Warringah Financial Services Limited

ABN 61 134 721 216

annual report 2011

Spit Junction **Community Bank®** Branch

Warringah Financial Services Limited
Financial Statements
as at
30 June 2011

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CHAIRMAN'S REPORT
FOR THE YEAR ENDED 30TH JUNE, 2011

Dear Fellow Shareholders,

On the 10th September, 2011 we celebrated our 2nd anniversary and in that short period of time our local community is becoming more aware of the Bank's presence in Spit Junction.

The Banking activities have increased to over $51 million with more than 1000 accounts from both business and personal sections of the community. This growth reflects the efficient service that our staff provide and our Branch Manager looks to our shareholders to refer any potential business contact so that we can continue our growth.

The effects of the global financial crisis are still apparent and yet we are confident that in the forthcoming months we will achieve a break even point a little later than previously predicted.

This year's loss of $145,701 after tax adjustment is approximately 53.8% less than the previous year's result and is indicative of the growth in our income resulting from the increased banking business. As our Branch, progressively and increasingly writes loans and arranges the Homesafe facilities then our income flow will continue to increase. Deposit services do not achieve as high an income outcome as the lending services.

We have expanded into more schools since last year with great success. It is a sure way of increasing the community's knowledge of our presence. Our Manager has reported to the Board that a number of parents have looked to us to conduct their personal and business banking as a result of this activity.

The philosophy of Community Banking is to promote and sponsor various activities in the local area and to date our Bank has sponsored a number of not for profit entities. To name a few the 2010 Mosman Sculpture Festival, Mosman Orchestra and The Mosman Art Gallery and we have also provided prizes for children's school programmes and books for the school libraries, our manager will enlarge on this support initiative in his report.

Since our last Annual General Meeting we have lost some founding Directors, namely Trish Arber, Graeme Gill and Paul Dracakis who were very energetic and conscientious in the establishment of our Community Bank and as Chairman I am most appreciative of their efforts as Directors. Greg Breden has indicated that he will stand down at this years Annual General Meeting.

We have of course replaced them with Virginia Howard, Peter Iannazzo, Tim James and Thea Foster who have accepted the challenge of contributing their skills and business experience to our Bank's continuing growth and development.

During the course of the last year the 2nd in charge Giulia Penna left our employ our Branch Manager, Chris Bawn was of course involved in his own managerial role and had to perform many of the duties of his 2nd in charge. He has still managed to achieve good results in spite of this staffing problem. He will no doubt cover some of his achievements in his report. Alex Whyte was subsequently appointed as the 2nd in charge.

The staff, Stephanie, Marielle, Robin and more recently Louise has all worked diligently & efficiently to provide our customers with the service they desire. Alex Whyte has been recently appointed to another position within the banking group and we wish him well.

I would like to express my gratitude and thanks to our Regional Manager Alex Hughes, and his team for their continuing support.

In respect of the future of our Community Bank we will see an adjustment to the income sharing ratio under our franchise agreement with the Bendigo & Adelaide Bank Limited which will commence on the 1st April 2012. The effect of this change will decrease our income share; however we are extremely confident that with the continuing growth and development of our Bank, irrespective of this we still look forward to being profitable in the not too distant future.

At this time I extend my appreciation to our staff, shareholders, customers and the local community for their ongoing support of our Community Bank.

Regards

John L. Nelson.

Branch Manager's Report

We have had yet another successful year and encouraged by the amount of new clients, both businesses and residents, moving their banking to our **Community Bank®** branch. We now have in excess of 1000 accounts with this number growing each week.

As our business grows, with both deposits from clients and loans to clients, so does our income with our margins continuing to increase. Our book of business is still growing and is just over the $51 million mark.

We continue to grow our customers on a weekly basis through connections in the local community. We also receive a lot of new clients who are just 'walking by' and are keen to change their banking to the Bendigo. The overall growth in our accounts is a credit to all our staff at the branch and a testament to the service they provide.

The ultimate 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 that time, however, we have seen some changes in staff as they move on to careers outside of the **Community Bank®** network. We wish them all the best for future endeavours. Of course with losing key people in any organisation creates a challenging time for the remaining staff as they cover vacant positions until new team members are found. It has been literally 'all hands on deck' during this time and we thank Bendigo Bank for their assistance with relief staff during these periods. We are now back on track staffing wise and look forward to some stability moving forward. As the Chairman has indicated in his report, there have been some changes on the board, which has seen a new range of skill-sets and expertise, which will see the board grow stronger as the years go by.

We continue to inject much needed funds into our local community with many worthy recipients also moving their banking to the branch as their show of support for our **Community Bank® branch.** It is vital to remain 'relevant' in our community not only in the products and services we provide but from a strong customer service and community contribution perspective. We have been able to provide support to many community groups and not for profit organisations within the local area and I have listed below just some of the groups who have received support from the branch since day one:

- The Garrison Knitters Group
- Mosman SES
- Sacred Heart Mosman Primary School
- Beauty Point Public School
- Mosman Church of England Preparatory School
- Mosman Public School
- Blessing of the Animals and Environmental Fair
- Parkinsons NSW Unity Walk
- Mosman Men's Shed
- RSPCA
- Mosman Hockey
- Mosman Netball
- Mosman Croquet
- Mosman Art Gallery
- Mosman Little Athletics

We are very proud of our School Banking Program, which continues to grow as the years go by. We now have three schools on the full service program with another two in the area keen to get on board. All of the branch staff are on board and assist Stephanie, who does a fantastic job managing and coordinating the banking with all of the schools. Stephanie has also been able to assist other branches in our network with advice on how to grow the School Banking Program in their respective areas.

Recently, the Bendigo and Adelaide Bank's **Community Bank®** network celebrated yet another momentous milestone with the announcement that it has now returned more than $50 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, shareholders, 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 2012 being another prosperous year for the Spit Junction **Community Bank®** Branch as we then approach our 3rd Birthday.

Chris Bawn
Branch Manager
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 2011.

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

Gregory Lewis Breden
Director
Retired

Timothy James (appointed 1 June 2011)
Director
Chief of Staff

Thea Foster (appointed 1 August 2011)
Director
Accountant

Virginia Howard
Director
Public Relations/Fundraising

Patricia Arber (resigned 22 February 2011)
Director
Retired Company Director

Paul Dracakis (resigned 15 June 2011)
Director
Jeweller

Murray Michael Block
Director
Retired

Peter Iannazzo (appointed 22 February 2011)
Director
Retired

Fentin McEvoy
Director
Real Estate Agent

Edward Blakely
Director/Company Secretary
Director

Graeme Ronald Gill (resigned 24 January 2011)
Director
Newsagent

Miles Franklin Felstead (resigned 30 November 2010)
Company Secretary
Real Estate Agent

Mark Robert Wallis (resigned 30 November 2010)
Director
Small Business Owner

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.

Review of Operations

Operations have performed in line with expectations. The loss of the Company for the financial year after provision for income tax was $145,701 (2010: $270,419).

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.

Significant events after the balance date

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There are no other 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 the state of affairs of the Company, in future years.

Likely Developments

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

Remuneration Report

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 #
Edward Blakely	7(12)	N/A
Fentin McEvoy	11(12)	N/A
Graeme Ronald Gill (resigned 24 January 2011)	5(7)	N/A
Gregory Lewis Breden	7 (12)	N/A
John Leslie Nelson	11(12)	2 (2)
Mark Robert Wallis (resigned 30 November 2010)	3(5)	N/A
Miles Franklin Felstead (resigned 30 November 2010)	5(5)	N/A
Murray Michael Block	11(12)	N/A
Patricia Arber (resigned 22 February 2011)	6(8)	N/A
Paul Dracakis (resigned 15 June 2011)	8(12)	N/A
Peter Iannazzo (appointed 22 February 2011)	5(5)	N/A
Thea Foster (appointed 1 August 2011)	0(0)	0(0)
Timothy James (appointed 1 June 2011)	1(1)	N/A
Virginia Howard	10(12)	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.

Company Secretary

Edward Blakely has been the Company secretary of Warringah Financial Services Limited since 2010. Professor Edward J Blakely is honorary professor of urban policy at the United States Studies Centre at the University of Sydney. He is a global leader in all aspects of urban and regional planning. He also has significant other business experiences.

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, Edward Blakely and Thea Foster;
(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.

Richmond
Sinnott &
Delahunty
Chartered Accountants

23 September 2011

The Directors
Warringah Financial Services Ltd
PO Box 822
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 2011, 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.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Partners: Kenneth J Richmond • Warren J Sinnott • Philip P Delahunty • Brett A Andrews
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Liability limited by a scheme approved under Professional Standards Legislation

Warringah Financial Services Limited
ABN 61 134 721 216
Statement of Comprehensive Income
for the year ended 30 June 2011

	Notes	2011 $	2010 $
Revenue from continuing operations	2	331,367	133,802
Employee benefits expense	3	(234,492)	(262,782)
Charitable donations and sponsorship		(8,980)	(1,815)
Depreciation and amortisation expense	3	(35,867)	(41,673)
Other expenses		(255,177)	(201,919)
Profit/(loss) before income tax expense		(203,149)	(374,387)
Income tax benefit	4	57,448	103,968
Profit/(loss) after income tax expense		(145,701)	(270,419)
Other comprehensive income		-	-
Total comprehensive income		(145,701)	(270,419)
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	21	(13.03)	(24.19)
- diluted for profit / (loss) for the year	21	(13.03)	(24.19)

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 2011

	Notes	2011 $	2010 $
Current Assets			
Cash and cash equivalents	6	274,851	433,404
Receivables	7	9,183	12,897
Total Current Assets		284,034	446,301
Non-Current Assets			
Property, plant and equipment	8	192,140	206,498
Deferred tax assets	4	163,374	105,926
Intangible assets	9	75,239	95,429
Total Non-Current Assets		430,753	407,853
Total Assets		714,788	854,154
Current Liabilities			
Payables	10	30,553	23,019
Provisions	11	9,904	11,104
Total Current Liabilities		40,457	34,123
Total Liabilities		40,457	34,123
Net Assets		674,330	820,031
Equity			
Share capital	12	1,095,019	1,095,019
Retained earnings / (accumulated losses)	13	(420,689)	(274,988)
Total Equity		674,330	820,031

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 2011

	Notes	2011 $	2010 $
Cash Flows From Operating Activities			
Cash receipts in the course of operations		359,915	128,495
Cash payments in the course of operations		(523,657)	(475,072)
Interest received		6,508	5,307
Net cash flows from/(used in) operating activities	14b	(157,234)	(341,270)
Cash Flows From Investing Activities			
Payment for intangible assets		-	(120,592)
Payments for property, plant and equipment		(1,319)	(222,573)
Net cash flows from/(used in) investing activities		(1,319)	(343,165)
Cash Flows From Financing Activities			
Proceeds from issue of shares		-	1,117,768
Net cash flows from/(used in) financing activities		-	1,117,768
Net increase/(decrease) in cash held		(158,553)	433,333
Cash and cash equivalents at start of year		433,404	71
Cash and cash equivalents at end of year	14a	274,851	433,404

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 2011

	Notes	2011 $	2010 $
SHARE CAPITAL			
Balance at start of year		1,095,019	(22,749)
Issue of share capital			1,117,768
Share issue costs		-	-
Balance at end of year		1,095,019	1,095,019
RETAINED EARNINGS / (ACCUMULATED LOSSES)			
Balance at start of year		(274,988)	(4,569)
Profit/(loss) after income tax expense		(145,701)	(270,419)
Dividends paid	20	-	-
Balance at end of year		(420,689)	(274,988)

The accompanying notes form part of these financial statements

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 2011 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 27 September 2011.

(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. These changes are not expected to have a material impact on the Company's financial statements.

(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 2010 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.

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:

Class of Asset	*Depreciation Rate*
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.

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).

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.

2. Revenue from continuing operations

	2011 $	2010 $
Operating activities		
- services commissions	31,323	48,002
- other revenue	293,491	80,493
	324,814	128,495
Non-operating activities:		
- interest received	6,508	5,307
- other revenue	45	-
	6,553	5,307
	331,367	133,802

3. Expenses

	2011 $	2010 $
Employee benefits expense		
- wages and salaries	189,905	216,908
- superannuation costs	17,744	18,551
- workers' compensation costs	1,008	881
- other costs	25,835	26,442
	234,492	262,782
Depreciation of non-current assets:		
- plant and equipment	12,736	13,888
- leasehold improvements	2,941	2,187
Amortisation of non-current assets:		
- intangibles	20,190	25,598
	35,867	41,673
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%	(60,945)	(112,316)
Add tax effect of:		
- Non-deductible expenses	3,497	8,348
Current income tax expense / (benefit)	(57,448)	(103,968)
Income tax expense / (benefit)	(57,448)	(103,968)

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.	163,374	105,926

5. Auditors' Remuneration

	2011 $	2010 $
Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:		
- Audit or review of the financial report of the Company	3,900	3,900
- Share registry services	1,375	1,800
	5,275	5,700

6. Cash and Cash Equivalents

Cash at bank and on hand	274,851	433,404

7. Receivables

Trade debtors	9,183	12,897
	9,183	12,897

8. Property, Plant and Equipment

Leasehold improvements		
At cost	121,128	119,809
Less accumulated depreciation	(5,128)	(2,187)
	116,000	117,622
Plant and equipment		
At cost	102,764	102,764
Less accumulated depreciation	(26,624)	(13,888)
	76,140	88,876
Total written down amount	192,140	206,498

Movements in carrying amounts

Leasehold improvements		
Carrying amount at beginning of year	117,622	-
Additions	1,319	119,809
Disposals	-	-
Depreciation expense	(2,941)	(2,187)
Carrying amount at end of year	116,000	117,622
Plant and equipment		
Carrying amount at beginning of year	88,876	-
Additions	-	102,764
Disposals	-	-
Depreciation expense	(12,736)	(13,888)
Carrying amount at end of year	76,140	88,876

9. Intangible Assets

	2011 $	2010 $
Computer Software		
At cost	11,027	11,027
Less accumulated amortisation	(7,103)	(4,322)
	3,924	6,705
Preliminary Expenses		
At cost	110,000	110,000
Less accumulated amortisation	(38,685)	(21,276)
	71,315	88,724
	75,239	95,429

10. Payables

Trade creditors	28,038	23,019
GST payable	2,515	-
	30,553	23,019

11. Provisions

Employee benefits	9,904	11,104

Movement in employee benefits

Opening balance	11,104	-
Additional provisions recognised	8,136	11,104
Amounts utilised during the year	(9,336)	-
Closing balance	9,904	11,104

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	1,117,768
Equity raising costs	(22,759)	(22,759)
	1,095,019	1,095,019

13. Retained Earnings / (Accumulated Losses)

Balance at the beginning of the financial year	(274,988)	(4,569)
Profit/(loss) after income tax	(145,701)	(270,419)
Dividends	-	-
Balance at the end of the financial year	(420,689)	(274,988)

14. Statement of Cash Flows

	2011 $	2010 $
(a) *Cash and cash equivalents*		
Cash assets	274,851	433,404
	274,851	433,404
(b) *Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities*		
Profit / (loss) after income tax	(145,701)	(270,419)
Non cash items		
- Depreciation	15,677	16,075
- Amortisation	20,190	25,598
Changes in assets and liabilities		
- (Increase) decrease in deferred income tax asset	(57,448)	(103,968)
- (Increase) decrease in receivables	3,714	(12,428)
- Increase (decrease) in payables	7,534	(7,232)
- Increase (decrease) in provisions	(1,200)	11,104
Net cashflows from/(used in) operating activities	(157,234)	(341,270)

15. Director and Related Party Disclosures

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

Edward Blakely
Fentin McEvoy
Graeme Ronald Gill (resigned 24 January 2011)
Gregory Lewis Breden
John Leslie Nelson
Mark Robert Wallis (resigned 30 November 2010)
Miles Franklin Felstead (resigned 30 November 2010)
Murray Michael Block
Patricia Arber (resigned 22 February 2011)
Virginia Howard
Peter Iannazzo (appointed 22 February 2011)
Timothy James (appointed 1 June 2011)
Paul Dracakis (resigned 15 June 2011)
Thea Foster (appointed 1 August 2011)

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.

15. Director and Related Party Disclosures (continued)

Directors shareholdings	2011	2010
Edward Blakely	1,000	-
Fentin McEvoy	1,001	1,001
Graeme Ronald Gill (resigned 24 January 2011)	10,001	10,001
Gregory Lewis Breden	15,001	15,001
John Leslie Nelson	5,001	5,001
Mark Robert Wallis (resigned 30 November 2010)	501	501
Miles Franklin Felstead (resigned 30 November 2010)	1,001	1,001
Murray Michael Block	35,001	35,001
Patricia Arber (resigned 22 February 2011)	10,001	10,001
Virginia Howard	1,000	-
Paul Dracakis (resigned 15 June 2011)	10,001	10,001
Peter Iannazzo (appointed 22 February 2011)	-	-
Timothy James (appointed 1 June 2011)	-	-
Thea Foster (appointed 1 August 2011)	-	-

There was an initial 1 share allocated to each founding director. Each share held has a paid up value of $1 and is fully paid. The movement in shares during the year is shown above.

16. Subsequent Events

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

17. Contingent Liabilities and Assets

A former employee has pursued a legal claim with the Company and the associated legal expenses are now subject to an insurance claim. There were no other contingent liabilities or assets 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:	652 Military Road MOSMAN NSW 2088
The principal place of business is:	652 Military Road MOSMAN NSW 2088

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

	2011 $	2010 $
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	(145,701)	(270,419)
Weighted average number of ordinary shares for basic and diluted earnings per share	1,117,778	1,117,778

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 to the Board. The Audit Committee is assisted in the area of risk management by an franchisors 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:

	Carrying Amount	
	2011	2010
	$	$
Cash assets	274,851	433,404
Receivables	9,183	12,897
	284,034	446,301

The Company's exposure to credit risk is limited to Australia by geographic area. The entire balance of receivables is due from the Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2010: 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.

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 2011					
Payables	30,553	(30,553)	(30,553)	-	-
	30,553	(30,553)	(30,553)	-	-
30 June 2010					
Payables	23,019	(23,019)	(23,019)	-	-
	23,019	(23,019)	(23,019)	-	-

(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	
	2011 $	2010 $
Fixed rate instruments		
Financial assets	25,500	25,500
Financial liabilities	-	-
	25,500	25,500
Variable rate instruments		
Financial assets	249,231	407,865
Financial liabilities	-	-
	249,231	407,865

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 2010 there was also no impact. As at both dates this assumes all other variables remain constant.

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 2011 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
ABN 61 134 721 216
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 2011 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia, International Financial Reporting Standards 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 23 September 2011.

Richmond
Sinnott &
Delahunty
Chartered Accountants

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF WARRINGAH FINANCIAL SERVICES LIMITED

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 2011.

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.

Partners: Kenneth J Richmond • Warren J Sinnott • Philip P Delahunty • Brett A Andrews
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Liability limited by a scheme approved under Professional Standards Legislation

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 2011 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
Partner
Bendigo

Date: 23 September 2011

Spit Junction **Community Bank®** Branch
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(BMPAR11130) (11/11)

Bendigo Bank