Warringah Financial Services Limited ABN 61 134 721 216

Annual Report **2012**

COMMUNITY
FOCUSED

Mosman **Community Bank®** Branch

Warringah Financial Services Limited

Financial Statements

as at

30 June 2012

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Chairman's report

Dear Shareholders,

We have just celebrated our third year of providing banking facilities to the Mosman community via our Branch situated on Military Road at Spit junction.

During the past fiscal period we have added to our Board of Directors some very experienced persons: Bob Dickinson as Treasurer and Beatrice Jackson, on the Sponsorship and Youth Committee.

We have created various working committees to plan and progress our growth:

- Finance and Audit Committee - chaired by Thea Foster
- Marketing and Advertising Committee - chaired by Peter Iannazzo
- Sponsorship and Youth Committee - chaired by Virginia Howard
- Risk Management and Corporate Governance Committee - chaired by Fentin McEvoy
- HR and Personnel Management Committee - chaired by Tim James

Since these committees have been formed our Board has embarked on a concentrated marketing and advertising programme and a generous sponsorship plan for the not-for-profit entities.

The funding of these concerted exercises is not drawn on our capital resources but is funded by a grant from the Franchisor (Bendigo and Adelaide Bank Limited BABL) to promote the Bank's brand within our community. You may have seen our cinema advertising at the Cremorne Orpheum Theatre. We are already seeing the rewards from some of the sponsored entities such as Mosman Bowling Club and Mosman Cricket Club who are assisting in promoting your **Community Bank®** branch amongst their members and players.

From our tri-monthly convened strategy meetings we have determined that the creation of the working committees was a positive initiative. Part of the forward planning was the identity of your Community Bank and it was agreed that when the Branch opened and named "Spit Junction **Community Bank®** Branch" it was relevant at the time.

We evaluated the situation and found that we were surrounded by other businesses called Mosman Toyota, Mosman Officeworks, Mosman Hotel and others. It was the opinion of the Directors that the name was not applicable to entire 2088 postcode. So permission was sought from our Franchisor Bendigo and Adelaide Bank to rename the branch as "Mosman **Community Bank®** Branch "located at 652 Military Road, Spit Junction. It is anticipated will improve business opportunities and reflect our involvement and contribution to the Mosman community.

During the year we were obliged to seek assistance from our Franchisor (BABL) by way of an overdraft facility due to insufficient funds flowing on from the margin share of income on the business written. We have received confirmation of comfort from Bendigo and Adelaide Bank that it will continue to support our branch operations. In addition, Bendigo and Adelaide Bank has adjusted the percentage of shared income under the programme called "Restoring the Balance", which is compensating them for the cost of funds. This adjustment does impact on our estimates of profitability and ultimately a breakeven point. May I say that at this point that similarly formed Community Bank® branches which commenced around the same time as our branch started Bendigo and Adelaide Bank, have sought funding for far more than our facility and they are still seeking a profitable outcome.

We, as Directors are confident that time and increased lending will shorten our profit expectations. As our shareholders we ask of you that whenever and wherever if you could promote our **Community Bank**® branch, this will assist our branch achieve the budgets set for lending and deposits. We are disappointingly aware that a number of shareholders do not conduct any banking with our **Community Bank®** branch.

In respect of our staffing, we have our Branch Manager, Chris Bawn, who is working tirelessly within the branch and within the community such as the Men's Shed and the co-sponsored Application for Grants workshop with Mosman Council. Our support staff have effectively served and cared for all our customers. We did lose Stephanie Smith who has taken time out and Marielle Da Silva who transferred to the Freshwater **Community Bank®** Branch. I wish to thank our staff for all their efforts throughout the year.

Our Chair of the HR and Personnel Management Committee (Tim James) overseers the recruitment, training and the adoption of the new 2012-2015 Enterprise Agreement which has to be introduced by the end of the year and will bear some impact on our staffing costs.

The Bendigo and Adelaide Bank's network of locally owned **Community Bank®** branches has contributed over $80 million to their local communities since 1998.

Our **Community Bank®** branch sponsorships have assisted:

- Mosman Symphony Orchestra	- The Garrison Knitters Group
- Mosman Cricket Club	- North Sydney Boys High School
- Mosman Netball	- Sacred Heart Primary School
- Mosman Art Prize	- Mosman Little Athletics
- Mosman Community Gardens	-1st Balmoral Sea Scouts
- Middle Harbour Public School	- Mosman Bowling Club
- Mosman Croquet Club	- Taldumande Youth Refuge
- The Garrison Men's' Shed	

We have continued with the Junior Observers Programme with a student from Queenwood, Mosman High and North Sydney High. This allows the Business Studies students of year 11 and 12 to observe the workings of a locally owned public company which assists them gaining knowledge for their future careers. Our Local Member and the Minister for Health, Jillian Skinner MP hosted our three Junior Observers to view a session of how parliament works and included a lunch in the Members' Dining Room.

I wish to thank you the shareholders for your loyalty and continuing support of our Mosman **Community Bank®** Branch and look to the future of rewarding you.

I wish to thank my Co-Directors for their effort during the year and their continuing endorsement of our objectives to operate a **Community Bank®** branch in Mosman and achieve a profitable outcome.

John L Nelson
Chairman

Branch Manager's Report

We have had yet another successful year and are 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 1,200 accounts with this number growing each month.

We generate income for the branch through deposits and lending. So as our business grows, so does the income we receive from the profit share arrangements with Bendigo and Adelaide Bank. Our book of business is heavily weighted with deposits and we are working on increasing the lending side of the business. We are attracting more clients who are looking at borrowing funds for many purposes and are excited to see that level of business increasing over time. Our book of business is still growing and is just over the $55 million mark.

During the year, two of the three Credit Rating Agencies, Standard & Poor and Fitch, upgraded Bendigo and Adelaide Bank's long term rating to A- from a BBB+. Moody's already had the Bank rated at A2 which is comparable to both S & P and Fitch. This now means that the Bank is now rated 'A' by all three of the world's leading credit rating agencies.

This will have a slight improvement on our cost of funds however with overseas funds becoming more expensive and much harder to obtain, there is a major drive by all Australian financial institutions to improve their deposit books by attracting local funds. For depositors, who are the great majority of our clients, this means extremely competitive rates, especially in the term deposit space, whilst borrowers continue to enjoy rates well below what they have seen in the past. However, as rates continue to soften, many of our self funded retirees will see a drop in income, whilst borrowers will see an improvement in their cash position. Of course with the increased competition and the reduction in overall margin incomes, many banks will start to feel the pressure in the area of profitability and as consequence income may be reduced.

We have received many compliments from clients on our level of service and the quality products we provide, which helps differentiate us from the major banks. Another important facet is our contribution to the local sporting and not-for-profit groups in the Mosman area and we are proud to have contributed in excess of $28,000 in the financial year. 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, which differentiates us from our competitors. 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 $80 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.

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. Over the past 12-18 months, we have seen some movement on the Board and we welcome new Directors in their respective roles. We have also seen some staff changes as they move on to careers both inside and outside of the **Community Bank®** network. We wish them all the best for future endeavours.

We are immensely proud of our School Banking Programme, which continues to grow as the years go by. We continue to service three schools in the area and we are now reviewing the possibility of introducing another two into the programme. All of the branch staff are on board with the programme and we acknowledge the support of Board member, Beatrice Jackson for her assistance with the programme.

In closing, I wish to thank all account holders, shareholders, our staff, Board of Directors and Bendigo and Adelaide Bank staff for their continued support in growing the business and in achieving our goals. We all look forward to 2013 being another prosperous year for the Mosman **Community Bank**® Branch as we then approach our fourth Birthday.

Chris Bawn
Branch Manager

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 2012.

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
Board member since December 2008

Murray Michael Block
Director
Retired
Board member since December 2008

Peter Iannazzo
Director
Retired
Board member since February 2011

Gregory Lewis Breden (resigned 30 November 2011)
Director
Retired
Board member since December 2008

Timothy James
Director
Chief of Staff
Board member since June 2011

Fentin McEvoy
Director
Business Development
Board member since December 2008

Thea Foster (appointed 1 August 2011)
Director
Accountant
Board member since August 2011

Edward Blakely
Director/Company Secretary
Director
Board member since Novenber 2010

Virginia Howard
Director
Public Relations/Fundraising
Board member since June 2010

Bob Dickinson (appointed 1 March 2012)
Director
Accountant
Board member since March 2012

Beatrice Jackson (appointed 1 April 2012)
Director
Consultant
Board member since April 2012

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

The operations of the company have continued to perform below expectations.The loss before income tax for the year was $205,027 (2011: $203,149). The net loss after writing back deferred tax benefits previously recognised was $368,402 (2011: $145,701).

Dividends

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

Financial position

The net assets of the company decreased during the year by $368,402 to $305,928 as at 30 June 2012. The decrease is due to the net loss incurred for the 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.

Events after the reporting period

Effective 1 July 2012 the rate of commission paid by Bendigo and Adelaide Bank Limited on term deposits for periods greater than 90 days and on fixed rate home loans was reduced by 25%. The Bank has also indicated that it proposes to reduce these commissions by a further 25% effective 1 April 2013. As a result the company's income from these products based on existing business levels, will reduce by around $60,000 in 2012/13 and $100,000 in 2013/14.

Since balance date, the world financial markets have continued to show volatility that may have an impact on earnings in the 2012/2013 financial year.

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.

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Remuneration Report

All directors provide their sevices on a voluntary basis and therefore receive no remuneration. 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.The board is responsible for the determination of all staff remuneration policies.There are no excecutives directly responsible for the strategic direction or operational management of the company. This is wholly a board role.There are therefore no Specified Executives.

Indemnifying officers or auditor

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.

Directors' meetings

The number of directors' meetings attended during the year were:

Director	Board Meetings #
Edward Blakely	9 (12)
Fentin McEvoy	9 (12)
Gregory Lewis Breden (resigned 30 November 2011)	1 (5)
John Leslie Nelson	10 (12)
Murray Michael Block	12 (12)
Peter Iannazzo	9 (12)
Thea Foster (appointed 1 August 2011)	9 (11)
Timothy James	9 (12)
Virginia Howard	12 (12)
Bob Dickinson (appointed 1 March 2012)	4 (4)
Beatrice Jackson (appointed 1 April 2012)	2 (3)

 # The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

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:

(i) The establishment of sub-committees for Governance, Finance and Audit, Marketing and Business Development, Community Support and Youth, Human Resources, and Strategic Planning.The committees have a minimum of three directors and communicate on both a formal and informal basis throughout the year and report to the Board as required.

(ii) Director approval of operating budgets and monitoring of progress against these budgets;

(iii) Ongoing director training and monthly meetings to discuss performance and strategic plans.

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

Non audit services

The directors in accordance with advice from the audit committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed in Note 5 did not compromise the external auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect integrity and objectivity of the auditor; and

- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor independence declaration

The auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 5 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Mosman, NSW on 25 September 2012.

John Nelson

John Leslie Nelson
Director

Richmond Sinnott & Delahunty
Chartered Accountants

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The Directors
Warringah Financial Services Limited
652 Military Road
MOSMAN NSW 2088

To the Directors of Warringah Financial Services Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2012 there has been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W Sinnott

Warren Sinnott
Partner
Bendigo
Dated at Bendigo, 25 September 2012

Warringah Financial Services Limited
ABN 61 134 721 216
Statement of Comprehensive Income
for the year ended 30 June 2012

	Notes	2012 $	2011 $
Revenue from continuing operations	2	409,796	331,367
Employee benefits expense	3	(311,607)	(234,492)
Depreciation and amortisation expense	3	(53,604)	(35,867)
Occupancy and associated expenses		(116,036)	(112,489)
IT systems and support expenses		(53,193)	(30,673)
Other expenses		(69,282)	(112,015)
Operating profit/(loss) before community donations & sponsorships		(193,926)	(194,169)
Community donations and sponsorship		(11,101)	(8,980)
Loss before income tax benefit/(expense)		(205,027)	(203,149)
Income tax benefit/(expense)	1(c),4	(163,375)	57,448
Net loss for the year		(368,402)	(145,701)
Other comprehensive income		-	-
Total comprehensive income for the year		(368,402)	(145,701)
Loss per share (cents per share)			
- basic for loss for the year	22	(32.96)	(13.03)
- diluted for loss for the year	22	(32.96)	(13.03)

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 2012

	Notes	2012 $	2011 $
Assets			
Current Assets			
Cash and cash equivalents	6	58,505	274,851
Receivables	7	44,683	9,183
Total Current Assets		103,188	284,034
Non-Current Assets			
Term deposit		25,500	-
Furniture, fittings and equipment	8	169,026	192,140
Deferred tax assets	4	-	163,375
Intangible assets	9	45,514	75,239
Total Non-Current Assets		240,040	430,754
Total Assets		343,228	714,788
Liabilities			
Current Liabilities			
Payables	10	26,584	30,553
Provisions	11	10,716	9,904
Total Current Liabilities		37,300	40,457
Total Liabilities		37,300	40,457
Net Assets		305,928	674,331
Equity			
Issued capital	12	1,095,019	1,095,019
Accumulated losses	13	(789,091)	(420,689)
Total Equity		305,928	674,330

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 2012

	Notes	2012 $	2011 $
Cash Flows From Operating Activities			
Cash receipts in the course of operations		401,805	359,915
Cash payments in the course of operations		(599,876)	(523,657)
Interest received		7,991	6,508
Net cash flows used in operating activities	14b	(190,080)	(157,234)
Cash Flows From Investing Activities			
Payment for intangible assets		-	-
Payments for furniture, fittings and equipment		(766)	(1,319)
Term deposit		(25,500)	
Net cash flows used in investing activities		(26,266)	(1,319)
Cash Flows From Financing Activities			
Proceeds from issue of shares		-	-
Net cash flows used in financing activities		-	-
Net Decrease in Cash Held		(216,346)	(158,553)
Cash and cash equivalents at start of year		274,851	433,404
Cash and cash equivalents at end of year	14a	58,505	274,851

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 2012

	Notes	2012 $	2011 $
ISSUED CAPITAL			
Balance at start of year		1,095,019	1,095,019
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		1,095,019	1,095,019
ACCUMULATED LOSSES			
Balance at start of year		(420,689)	(274,988)
Net loss for the year		(368,402)	(145,701)
Dividends paid	21	-	-
Balance at end of year		(789,091)	(420,689)

The accompanying notes form part of these financial statements

1. Summary of significant accounting policies

(a) Basis of preparation

Warringah Financial Services Limited ('the company') is domiciled in Australia. The financial statements for the year ending 30 June 2012 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing community banking services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authorative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement of fair value of selected non current assets, financial assets and financial liabilities.

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 25 September 2012

(b) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the company incurred an after tax loss of $368,402 and had net cash outflows from operating activities of $190,080 for the year ended 30 June 2012. The company has incurred losses since its incorporation.

The directors believe that it is reasonably foreseeable that the company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial statements after consideration of the following factors:

(i) The company recognises that losses will be incurred during the start up phase of the business and while market access is being developed;

(ii) Bendigo and Adelaide Bank Limited has confirmed that it will continue to support the company and its operations for the 2012/13 financial year and beyond through the provision of an overdraft facility for $250,000 on commercial terms and conditions; and

(iii) The directors will continue to review the growth forecast budget and cashflows throughout the 2012/13 year.

1. Summary of significant accounting policies (continued)

(c) 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. No deferred tax benefit has been brought to account for the current year loss and deferred tax benefits recognised in prior years have been written back.

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.

(d) Furniture, fittings and equipment

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

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	6.7%
Furniture & fittings	6.7% - 20%
Computer equipment and software	33.3%

Impairment
The carrying values of furniture, fittings 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 furniture, fittings 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.

(e) Impairment 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. Summary of significant accounting policies (continued)

(f) 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.

(g) 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.

(h) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation changes for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

(i) 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.

(j) Revenue

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

(k) 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.

1. Summary of significant accounting policies (continued)

(l) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by directors and determined they will not have a material impact on the company's financial statements.

(m) Borrowings

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

(n) Provisions

Provisions are recognised when the company 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.

(o) 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.

(p) Comparative figures

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

(q) Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation changes for its furniture, fittings and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

1. Summary of significant accounting policies (continued)

(q) Critical accounting estimates and judgements (continued)

Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

The company assesses impairment at the end of each reporting period by calculating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(r) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(i) Loans and receivables
Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(ii) Financial liabilities
Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtors are experiencing significant financial difficulty or changes in economic conditions.

2. Revenue

	2012	2011
	$	$
Revenue from continuing activities		
- margins, commissions and fees	351,805	285,231
- other revenue	50,000	39,583
	401,805	324,814
Other revenue		
- interest received	7,991	6,508
- other revenue	-	45
	7,991	6,553
	409,796	331,367

3. Expenses

	2012	2011
Employee benefits expense		
- wages and salaries	258,424	189,905
- superannuation costs	22,590	17,744
- workers' compensation costs	182	1,008
- other costs	30,411	25,835
	311,607	234,492
Depreciation of non-current assets:		
- furniture and equipment	6,960	12,736
- leasehold improvements	16,918	2,941
Amortisation of non-current assets:		
- intangible assets	29,726	20,190
	53,604	35,867
Bad debts	1,613	157

4. Income tax expense

	2012	2011
The prima facie tax on the loss before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on the loss before income tax at 30%	61,508	60,945
Add tax effect of:		
- future income tax benefit not brought to account	(54,653)	-
- non-deductible expenses	(6,855)	(3,497)
- previous periods deferred tax benefit written back	(163,375)	-
Current income tax benefit/(expense)	(163,375)	57,448
Income tax benefit/(expense)	(163,375)	57,448
Deferred tax assets		
Future income tax benefit arising from the tax loss for the year ended 30 June 2012 has not been recognised at reporting date as realisation of the benefit is not regarded as certain.	-	163,375
Future income tax benefit arising from tax losses which have not been recognised at reporting date.	218,027	-

5. Auditors' remuneration

	2012 $	2011 $
Remuneration of the auditor for:		
- audit or review of the financial report	3,900	3,900
- share registry services	1,818	1,375
	5,718	5,275

6. Cash and cash equivalents

	2012 $	2011 $
Cash at bank and on hand	58,505	274,851

7. Receivables

	2012 $	2011 $
Trade debtors	31,374	9,183
Accrued income	8,289	-
Prepayments	5,020	-
	44,683	9,183

8. Furniture, fittings and equipment

	2012 $	2011 $
Leasehold improvements		
At cost	121,128	121,128
Less accumulated depreciation	(22,046)	(5,128)
	99,082	116,000
Furniture and equipment		
At cost	103,528	102,764
Less accumulated depreciation	(33,583)	(26,624)
	69,945	76,140
Total written down amount	169,027	192,140

Movements in carrying amounts

	2012 $	2011 $
Leasehold improvements		
Carrying amount at beginning of year	116,000	117,622
Additions	-	1,319
Disposals	-	-
Depreciation expense	(16,918)	(2,941)
Carrying amount at end of year	99,082	116,000
Furniture and equipment		
Carrying amount at beginning of year	76,140	88,876
Additions	764	-
Disposals	-	-
Depreciation expense	(6,959)	(12,736)
Carrying amount at end of year	69,945	76,140

9. Intangible assets

	2012 $	2011 $
Computer Software		
At cost	11,027	11,027
Less accumulated amortisation	(10,238)	(7,103)
	789	3,924
Preliminary Expenses		
At cost	110,000	110,000
Less accumulated amortisation	(65,275)	(38,685)
	44,725	71,315
	45,514	75,239

10. Payables

	2012 $	2011 $
Accrued expenses	8,802	-
Trade creditors	11,271	28,038
GST payable	6,511	2,515
	26,584	30,553

11. Provisions

	2012 $	2011 $
Employee benefits	10,716	9,904
Movement in employee benefits		
Opening balance	9,904	11,104
Additional provisions recognised	9,351	8,136
Amounts utilised during the year	(8,539)	(9,336)
Closing balance	10,716	9,904

12. Share capital

	2012 $	2011 $
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)

	2012 $	2011 $
Balance at the beginning of the financial year	(420,689)	(274,988)
Profit/(loss) after income tax	(368,402)	(145,701)
Dividends	-	-
Balance at the end of the financial year	(789,091)	(420,689)

14. Statement of cash flows

(a) *Cash and cash equivalents*

	2012 $	2011 $
Cash assets	58,505	274,851
	58,505	274,851

14. Statement of cash flows (continued)

(b) *Reconciliation of loss after tax to net cash provided used in operating activities*

	2012 $	2011 $
Loss after income tax	(368,402)	(145,701)
Non cash items		
- depreciation	23,878	15,677
- amortisation	29,726	20,190
Changes in assets and liabilities		
- (Increase) decrease in deferred income tax asset	163,375	(57,448)
- (Increase) decrease in receivables	(35,500)	3,714
- Increase (decrease) in payables	(3,969)	7,534
- Increase (decrease) in provisions	812	(1,200)
Net cashflows used in operating activities	(190,080)	(157,234)

15. Director and related party disclosures

The names of directors who have held office during the financial year and director's shareholdings are:

	2012	2011
Fentin McEvoy	1,001	1,001
Graeme Lewis Breden (resigned 30 November 2011)	15,001	15,001
John Leslie Nelson	5,001	5,001
Murray Michael Block	35,001	35,001
Peter Iannazzo	1,000	1,000
Thea Foster (appointed 1 August 2011)	1,000	1,000
Timothy James	1,000	1,000
Virginia Howard	1,000	1,000
Edward James Blakely	1,000	-
Bob Dickinson (appointed 1 March 2012)	-	-
Beatrice Jackson (appointed 1 April 2012)	-	-

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.
There was an initial 1 share allocated to each founding director. Each share has a paid up value of $1 and is fully paid.

16. Leases

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

	$	$
Payable - minimum lease payments		
- not later than 12 months	99,296	96,217
- between 12 months and 5 years	397,185	348,868
- greater than 5 years	397,185	481,085

The property lease is a non-cancellable lease with a 12 year term, with rent payable monthly in advance.

17. Events after the reporting period

Effective 1 July 2012 the rate of commission paid by Bendigo and Adelaide Bank Limited on term deposits for periods greater than 90 days and on fixed rate home loans was reduced by 25%. The Bank has also indicated that it proposes to reduce these commissions by a further 25% effective 1 April 2013. As a result the company's income from these products based on existing business levels, will reduce by around $60,000 in 2012/13 and $100,000 in 2013/14.

Since balance date, the world financial markets have continued to shown volatility that may have an impact on earnings in the 2012/2013 financial year.

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

18. Contingent liabilities and assets

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

19. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Mosman, NSW. The company has a franchise agreement in place with Bendigo & Adelaide Bank Limited who account for 100% of the revenue (2011: 100%).

20. Corporate information

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

The registered office and principal place of business is:

652 Military Road
MOSMAN NSW 2088

21. Dividends paid or provided for on ordinary shares

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

22. Earnings per share

Basic earnings per share amounts are calculated by dividing the 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 the 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:

	2012 $	2011 $
Loss after income tax expense	(368,402)	(145,701)
Weighted average number of ordinary shares for basic and diluted earnings per share	1,117,778	1,117,778

23. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.
The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012 $	2011 $
Financial assets			
Cash & cash equivalents	6	58,505	274,851
Receivables	7	44,683	9,183
Total financial assets		103,188	284,034
Financial liabilities			
Payables	10	26,584	30,553
Total financial liabilities		26,584	30,553

Financial risk management policies

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

Specific financial risk exposure and management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(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	
	2012 $	2011 $
Cash and cash equivalents	58,505	274,851
Receivables	44,683	9,183
	103,188	284,034

The company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables are due from Bendigo and Adelaide Bank Limited.

None of the assets of the company are past due (2011: 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 Limited.

(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.

In addition the company has established an overdraft facility of $250,000 with Bendigo & Adelaide Bank Limited.

Financial liability and financial asset maturity analysis

30 June 2012	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial Liabilities due for payment				
Payables	(26,584)	(26,584)	-	-
Loans and borrowings	-	-	-	-
Total expected outflows	(26,584)	(26,584)	-	-
Financial Assets - cashflow realisable				
Cash & cash equivalents	58,505	58,505		
Term deposit	25,500			25,500
Receivables	44,683	44,683		
Total anticipated inflows	128,688	103,188	-	25,500
Net (Outflow)/Inflow on financial instruments	102,104	76,604	-	25,500

30 June 2011	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial Liabilities due for payment				
Payables	(30,553)	(30,553)	-	-
Loans and borrowings	-	-	-	-
Total expected outflows	(30,553)	(30,553)	-	-
Financial Assets - cashflow realisable				
Cash & cash equivalents	274,851	274,851		
Receivables	9,183	9,183		
Total anticipated inflows	284,034	284,034	-	-
Net (Outflow)/Inflow on financial instruments	253,481	253,481	-	-

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at June 30 2012 and June 30 2011.

(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 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	
	2012	2011
Fixed rate instruments	$	$
Financial assets	25,500	25,500
Financial liabilities	-	-
	25,500	25,500
Floating rate instruments		
Financial assets	58,505	249,231
Financial liabilities	-	-
	58,505	249,231

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 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

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 community donations and sponsorships. Community donations and sponsorships paid for the year ended 30 June 2012 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, the directors of the company declare that:

1 the financial statements and notes of the company as set out on pages 6 to 23 are in accordance with the Corporations Act 2001 and:

(i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and

(ii) give a true and fair view of the company's financial position as at 30 June 2012 and of the performance for the year ended on that date;

2 in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

John Leslie Nelson
Director

Signed at Mosman, NSW on 25 September 2012.

Richmond Sinnott & Delahunty
Chartered Accountants

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF WARRINGAH FINANCIAL SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Warringah Financial Services Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company for the year ended 30 June 2012.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

(a) the financial report of Warringah Financial Services Limited is 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 2012 and of its performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1(a).

Emphasis of Matter

Without qualification to the audit opinion expressed above, attention is drawn to the following matter. Note1 (b) "Going Concern' in the financial statements indicates the company recorded a loss after tax of \$368,402 (2011: loss of \$145,701). The directors have prepared a budget for the 2012/13 year which indicates a loss before tax of \$166,758 will be recorded.

The directors have received a financial facility to assist with working capital requirements. Without the financial facility, there is significant uncertainty whether Warringah Financial Services Limited will continue as a going concern.

These conditions indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. SINNOTT
Partner

Dated at Bendigo, 20th September 2012

Mosman **Community Bank®** Branch
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Phone: (02) 9960 7122

Franchisee:
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652 Military Road, Spit Junction NSW 2088
ABN: 61 134 721 216
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(BMPAR12130) (10/12)