433,404	71
Receivables	12,897	435
	<u>446,301</u>	<u>506</u>

The Company's exposure to credit risk is limited to Australia by geographic area. The entire balance of receivables is due from the Australian Taxation Office.

None of the assets of the Company are past due (2009: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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Notes to the Financial Statements
For the year ended 30 June 2010

22. Financial risk management (continued)

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	over 1 to 5 years \$	more than 5 years \$
30 June 2010					
Payables	23,019	(23,019)	(23,019)	-	-
	<u>23,019</u>	<u>(23,019)</u>	<u>(23,019)</u>	<u>-</u>	<u>-</u>
30 June 2009					
Payables	30,251	(30,251)	(30,251)	-	-
	<u>30,251</u>	<u>(30,251)</u>	<u>(30,251)</u>	<u>-</u>	<u>-</u>

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest Rate Risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying Amount	
	2010	2009
	\$	\$
Fixed rate instruments		
Financial assets	25,500	-
Financial liabilities	-	-
	<u>25,500</u>	<u>-</u>
Variable rate instruments		
Financial assets	407,865	61
Financial liabilities	-	-
	<u>407,865</u>	<u>61</u>

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2009 there was also no impact. As at both dates this assumes all other variables remain constant.

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Notes to the Financial Statements
For the year ended 30 June 2010

22. Financial risk management (continued)

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The Company does not have any unrecognised financial instruments at year end.

(e) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

- (i) the Distribution Limit is the greater of:
 - (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
 - (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and
- (ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2010 can be seen in the Statement of Comprehensive Income.

There were no changes in the Company's approach to capital management during the year.

Warringah Financial Services Limited
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Directors' Declaration

In accordance with a resolution of the directors of Warringah Financial Services Limited,
I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



John Leslie Nelson, Director

Signed at Mosman, NSW on 15 September 2010.

Richmond Sinnott & Delahunty

Chartered Accountants



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF WARRINGAH FINANCIAL SERVICES LIMITED

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

SCOPE

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Warringah Financial Services Limited, for the year ended 30 June 2010.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been 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 an 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.

We 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 in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our 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 account estimates made by the directors.

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

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Warringah 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 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 15 September 2010