Annual Report 2014

Mosman
Warringah Financial Services Limited

ABN 61 134 721 216

Mosman **Community Bank**® Branch

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Chairman's Report

Dear Fellow Shareholders,

In the latter part of this fiscal year, our **Community Bank®** branch has been quite successful in the writing of loans and processing loan approvals for yet to be settled property purchases. Our Manager has taken advantage of the fact that at last we are competitive with the "Big Four". The processing of loans provides a higher contribution to income, more so than the acceptance of deposits, even though the latter have been very successful.

We quietly celebrated our fifth anniversary but unfortunately our company is not yet in a profitable position, however, there are positive signs of improvement and we are basically holding our own, although it will be quite some time before we can contemplate issuing a dividend. A number of other **Community Bank®** branches operated for at least five to six years before their Board of Directors could issue even an unfranked dividend.

The Bendigo and Adelaide Bank, our franchise partner, is continuing their policy of applying the "Restore the Balance" adjustment to our income flow with Stage two to take effect from April 2015.
Meanwhile it has been working on a very comprehensive study "Project Horizon" and the outcome of this study may have a different approach to the sharing of income.

The NSW Regional Office and the Regional Manager are assisting our branch with various initiatives and they will provide a Business Banker to pursue business loans and will supplement our Branch Manager's efforts in the home loan and other loan portfolios. The Business Banker has a good record of introducing business loans at other **Community Bank®** branches and hopefully we also will benefit.

With the assistance of the Marketing and Development Fund we have been able to continue supporting the not-for-Profit entities such as Mosman Little Athletics, Mosman Bowling Club, Mosman State Emergency Services, Mosman Tennis Club, Mosman Cricket, Mosman Croquet, Taldumande Youth Services and Mosman Netball to name a few. We have been reasonably successful in achieving their banking business. However, we are working with the various members of these organisations to take advantage of the "Members Perks Package" and to utilise our branch for their personal banking needs.

Again we have fostered the Junior Observer Programme for three students who are undertaking Business Studies as part of their HSC to further their knowledge by attending our Board meetings. This year these students were Rose Gooding, Charmaine Lui and Kevin Chen.

During the year, Thea Foster (Accountant) resigned from the Board and we thank her for her efforts in conducting the Professional Seminars series. We were pleased to welcome back to our Board Mark Wallis, a founding Director, to fill the vacancy.

Our Staff, Kath, Lynn, Aline and Dan continue to attend to our customers' requirements and support our Branch Manager, Chris Bawn.

Our presence in Mosman is increasing as the Bank's brand continues to be promoted by the Marketing and Development Fund with the advertising in the Mosman Daily, Harbourview Magazine and at the Cremorne Orpheum Cinema.

Our Regional Office has continued to support our **Community Bank®** branch and in particular the Regional Manager, Alex Hughes.I also wish to convey to my fellow Directors my appreciation for their continued support throughout the year.

I want to sincerely thank you, the shareholders, for being extremely patient and for your faith in your **Community Bank®** branch. You have encouraged the Board and the Staff to continue working towards that elusive profit that seems to be coming and which you richly deserve to share in.

As we go into the next fiscal year we look to you to assist in our growth by opening accounts and encouraging family and friends to seriously look to conduct their banking business with us.

John L Nelson
Chairman

Branch Manager's Report

As another financial year for the company closes, we edge closer and closer to our **Community Bank®** branch recording our first profit. We have had our busiest year ever for our lending book, which increased by approximately $8 million in new loans. For the 2014/15 year, our pipeline of lending opportunities is in a very strong position with new loans enquiries and applications growing weekly. Our result for this year would have been stronger as we had many clients' with loans approved in principle just waiting to buy the 'illusive' property, given the very strong demand for very few properties on the market. We hope that 'Spring 2014' will provide some more listings on the market, thus enabling clients to purchase their dream property.

Our funds on deposit has fluctuated over the year as clients use the funds to buy property and also invest in stocks and shares, given the current lower interest rate environment. We have been fortunate, however, to retain approximately 90% of our term deposit funds due to our competitive interest rates and our personal and proactive approach in contacting clients when deposits become due for maturity, offering them additional services and assisting them in maximising the return on their investment. This approach by the team has resulted in approximately 30% of clients adding additional funds from other accounts into their term deposits, thus creating a greater return.

Over the year, we have welcomed over 309 new clients to the branch and we are continuing to focus on how we can deliver more of our products and services to our existing clients so most of their banking and financial needs are with the Mosman **Community Bank®** Branch. Our over-the-counter transactions have also increased dramatically over the year as we see new businesses in Mosman opening accounts with the branch. With additional products and services comes additional return for the company bottom line and I ask all shareholders to consider their banking needs and talk to us about how the Mosman **Community Bank®** Branch can be their provider of first choice.

In closing, I would like to thank our fabulous staff for their contribution to the improved company's results for the year, our Board of Directors for their support and guidance, staff from Bendigo Bank who assist us with all of the back office functions and finally our shareholders, who continue to provide their support and patience as we come closer to our first year of profits.

Chris Bawn
Branch Manager

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

Your directors present their report of the company for the financial year ended 30 June 2014. The information in the preceding operating and financial review forms part of this Directors' Report for the financial year ended 30 June 2014 and is to be read in conjunction with the following information:

Directors

The following persons were directors of Warringah Financial Services Limited during or since the end of the financial year up to the date of this report:

Name and position held	Qualifications	Experience and other Directorships
John Nelson Appointed December 2008 **Chairman**	FCPA FIIA	Accountant, Consultant, Business Owner. Director, Mosman Accounting & Taxation Services Pty Ltd Director, John L Nelson & Associates Pty Ltd Secretary/Treasurer Mosman Community Services Inc.
Murray Block, OAM Appointed December 2008 **Director**		Retired Director, Mosman Community Services Inc. Director, Levisa Holdings Pty Ltd Australian China Friendship Society
Fentin McEvoy Appointed December 2008 **Director**	LLB	Lawyer, Real Estate, Business Development
Edward Blakely Appointed November 2010 **Director/Company Secretary**	Phd. Ed.	Urban Planning, Disaster Management, Sustainable Development. CTechBA, Urban Growth Advisory
Virginia Howard Appointed June 2010 **Director**	B.A., M.A. (Hons) Dip.ED., MAICD	Chair,Taldumande Youth Services Inc; Councillor, Uniting Care Aging Sydney North; Director, Dougherty Retirement Village and Care Facility; Director, Mosman Community Services Inc. Former Mayor of Mosman
Timothy James Appointed June 2011 **Director**	B.Bus.,LLB,MBA	Lawyer, Political Staffer Director, Life Education NSW Director, Friends of Sydney Harbour Ltd.
Thea Foster Appointed August 2011 Resigned February 2014 **Director**	B.Com. FCA	Accountant, Consultant, Business Owner Director, Added Value Corporation Pty Ltd
Bob Dickinson Appointed March 2012 **Director/Treasurer**	FCPA	Accountant, Consultant Retired Senior Executive, Banking Director, R&P Dickinson Pty Ltd
Beatrice Jackson Appointed April 2012 **Director**	B.Com Dip. Ed. CA	Accountant, Consultant Director, Adesso Consulting Pty Ltd Director, Fiorire Pty Ltd
Stephen Osmond Appointed September 2013 **Director**		Retired Senior Executive, Banking Formerly with NatWest, JP Morgan, Credit Suisse, Merrill Lynch, WestLB and Westpac
Mark Wallis Appointed May 2014 **Director**	Justice of Peace	Consultant, Sales and Marketing Director,Taldumande Youth Services Inc. Former Business Owner Former Senior Executive, IT &T

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

No directors have material interests in contracts or proposed contracts with the company.

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

Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank

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

Review of operations

The loss for the financial year was $130,456 (2013 loss: $184,328). Although a 29% decrease when compared with the previous year, the operations of the company continued to perform below expectations.

As a result of the loss for the year, the net assets of the company have decreased to minus $8,866 (2013: plus $121,590).

Dividends

No dividends were paid in the financial year and the directors recommend that no dividend be paid for the current year.

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to reporting date

Effective 1 April 2015 the rate of commission currently paid by Bendigo and Adelaide Bank Limited on term deposits for periods greater than 90 days and on fixed rate home loans is to be reduced. This will result in in a further reduction in income from these products.

No other matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company, in future financial years.

Remuneration report

<u>Remuneration policy</u>

There has been no remuneration policy developed as director positions are held on a voluntary basis and directors are not remunerated for their services.

<u>Remuneration benefits and payments</u>

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.

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 held during the year were 12. Attendances by each director during the year were as follows:

Director	Board meetings #
John Nelson	12 (12)
Murray Block, OAM	11 (12)
Fentin McEvoy	11 (12)
Edward Blakely	8 (12)
Virginia Howard	9 (12)
Timothy James	8 (12)
Thea Foster (resigned February 2014)	5 (7)
Bob Dickinson	11 (12)
Beatrice Jackson	12 (12)
Stephen Osmond (appointed September 2013)	9 (10)
Mark Wallis (appointed May 2014)	1 (2)

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation. However, the Board believes that the company has adequate systems in place for the management of its environment requirements and is not aware of any breach of these environmental requirements as they apply to the company.

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.

Company Secretary

Edward Blakley has been the Company Secretary of Warringah Financial Services Limited since 2010.
Edward's qualifications and experience include being an honorary professor at the University of Sydney.
He is a global leader in all aspects of urban and regional planning and has significant other business experiences.

Non audit services

The directors, in accordance with advice from the Board 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 Board prior to commencement to ensure they do not adversely affect the 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

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 10 of this financial report. No officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Mosman NSW on 23 September 2014

John L Nelson
Chairman

Richmond
Sinnott &
Delahunty
Chartered Accountants

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Bendigo, Victoria
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Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the Directors of Warringah Financial Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there has been no contraventions of:

(i) the Auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

P.P. Delahunt
Partner
Bendigo
Dated at Bendigo, 23 September 2014

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners:
Cara Hall
Brett Andrews
Philip Delahunty
Kathie Teasdale
David Richmond

Warringah Financial Services Limited
ACN 61 134 721 216
Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2014

	Notes	2014 $	2013 $
Revenue	2	534,356	459,939
Employee benefits expense	3	(305,083)	(290,717)
Depreciation and amortisation expense	3	(41,454)	(42,388)
Finance expenses	3	(5,771)	(1,127)
Bad and doubtful debts expenses	3	(1,130)	14
Occupancy and associated expenses		(122,106)	(117,880)
IT systems and support expenses		(53,930)	(55,046)
Marketing and advertising expenses		(29,165)	(39,282)
Other expenses		(91,489)	(75,069)
Operating loss before community donations & sponsorships		(115,772)	(161,556)
Community donations and sponsorships		(14,684)	(22,772)
Loss before income tax expense		(130,456)	(184,328)
Tax expense	4	-	-
Loss for the year		(130,456)	(184,328)
Other comprehensive income		-	-
Total comprehensive income		(130,456)	(184,328)
Loss attributable to members of the company		(130,456)	(184,328)
Total comprehensive income attributable to members of the company		(130,456)	(184,328)
Earnings per share (cents per share)			
- basic for profit/(loss) for the year	21	(11.67)	(16.49)
- diluted for profit / (loss) for the year	21	(11.67)	(16.49)

The accompanying notes form part of these financial statements

Warringah Financial Services Limited
ACN 61 134 721 216
Statement of Financial Position
as at 30 June 2014

	Notes	2014 $	2013 $
Assets			
Current assets			
Cash and cash equivalents	6	1,092	127
Trade and other receivables	7	52,117	52,990
Total current assets		53,209	53,117
Non-current assets			
Term deposit		25,500	25,500
Property, plant and equipment	8	129,973	149,427
Intangible assets	9	724	22,724
Total non-current assets		156,197	197,651
Total assets		209,406	250,768
Liabilities			
Current liabilities			
Trade and other payables	10	30,406	32,553
Borrowings	11	174,826	85,390
Provisions	12	13,040	11,235
Total current liabilities		218,272	129,178
Total liabilities		218,272	129,178
Net assets / (liabilities)		(8,866)	121,590
Equity			
Issued capital	13	1,095,009	1,095,009
Accumulated losses	14	(1,103,875)	(973,419)
Total equity		(8,866)	121,590

The accompanying notes form part of these financial statements

Warringah Financial Services Limited
ACN 61 134 721 216
Statement of Changes in Equity
for the year ended 30 June 2014

		Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2012		**1,095,019**	**(789,091)**	**305,928**
Total comprehensive income for the year		**-**	**(184,328)**	**(184,328)**
Transactions with owners, in their capacity as owners			-	-
Shares issued during the year		(10)	-	(10)
Dividends paid or provided	22	-	-	-
Balance at 30 June 2013		**1,095,009**	**(973,419)**	**121,590**
Balance at 1 July 2013		**1,095,009**	**(973,419)**	**121,590**
Total comprehensive income for the year		**-**	**(130,456)**	**(130,456)**
Transactions with owners, in their capacity as owners		-	-	-
Shares issued during the year		-	-	-
Dividends paid or provided	22	-	-	-
Balance at 30 June 2014		**1,095,009**	**(1,103,875)**	**(8,866)**

The accompanying notes form part of these financial statements

Warringah Financial Services Limited
ACN 61 134 721 216
Statement of Cash Flows for
the year ended 30 June 2014

	Notes	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		483,145	400,030
Payments to suppliers and employees		(617,029)	(594,263)
Interest paid		(5,771)	(1,127)
Interest received		1,184	1,602
Other income		50,000	50,000
Net cash used in operating activities	15b	(88,471)	(143,758)
Cash flows from financing activities			
Member contributions		-	(10)
Net cash used in financing activities		-	(10)
Net decrease in cash held		(88,471)	(143,768)
Cash and cash equivalents at beginning of financial year		(85,263)	58,505
Cash and cash equivalents at end of financial year	15a	(173,734)	(85,263)

The accompanying notes form part of these financial statements

These financial statements and notes represent those of Warringah Financial Services Limited.

Warringah Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the directors on 23 September 2014.

1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001* , Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. 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, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

Economic Dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank® branch at Mosman, New South Wales.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name “Bendigo Bank” and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branch is effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank®** branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- Advice and assistance in relation to the design, layout and fit out of the Community Bank® branch;
- Training for the branch managers and employees in banking, systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

1. Summary of significant accounting policies (continued)

(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.

The directors have a reasonable expectation 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 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 within the area. The company has recorded a loss after tax of $130,456 for the year ended 30 June 2014 which was a 29% improvement from the loss recorded for prior year (2013: $184,328). After allowing for a further reduction in the rate of commission paid by Bendigo and Adelaide Bank Limited, the company has budgeted for a loss of $96,000 for the 2014/15 year. The directors are encouraged by recent business growth and will continue to closely monitor cash to ensure the company is able to pay its debts as and when they become due and payable.

(ii) Bendigo and Adelaide Bank Limited has confirmed that it will continue to support the company and its operations for the 2014/15 financial year and beyond through the provision of an overdraft facility for $350,000 on normal terms and conditions. The Bank has also agreed to a range of other support measures to promote business growth. This support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with the bank to further develop its business. The company is fully committed to these obligations.

(c) Income tax

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can 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.

(d) Fair value of assets and liabilities

The company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an assets or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closes equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

1. Summary of significant accounting policies (continued)

(d) Fair value of assets and liabilities (continued)

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of the liabilities and the entity's own equity instruments may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted, and where significant, are detailed in the respective note to the financial statements.

(e) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses related to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets, is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of asset	*Depreciation rate*
Leasehold improvements	7%
Plant & equipment	6.7%-20%
Computer equipment & software	33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An assets' carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

1. Summary of significant accounting policies (continued)

(f) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

(g) Impairment of assets

At each reporting period, the company assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(h) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(i) Employee benefits

Short-term employee benefits
Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

Other long-term employee benefits
Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations.

The company's obligation for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

1. Summary of significant accounting policies (continued)

(j) Intangibles

The initial franchise fee has been recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the Statement of Profit or Loss and Other Comprehensive Income.

(k) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the Statement of Financial Position.

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.

(l) Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Revenue comprises margins, commissions, fees and other income received by the company.

All revenue is stated net of the amount of goods and services tax (GST).

(m) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

(n) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(o) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(p) New and amended accounting policies adopted by the company

Employee benefits

The company adopted AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) from the mandatory application date of 1 January 2013. The company has applied these Standards retrospectively in accordance with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors and the transitional provisions of AASB 119 (September 2011).

For the purpose of measurement, AASB 119 (September 2011) defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. In accordance with AASB 119 (September 2011), provisions for short-term employee benefits are measured at the (undiscounted) amounts expected to be paid to employees when the obligation is settled, whereas provisions that do not meet the criteria for classification as short-term (other long-term employee benefits) are measured at the present value of the expected future payments to be made to employees.

1. Summary of significant accounting policies (continued)

(p) New and amended accounting policies adopted by the company (continued)

As the company expects that all of its employees would use all of their annual leave entitlements earned during a reporting period before 12 months after the end of the reporting period, adoption of AASB 119 (September 2011) did not have a material impact on the amounts recognised in respect of the company's employee provisions. Note also that adoption of AASB 119 (September 2011) did not impact the classification of leave entitlements between current and non-current liabilities in the company's financial statements.

AASB 119 (September 2011) also introduced changes to the recognition and measurement requirements applicable to termination benefits and defined benefit plans. As the company did not have any of these types of obligations in the current or previous reporting periods, these changes did not impact the company's financial statements.

Fair value measurement
The company has applied AASB 13: Fair Value Measurement and the relevant consequential amendments arising from the related Amending Standards prospectively from the mandatory application date of 1 January 2013 and in accordance with AASB 108 and the specific transitional requirements in AASB 13.

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

No material adjustments to the carrying amounts of any of the company's assets or liabilities were required as a consequence of applying AASB 13. Nevertheless, AASB 13 requires enhanced disclosures regarding assets and liabilities that are measured at fair value and fair values disclosed in the company's financial statements.

The disclosure requirements in AASB 13 need not be applied by the company in the comparative information provided for periods before initial application of AASB 13 (that is, periods beginning before 1 January 2013). However, as some of the disclosures now required under AASB 13 were previously required under other Australian Accounting Standards, such as AASB 7: Financial Instruments: Disclosures, the company has provided this previously provided information as comparatives in the current reporting period.

(q) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has elected not to adopt any of the new and amended pronouncements before their mandatory applicable date. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

(i) AASB 9 *Financial Instruments* and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

This Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impractical at this stage to provide a reasonable estimate of such impact.

1. Summary of significant accounting policies (continued)

(q) New accounting standards for application in future periods (continued)

(ii) AASB 2012-3: *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the company's financial statements.

(iii) AASB 2013-3: *Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: *Impairment of Assets* pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the company's financial statements.

(r) Loans and borrowings

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

(s) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which is probable that the outflow of economic benefits will result and the outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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.

(t) 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.

(u) Comparative figures

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

(v) 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:

1. Summary of significant accounting policies (continued)

(v) Critical accounting estimates and judgements (continued)

Estimation of useful lives of assets

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

Employee benefits provision

Assumptions required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. Treatment of leave under updated AASB 119 standard.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset or the provision for income tax liability. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment

The company assesses impairment at the end of each reporting period by evaluating 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.

(w) 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.

Amortised cost is calculated as the amount at 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.*

The *effective interest method* is used to allocate interest income or interest expense over the relevant period

(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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

1.Summary of significant accounting policies (continued)

(w) Financial instruments (continued)

(ii) Financial liabilities
Non derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

A financial asset (or group of financial assets) is deemed to be 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(s).

In the case of financial assets carried at amortised cost loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency on interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial asset is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

2. Revenue and other income	**2014** **$**	**2013** **$**
Revenue		
- margins, commissions and fees	483,172	408,337
	483,172	408,337
Other revenue		
- interest received	1,184	1,602
- other revenue	50,000	50,000
	51,184	51,602
Total revenue	534,356	459,939

	2014	2013
3. Expenses	$	$
Employee benefits expense		
- wages and salaries	256,178	242,294
- superannuation costs	23,863	22,734
- other costs	25,042	25,689
	305,083	290,717
Depreciation of non-current assets:		
- plant and equipment	11,339	11,484
- leasehold improvements	8,115	8,115
Amortisation of non-current assets:		
- intangible assets	22,000	22,789
	41,454	42,388
Finance costs:		
- Interest paid	5,771	1,127
Bad debts	1,130	(14)

4. Tax expense

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

	2014	2013
Prima facie tax on profit/(loss) before income tax at 30% (2013: 30%)	(39,137)	(55,299)
Add tax effect of:		
- Utilisation of previously unrecognised carried forward tax losses	33,361	49,909
- Non-deductible expenses	5,776	5,390
Current income tax expense	-	-
Income tax attributable to the entity	-	-

Deferred tax asset

Future income tax benefit arising from the tax loss for the year ended 30 June 2014 has not been recognised at reporting date as realisation of the benefit is not regarded as certain.

	2014	2013
Accumulated future income tax benefits arising from tax losses which have not been recognised at reporting date.	301,297	267,936

5. Auditors' remuneration

	2014	2013
Remuneration of the Auditor for:		
- Audit or review of the financial report	4,218	4,231
- Share registry services	1,790	1,750
	6,008	5,981

6. Cash and cash equivalents

	2014 $	2013 $
Cash at bank and on hand	1,092	127

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	2014 $	2013 $
Cash and cash equivalents	1,092	127
Bank overdraft	(174,826)	(85,390)
	(173,734)	(85,263)

7. Trade and other receivables

	2014 $	2013 $
Current		
Trade debtors	52,117	49,131
Accrued income	-	3,315
Prepayments	-	544
	52,117	52,990

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The main sources of credit risk to the company are considered to relate to the classes of assets described as trade and other receivables set out in this note.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

			Past due but not impaired			
2014	**Gross amount**	**Past due and impaired**	**< 30 days**	**31-60 days**	**> 60 days**	**Not past due**
Trade receivables	52,117	-	-	-	-	52,117
Total	52,117	-	-	-	-	52,117
2013						
Trade receivables	49,131	-	-	-	-	49,131
Other receivables	3,315	-	-	-	-	3,315
Total	52,446	-	-	-	-	52,446

8. Property, plant and equipment

	2014 $	2013 $
Leasehold improvements		
At cost	121,128	121,128
Less accumulated depreciation	(38,276)	(30,161)
	82,852	90,967
Plant and equipment		
At cost	103,528	103,528
Less accumulated depreciation	(56,406)	(45,068)
	47,122	58,460
Total written down amount	129,973	149,427

Movements in carrying amounts

	2014 $	2013 $
Leasehold improvements		
Balance at the beginning of the reporting period	90,966	99,081
Additions	-	-
Disposals	-	-
Depreciation expense	(8,115)	(8,115)
Balance at the end of the reporting period	82,852	90,966
Plant and equipment		
Balance at the beginning of the reporting period	58,461	69,945
Additions	-	-
Disposals	-	-
Depreciation expense	(11,339)	(11,484)
Balance at the end of the reporting period	47,122	58,461

9. Intangible assets

	2014 $	2013 $
Franchise fee		
At cost	110,000	110,000
Less accumulated amortisation	(109,276)	(87,276)
	724	22,724
Total Intangible assets	724	22,724

Movements in carrying amounts

	2014 $	2013 $
Franchise fee		
Balance at the beginning of the reporting period	22,724	44,724
Amortisation expense	(22,000)	(22,000)
Balance at the end of the reporting period	724	22,724

10. Trade and other payables

	2014 $	2013 $
Current		
Unsecured liabilities:		
Trade creditors	11,484	16,217
Other creditors and accruals	18,922	16,337
	30,406	32,554

11. Borrowings

	2014 $	2013 $
Bank overdraft	174,826	85,390
	174,826	85,390

The company has a secured overdraft facility of $350,000 with Bendigo and Adelaide Bank Ltd on normal terms and conditions.

12. Provisions

	2014 $	2013 $
Employee benefits	13,040	11,235
Movement in employee benefits		
Opening balance	11,235	10,716
Additional provisions recognised	10,183	12,422
Amounts utilised during the year	(8,378)	(11,903)
Closing balance	13,040	11,235
Current		
Annual leave	13,040	11,235
Total provisions	13,040	11,235

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

13. Share capital

	2014 $	2013 $
1,117,768 Ordinary shares fully paid of $1 each	1,117,768	1,117,768
Less: Equity raising costs	(22,759)	(22,759)
	1,095,009	1,095,009
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	1,095,009	1,095,009
Shares issued during the year	-	-
At the end of the reporting period	1,095,009	1,095,009

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

13. Share capital (continued)

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 sponsorship. Community donations and sponsorship paid for the year ended 30 June 2014 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

14. Accumulated losses	2014 $	2013 $
Balance at the beginning of the reporting period	(973,419)	(789,091)
Profit/(loss) after income tax	(130,456)	(184,328)
Balance at the end of the reporting period	(1,103,875)	(973,419)

15. Statement of cash flows

(a) *Cash and cash equivalents balances as shown in the statement of financial position can be reconciled to that shown in the statement of cash flows as follows*

As per the statement of financial position	1,092	127
less bank overdraft	(174,826)	(85,390)
As per the Statement of Cash Flow	(173,734)	(85,263)

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

Profit / (loss) after income tax	(130,456)	(184,329)
Non cash items		
- Depreciation	19,454	19,601
- Amortisation	22,000	22,788
Changes in assets and liabilities		
- (Increase) decrease in receivables	873	(8,307)
- Increase (decrease) in payables	(2,147)	5,970
- Increase (decrease) in provisions	1,805	519
Net cash flows from/(used in) operating activities	(88,471)	(143,758)

15. Statement of cash flows (continued)

(c) Credit standby arrangement and loan facilities

The company has a bank overdraft facility amounting to $350,000 (2013: $250,000). This may be terminated at any time at the option of the bank. At 30 June 2014, $174,826 of this facility was used (2013: $85,390). Variable interest rates apply to the overdraft facility.

16. Related party transactions

The company's main related parties are:
(a) Key management personnel
Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any director (whether executive or otherwise) of that company is considered key management personnel. There are no executives within the company whose remuneration is required to be disclosed.

(b) Other related parties
Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties.
No key management personnel or related party has entered into any contracts with the company. No director fees have been paid as the positions are held on a voluntary basis.

The company has not accepted the Bendigo and Adelaide Bank Limited's **Community Bank®** Directors Privileges package.

(d) Key management personnel shareholdings
The number of ordinary shares in Warringah Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	2014	2013
John Nelson	5,001	5,001
Murray Block, OAM	35,001	35,001
Fentin McEvoy	1,001	1,001
Edward Blakely	1,000	1,000
Virginia Howard	1,000	1,000
Timothy James	1,000	1,000
Thea Foster (resigned February 2014)	1,000	1,000
Bob Dickinson	-	-
Beatrice Jackson	-	-
Stephen Osmond (appointed September 2013)	-	-
Mark Wallis (appointed May 2014)	501	501

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

(e) Other key management transactions
There has been no other transactions involving equity instruments other than those described above.

17. Events after the reporting period

There have been no events after the end of the financial year that would materially affect the financial statements for the year ended 30 June 2014.

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 and Adelaide Bank Limited who account for 100% of the revenue (2013: 100%).

20. Company details

The registered office and principle place of business is: 652 Military Road
Mosman, NSW 2088

21. Earnings per share

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 earnings per share computations:

	2014 $	2013 $
Profit/(loss) after income tax expense	(130,456)	(184,328)
Weighted average number of ordinary shares for basic earnings per share	1,117,778	1,117,778

22. Dividends paid or provided for on ordinary shares

No dividends were paid or proposed by the company during the period.

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 as detailed in the accounting policies are as follows:

	Note	2014 $	2013 $
Financial assets			
Cash and cash equivalents	6	1,092	127
Trade and other receivables	7	52,117	52,990
Total financial assets		53,209	53,117
Financial liabilities			
Trade and other payables	10	30,406	32,554
Bank overdraft	11	174,826	85,390
Total financial liabilities		205,232	117,944

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk. There have been no substantial 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.

Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the statement of financial position.

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 (2013: 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 and therefore credit risk is considered minimal.

23. Financial risk management (continued)

(a) Credit risk (continued)

	2014 $	2013 $
Cash and cash equivalents:		
A rated	1,092	127

(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 $350,000 with Bendigo and Adelaide Bank Limited.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. The bank overdraft has been deducted in the analysis as management does not consider there is any material risk the Bank will terminate the facility. The Bank does however maintain the right to terminate the facility without notice and therefore the balance of the overdraft outstanding at year end could become repayable within 12 months.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

30 June 2014	Note	Total $		Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due						
Trade and other payables	**10**	30,406		30,406	-	-
Bank overdraft	**11**	174,826	*	174,826	-	-
Total expected outflows		205,232		205,232	-	-
Financial assets - realisable						
Cash & cash equivalents	**6**	1,092		1,092	-	-
Trade and other receivables	**7**	52,117		52,117	-	-
Total anticipated inflows		53,209		53,209	-	-
Net (outflow)inflow on financial instruments		(152,023)		(152,023)	-	-

23 Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2013		Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial liabilities due					
Trade and other payables	**10**	32,554	32,554	-	-
Bank overdraft	**11**	85,390	85,390	-	-
Total expected outflows		117,944	117,944	-	-
Financial assets - realisable					
Cash & cash equivalents	**6**	127	127	-	-
Trade and other receivables	**7**	52,990	52,990	-	-
Term deposit		25,500	-	-	25,500
Total anticipated inflows		78,617	53,117	-	25,500
Net (outflow)/inflow on financial instruments		(39,327)	(64,827)	-	25,500

* The Bank overdraft has no set repayment period and as such all has been included as current.

(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.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the company to interest rate risk are borrowings, fixed interest securities, and cash and cash equivalents.

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

23. Financial risk management (continued)

(c) Market risk (continued)

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit $	Equity $
Year ended 30 June 2014		
+/- 1% in interest rates (interest income)	225	225
+/- 1% in interest rates (interest expense)	(1,750)	(1,750)
	(1,525)	(1,525)
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	225	225
+/- 1% in interest rates (interest expense)	(853)	(853)
	(628)	(628)

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.

Warringah Financial Services Limited
ACN 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, as set out on pages 11 to 34 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 2014 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.

This resolution is made in accordance with a resolution of the Board of Directors.

John L Nelson
Director

Signed at Mosman, NSW on 23 September 2014.

Richmond Sinnott & Delahunty
Chartered Accountants
Level 2, 10-16 Forest Street
Bendigo, VICTORIA
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INDEPENDENT AUDITOR'S 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 2014, the statement of profit or loss and other 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 at the year's end.

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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, 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 about 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. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Warringah Financial Services Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

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 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss of $130,456 during the year ended 30 June 2014, further reducing the company's net assets to negative $8,866. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

P. P. Delahunty
Partner

Dated at Bendigo, 23 September 2014

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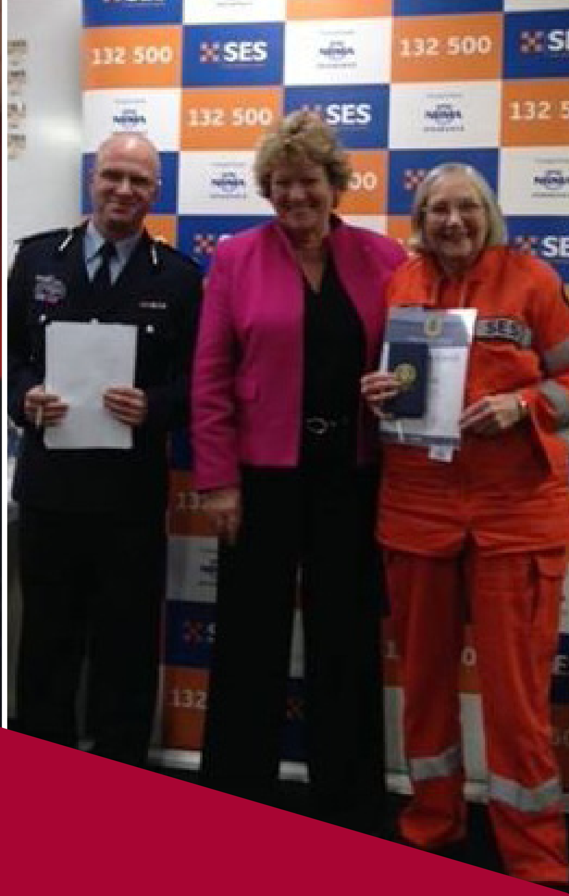

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