Annual Report
2016

Mosman
Warringah Financial Services Limited

ABN 61 134 721 216

Mosman **Community Bank**® Branch

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Warringah Financial Services Limited
ABN: 61 134 721 216

Financial Report

As at 30 June 2016

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Outgoing Chairman's Report

Dear Fellow Shareholders,

After many years of reporting to you, that day has finally come and we have made a profit of $91,344 and this looks very promising for our future.

We have had some staff changes this year with a new Manager, Daniel Durocher, and he has already made his mark on the Branch. He is a very experienced banker and is approaching his role with much enthusiasm. The new business that is being processed is a step in the right direction and our Branch Manager has renewed contact with the Business Development Manager at Dee Why office.

We employed a new Assistant Branch Manager, Chloe-Rose Simpson. Chloe has now been transferred to Melbourne and we have Sarah Griffiths who is ably assisting the Manager and customers. All the staff appear to be confident and very supportive of the new Branch Manager.

Our Youth Observers this year are Zoe Woods from Queenwood School and William Lin from North Sydney Boys High School. Both of these students attend our Board Meetings to assist in broadening their awareness of how bank's function and what happens in meetings and company administration.

I would like to thank my hard working Board members who have served tirelessly behind the scenes to keep the Branch operating and to promote our name in the community.

Our Treasurer, Bob Dickinson, has capably handled the financials in his usual calm manner and is supported by our bookkeeper, Catherine Seddon.

The Company Secretary role has been taken on enthusiastically and capably by Beatrice Jackson.

Miles Felstead spent considerable time and expertise successfully negotiating a longer lease of the premises.

Virginia Howard is in charge of the Junior Observers and the committee selecting the not-for-profit enterprises who we endeavour to sponsor with our ever decreasing sponsorship grant.

Michael Perkins with his law qualifications and background is invaluable in his advice and legal warnings about the various pitfalls of not doing the right thing.

Our man that keeps us on the straight and narrow is Fentin McEvoy who has been relentless in checking the franchise agreement and various legalities involved in the running of our Branch.

The man who is in charge of advertising and promotions is Mark Wallis and he is now ably assisted by a new Director, Mark Alderson who is just coming to grips with the way a bank is run.

Murray Block has been with us all the way from the inception of the idea for this Branch and his local knowledge of the community is a distinct advantage.

Ed Blakeley resigned during the year to take on a large government project and his sage advice will be missed.

So a big vote of appreciation to the members of the Board past and present.

Also a big thank you to our previous Branch Manager, Chris Bawn, who was there from the start-up of the Branch and managed to become involved in many of the community projects and was well respected locally.

Bendigo Bank has reassessed the amount of money available in the Marketing Development Fund and the Branch will need to be more focused in its sponsorships and insist on greater support from the community organisations we sponsor. This past year we have supported the Mosman Orchestra, Mosman Lawn Tennis, Mosman Croquet, Mosman Bowling Club, the Barn Quilters, Mosman Little Athletics, the Garrison Knitters, Mosman Netball, Mosman Cricket, Middle Harbour Public School, Trumps Bridge Centre and Taldumande Youth Services.

We are still using the *View Magazine* contra which has been a very good venture at no cost to us. A big thank you to the owners of *View Magazine.*

I have said in the past that when we made a profit I would step down from the Chairman's role and let a fresh person take on the responsibility. Bob Dickinson agreed to be a temporary Chairman for several months until the Board decided on Mark Alderson.

It has been a long and frustrating period of time and to now see a profitable result should give all the shareholders a lot confidence with this lone bank at Spit Junction and the future looking very encouraging.

John L Nelson
Outgoing Chairman

Incoming Chairman's Report

I have been asked by the Board to take over the role of Chairman from John Nelson who is stepping down from that role but not, however, from the Board. I am new to Mosman Community Bank® Branch and the Board so I am counting on support from John and the rest of the Board in the coming year.

Bendigo Bank like all organisations has to adjust and change to the needs of its customers. The Bank is making a lot of changes and these need to be reflected in the way our Branch operates. It is my goal to build on the hard work done by John and the Board over the last seven years.

The fact that the Branch has reported a profit gives the Board renewed enthusiasm to take the Branch into the community of Mosman. In order to be a Community Bank® we need to make profits so that we can pay a dividend to the shareholders and the community. You invested so this would happen. I believe the new competitive nature of the Branch's offering will allow this to occur. The key is letting the community know what we have to offer.

With this in mind we will be holding information evenings on financial matters that are relevant to the members of the Mosman community. We have the team at the Branch to deliver on these great opportunities. As shareholders I am counting on you to get involved with the Branch again. Your enthusiasm is critical to getting the message out to the people of Mosman.

We as a Board are happy to work with any shareholder to help spread the message. Bendigo Mosman is your bank. The Branch is personal, competitive and involved in the community.
You have 10 Directors who are all community members, they are on the Board because they believe in and want to promote the values of community banking.

My background is mainly in retailing, I was the Chairman of Camera House of Australia for 26 years. I also ran my own business, Alderson Camera Stores and Foto Riesel, in Sydney for over 45 years. My skill set is marketing and strategic planning for organisations. I am a Fellow of the Institute of Company Directors and an economist by training but not by profession.

I am happy to meet any shareholder who would like to talk about the Branch and the future. I am also keen to meet with any members of the community to discuss ways the Branch can be more involved with them.

The future is positive. Our success involves the Branch growing and to do that we need more customers. This will result in us being able to do more within the community.
I would like to make the Branch a central point in the community of Mosman.

Mark Alderson
Incoming Chairman

Branch Manager's Report

I accepted the role of Branch Manager in February, a role which makes a difference to the community and its people, and a role that has its challenges, but that makes the successes even more gratifying. As a Branch we are only successful if we make the people in our community successful and this can only be achieved if we all work together to achieve our vision.

Staff

This is our most valuable asset! The Branch has certainly seen some key changes in staffing in the past year with the departure of Branch Manager Chris Bawn, Customer Relationship Officer, Kath Lake, and Custom Relationship Manager, Chloe Simpson, but this has provided the opportunity for me and Sarah Griffiths, our new Customer Relationship Manager to come on board.

A special commendation for Carolyn, Aline and Dan who helped steer the Branch and assisted with the overall flow of the business. Thank you to the three of you for your contribution and hard work.

Bendigo Bank

Thank you to Senior Manager Community Relationships – Sydney Metro & South East NSW, Amy Land, Risk and Compliance Manager, David Chamberlain, and People Operations Manager, Tracey Avolio, for their support of Mosman Branch throughout the year and to our new Senior Strategy and Performance Manager –Sydney Metro, Denice Kelly, who from day one has shined a light on Mosman and is very committed to working with us to ensure Mosman Branch achieves our full potential for the year ahead.

Board

To John, Virginia, Michael, Bob, Beatrice, Mark W, Fentin, Miles and Murray a big thank you for another year of leading the Branch in the Mosman community. I welcome Mark Alderson our new Chairman who he brings with him a commitment to making the Branch an even bigger success in the community and I look forward to working closely with him in the year ahead to achieve this. However, with a new Chairman comes the resignation of John Nelson. John was a leader of the Branch for many years and helped establish it and his heart and soul went into the business. John, you will always be part of the Mosman Branch and a big thank you to you for all the hard work that you have put into the Branch. The Board is the key to the success of the Community Bank® model and I congratulate each and every Director on their commitment and hard work in assisting the Mosman community achieve a Bank that really does make a difference.

Community

We, your **Community Bank®** Branch, this year continued to support local organisations, sporting clubs and not-for-profit groups and I look forward to continuing and building on the relationships.

In Conclusion

A big thank you to our company shareholders, you are part of a unique banking movement. Not only is this model offering an alternative way to think about banking, it is also challenging the role banks play in modern society and communities. Due to your support there really is no limit to what can be achieved for local people and the community in which you live.

I, on behalf of my team and the Board, thank you for your ongoing support of your local Community Bank® branch and look forward to the next 12 months in reassuring you that this phase will be the most exciting period since the commencement of this business as we move towards a growth period not experienced before.

When you bank with us you're investing back into the community, which is one of the key reasons for our business existing in Mosman.

On behalf of my team we thank you for your ongoing support and look forward to seeing each of you throughout the year.

Daniel Durocher
Branch Manager

Junior Observers' Report

Over the past year we have had the privilege of being a part of the Mosman Bendigo Bank Junior Observer program allowing us to sit in and participate in the monthly board meetings at the Branch. This has been a steep learning curve as abbreviations and key words were sometimes lost on account of our inexperience, however, with the help of other members of the Board we have learned countless things about business and finance.

The program has provided a real life example of a functioning franchise, ingraining the information we have learnt in the class room. During our tour of Bendigo Bank's state office during the year we were able to learn not only about the unique Community Bank® model that this Branch is a part of but also Bendigo Bank's operations across Australia. Similarly, we have an upcoming lunch at Parliament House and will sit in on a session of the Legislative Council as another learning opportunity organised by the Board.

The unique model of the Community Bank® is geared around operations in a local area and at each Board meeting the emphasis on community return was always evident. From sponsorships to hosting events, the concerted effort for community wellbeing by this Mosman Branch was always evident and through that we were able to see the value of community buy-in, especially in a professional setting.

The Junior Observer program has been able to clarify and teach us about aspects of business and finance in a real setting and over the year we have gained great knowledge as all the Board members have generously explained the complexities of the banking world.

Overall we feel privileged and honoured to be a part of this program. It has taught us invaluable things and thus is both a unique and exceptional opportunity. The work put into making this program a success highlights the community nature of the franchise as it is only one of the many ways the Branch gives back to the Mosman community.

Zoe Woods (Queenwood School) and William Lin (North Sydney Boys High)

Bendigo and Adelaide Bank report

For year ending 30 June 2016

It’s been 18 years since Bendigo Bank and two rural communities announced they were joining forces to open **Community Bank**® branches.

The initial aim was to return traditional bank branches to regional community.

It was soon obvious that the ‘community’ aspect of this unique banking model was going to be just as important to all types of communities; whether they are rural, regional or urban.

Today, there are 312 **Community Bank**® communities in every state and territory of Australia.

The statistics are impressive:

- More than $148 million in community contributions returned to local communities
- 1,900 Directors
- 1,500 staff
- More than $38 million in shareholder dividends.

Yes, these figures are staggering.

But dig a little deeper and what’s more significant is that social issues affecting every community in Australia have received funding from **Community Bank**® companies.

- Aged care
- Domestic and family violence
- Environment
- Youth disengagement
- Mental health
- Homelessness
- Unemployment

I have no doubt that your **Community Bank**® company has already had a role to play, either in a funding grant, sponsorship support or connecting locals with relevant government, corporate and not-for-profit organisations.

Behind every **Community Bank**® branch is a company Board of Directors. These people are local mums and dads, tradespeople, small business operators, farmers, lawyers, accountants, school teachers, office workers… and the list goes on.

As **Community Bank**® company Directors they volunteer their time, their professional expertise and their local knowledge to make your **Community Bank**® branch the success it is today.

To every single one of our 1,900-plus **Community Bank**® company Directors, thank you for your commitment, your confidence in Bendigo and Adelaide Bank and your vision to make your community a better place to live.

As a **Community Bank**® community, you’re all change makers.

As a shareholder, you’re critical to helping make things happen for the benefit of your community.

On behalf of Bendigo Bank, thank you.

Thank you for your support as a shareholder, your belief in your community and your faith in what a **Community Bank**® community can achieve.

Robert Musgrove
Executive Community Engagement

Your directors present their report of the company for the financial year ended 30 June 2016.

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:

John Nelson FCPA, FIIA, Chairman	
Experience and expertise	Accountant; Consultant; Business Owner; Rotary Club of Mosman
Other current directorships	Mosman Accounting & Taxation Services Pty Ltd ; John L Nelson & Associates Pty Ltd; Dragonmight Pty Ltd; Secretary/ Treasurer Mosman Community Services Inc.; Trusteee, The Donald Boden Memorial Trust - Charity
Former directorships in last 3 years	Nil
Special responsibilities	Finance and Audit Committee

Murray Block, OAM	
Experience and expertise	Retired; Rotary Club of Mosman; Australian China Friendship Society
Other current directorships	Mosman Community Services Inc.; Levisa Holdings Pty Ltd
Former directorships in last 3 years	Nil
Special responsibilities	Community Engagement Committee

Fentin McEvoy, LLB	
Experience and expertise	Lawyer; Real Estate; Business Development
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Legal and Governance Committee

Edward Blakely, Phd. Ed. (Resigned February 2016)	
Experience and expertise	Urban Planning; Disaster Management
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Planning Committee

Virginia Howard, B.A., M.A. (Hons) Dip. Ed. , MAICD	
Experience and expertise	Former Mayor of Mosman; Education; Not-For-Profit management
Other current directorships	Chair, Taldumande Youth Services Inc; Councillor, Uniting Care Aging Sydney North; Director, Dougherty Retirement Village and Care Facility; Mosman Community Services Inc.
Former directorships in last 3 years	Mosman Commmunity College
Special responsibilities	Community Engagement Committee

Bob Dickinson, FCPA (retired), Treasurer	
Experience and expertise	Accountant; Consultant; former Senior Executive Banking
Other current directorships	R & P Dickinson Pty Ltd
Former directorships in last 3 years	Nil
Special responsibilities	Finance and Audit Committee

Beatrice Jackson, B.Com, Dip. Ed. , CA, Company Secretary	
Experience and expertise	Accountant, Consultant
Other current directorships	Addesso Consulting Pty Ltd; Fioire Pty Ltd; Focolu Pty Ltd
Former directorships in last 3 years	Nil
Special responsibilities	Secretarial, Compliance and Community Engagement Commmittees

Mark Wallis, Justice of Peace	
Experience and expertise	Consultant, Sales and Marketing; Rotary; former Business owner and SeniorExecutive , IT&T; President, Beauty Point School P&C
Other current directorships	President , Rotary Club of Mosman
Former directorships in last 3 years	Nil
Special responsibilities	Advertising and Marketing Committee

Miles Felstead	
Experience and expertise	Principal, Miles Felsted Realty; Registered Valuer; Fellow, The Real Estate Institute of NSW; Fellow, Property Institute of NSW; Past President, Mosman Chamber of Commerce, Past President, Rotary Club of Mosman
Other current directorships	Rental Bond Board NSW
Former directorships in last 3 years	REI of NSW
Special responsibilities	Premises and Community Engagement Committees

Michael Perkins , Dip. Law (SAB)	
Experience and expertise	Partner, Perkins Fahey Lawyers; Member, Society of Trust and Estate Practioners; Financial Planning Association of Australia; Professional Advisory Council, Sydney Community Foundation; Universtiy Lecturer
Other current directorships	Clydive Pty Ltd; Agrimot Pty Ltd
Former directorships in last 3 years	Nil
Special responsibilities	Legal and Community Engagement Committees

Mark Alderson, FICD, Director (Appointed June 2016)	
Experience and expertise	Consultant; Business Owner
Other current directorships	Foto Riesal Pty Ltd; Union University and School Club; Rotary Club of Mosman
Former directorships in last 3 years	Camera House of Australia Pty Ltd; Raleru Ltd; S&S Imports Pty Ltd; Alderson Camera Stores Pty Ltd
Special responsibilities	Advertising and Marketing Committee

Directors' meetings

Attendances by each director during the year were as follows:

	Board meetings	
Director	**A**	**B**
John Nelson	13	12
Murray Block	13	10
Fentin McEvoy	13	12
Edward Blakely	9	4
Virginia Howard	13	12
Bob Dickinson	13	11
Beatrice Jackson	13	13
Mark Wallis	13	10
Miles Felstead	13	12
Michael Perkins	13	9
Mark Alderson	1	1

A - The number of meetings eligible to attend.
B - The number of meetings attended.

Company Secretary

Beatrice Jackson, B. Com, Dip Ed, CA has been Company Secretary of Warringah Financial Services Limited since 2015. Beatrice has considerable financial services knowledge and extensive management consulting experience.

Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank®** branch 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 profit of the company for the financial year after provision for income tax was $91,344 (2015 loss: $43,733), which was a much needed turnaround from previous year. Although operations and revenue have improved, significant challenges in terms of business volumes and pricing still lie ahead.

The net assets of the company have increased to $38,745 (2015: net liabilities $52,599).

Dividends

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

Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

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 the end of the reporting period

The company currently derives a large percentage of its commission income from banking products held by a single customer. Depending on timing, loss of all or part of this income may significantly affect profitability next financial year.

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.

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.

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.

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.

Auditor independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out at page 15 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 on 27 September 2016

John L Nelson
Director

RSD
Chartered Accountants

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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 2016 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

Kathie Teasdale
Partner
Bendigo
Dated: 28 September 2016

Warringah Financial Services Limited
ABN 61 134 721 216
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2016

	Note	2016 $	2015 $
Revenue	2	676,678	589,121
Expenses			
Employee benefits expense	3	(268,506)	(308,404)
Depreciation and amortisation	3	(28,454)	(16,627)
Administration and general expenses		(25,267)	(47,106)
Finance costs	3	(4,741)	(6,526)
Bad and doubtful debts expense	3	(56,245)	-
Occupancy expenses		(102,717)	(123,202)
IT systems and support expenses		(31,107)	(42,838)
Cash delivery, freight and cartage		(19,577)	(24,835)
Marketing and advertising expenses		(16,726)	(29,599)
Other expenses		(23,926)	(20,440)
		(577,266)	(619,577)
Operating profit / (loss) before charitable donations and sponsorships		**99,412**	**(30,456)**
Charitable donations and sponsorships		(8,068)	(13,277)
Profit / (loss) before income tax		**91,344**	**(43,733)**
Income tax expense	4	-	-
Profit/(loss) for the year		**91,344**	**(43,733)**
Other comprehensive income		-	-
Total comprehensive income for the year		**91,344**	**(43,733)**
Profit / (loss) attributable to members of the company		91,344	(43,733)
Total comprehensive income attributable to members of the company		**91,344**	**(43,733)**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	16	8.17	(3.99)

Warringah Financial Services Limited
ABN 61 134 721 216
Statement of FInancial Position
as at 30 June 2016

	Note	2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents	5	3,014	218
Trade and other receivables	6	56,791	51,766
Financial assets	7	25,500	25,500
Total current assets		**85,305**	**77,484**
Non-current assets			
Plant and equipment	8	99,479	114,070
Intangible assets	9	44,663	-
Total non-current assets		**144,142**	**114,070**
Total assets		**229,447**	**191,554**
Liabilities			
Current liabilities			
Trade and other payables	10	74,350	32,275
Borrowings	11	49,445	188,728
Provisions	12	66,907	23,150
Total current liabilities		**190,702**	**244,153**
Total liabilities		**190,702**	**244,153**
Net assets / (liabilities)		**38,745**	**(52,599)**
Equity			
Issued capital	13	1,095,009	1,095,009
Accumulated losses	14	(1,056,264)	(1,147,608)
Total equity		**38,745**	**(52,599)**

Warringah Financial Services Limited
ABN61 134 721 216
Statement of Changes in Equity
for the year ended 30 June 2016

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2014		1,095,009	(1,103,875)	(8,866)
Loss for the year		-	(43,733)	(43,733)
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**(43,733)**	**(43,733)**
Transactions with owners, in their capacity as owners:				
Dividends paid or provided	23	-	-	-
Balance at 30 June 2015		**1,095,009**	**(1,147,608)**	**(52,599)**
Balance at 1 July 2015		1,095,009	(1,147,608)	(52,599)
Profit for the year		-	91,344	91,344
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**91,344**	**91,344**
Transactions with owners, in their capacity as owners:				
Dividends paid or provided	23	-	-	-
Balance at 30 June 2016		**1,095,009**	**(1,056,264)**	**38,745**

Warringah Financial Services Limited
ABN 61 134 721 216
Statement of Cash Flows
for the year ended 30 June 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		684,319	538,101
Payments to suppliers and employees		(574,632)	(597,371)
Interest paid		(4,741)	(6,526)
Interest received		880	1,020
Other income		50,000	50,000
Net cash provided by / (used in) operating activities	15b	**155,826**	**(14,776)**
Cash flows from investing activities			
Payments for purchase of Intangibles		(13,742)	-
Net cash provided by / (used in) investing activities		**(13,742)**	**-**
Net increase / (decrease) in cash held		**142,084**	**(14,766)**
Cash and cash equivalents at beginning of financial year		(188,510)	(173,734)
Cash and cash equivalents at end of financial year	15a	**(46,431)**	**(188,510)**

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 27 September 2016.

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, where 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.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name “Bendigo Bank”, the logo, and systems of operation 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 are 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.

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic dependency (continued)
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 other employees in banking, management 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.

(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 consideration of the following factors:

(i) The company has recorded a profit after tax of $91,344 for the year ended 30 June 2016 (2015: Loss $43,733) which is an improvement from the loss recorded for the prior year. The budgeted loss for the 2015/16 financial year was $50,000. After allowing for a reduction in the rate of commission paid by Bendigo and Adelaide Bank and the other factors mentioned in the Directors' Report likely to affect financial performance, the company expects to incur a loss of around $61,000 for the 2016/17 year. The directors are encouraged by recent business volumes and have instigated measures to reduce costs and will continue to closely monitor cash flow throughout 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 2016/17 financial year and beyond through the provision of an overdraft facility of $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.

1. Summary of significant accounting policies (continued)

(c) Income tax

The income tax expense / (income) for the year comprises current income tax expense / (income) and deferred tax expense / (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

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 calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

(d) Fair value of assets and liabilities

The company may measure 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 asset 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 closest 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).

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.

1. Summary of significant accounting policies (continued)

(e) Plant and equipment

Plant and equipment is 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 in profit or loss. 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.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, is depreciated 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 shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of asset	*Rate*	*Method*
Leasehold improvements	7%	SL
Plant and equipment	6.7 - 20%	SL

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's 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 the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. 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.

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

1. Summary of significant accounting policies (continued)

(i) Employee benefits (continued)

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. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The company's obligations 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.

(j) Intangible assets

Establishment costs and franchise fees have been initially 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 in 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.

(l) Revenue and other income

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

Interest revenue is recognised on a time proportional basis that takes into account the effective yield on the financial asset.

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

1. Summary of significant accounting policies (continued)

(m) Investments and other financial assets

(i) Classification

The company classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held to maturity investments, and
- available for sale assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term with the intention of making a profit. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The company has not designated any financial assets at fair value through profit or loss.

Loans and receivables

This category is the most relevant to the company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the period end, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Held to maturity investments

The group classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the group intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Available for sale financial asset

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

1. Summary of significant accounting policies (continued)

(m) Investments and other financial assets (continued)

(ii) Measurement
At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses

- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income

- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

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 and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in the profit or loss.

(iii) Impairment
The entity assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

1. Summary of significant accounting policies (continued)

(m) Investments and other financial assets (continued)

Assets carried at amortised cost
For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available for sale
If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(iv) Derecognition
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.

(n) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

1. Summary of significant accounting policies (continued)

(o) 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.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(q) Borrowing costs

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

(r) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(s) Dividends

Provision is made for the amount of any dividends declared being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year, but not distributed at balance date.

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

There are no new and amended accounting policies that have been adopted by the company this financial year.

(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) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servcing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issues during the year.

1. Summary of significant accounting policies (continued)

(w) 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 decided not to early adopt any of the new and amended pronouncements. 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 beginning on or after 1 January 2018).

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a) Financial assets that are debt instruments will be classified based on:
(i) the objective of the entity's business model for managing the financial assets; and
(ii) the characteristics of the contractual cash flows.
b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.
d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
- the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

1. Summary of significant accounting policies (continued)

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

(ii) AASB 15: *Revenue from Contracts with Customers* (applicable for annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:
- identify the contract(s) with customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

In May 2015, the AASB issued ED 260 Income of Not-for-Profit Entities, proposing to replace the income recognition requirements of AASB 1004 Contributions and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016.

This Standard will require retrospective restatement, as well as enhanced disclosure regarding revenue.

When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

(iii) AASB 16: *Leases* (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16:
- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for ‘on-balance sheet’ by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity’s preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

1. Summary of significant accounting policies (continued)

(x) 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 charges 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.

Fair value assessment of non-current physical assets

The AASB 13 Fair Value standard requires fair value assessments that may involved both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

Employee benefits provision

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. 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.

2. Revenue

	2016 $	2015 $
Revenue		
- services commissions	625,798	538,101
	625,798	538,101
Other revenue		
- interest received	880	1,020
- other revenue	50,000	50,000
	50,880	51,020
Total revenue	**676,678**	**589,121**

3. Expenses

Profit before income tax inculdes the following specific expenses:

	2016 $	2015 $
Employee benefits expense		
- wages and salaries	237,784	268,604
- superannuation costs	20,054	24,160
- other costs	10,668	15,640
	268,506	308,404
Depreciation and amortisation		
Depreciation		
- plant and equipment	6,543	7,723
- leasehold improvements	8,048	8,181
	14,591	15,904
Amortisation		
- franchise fees	13,743	724
Total depreciation and amortisation	28,334	16,627
Finance costs		
- Interest paid	4,741	6,526
Bad and doubtful debts expenses	56,245	-
Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	4,580	4,380
- Share registry services	1,850	1,800
	6,430	6,180

4. Income tax

	2016 $	2015 $
a. The components of tax expense / (income) comprise:		
Current tax expense / (income)	22,829	(8,125)
Recoupment of prior year tax losses	(22,829)	8,125
	-	-
b. Prima facie tax payable		
The prima facie tax on profit / (loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit / (loss) before income tax at 28.5% (2015: 30%)	26,033	(13,120)
Add tax effect of:		
- Utilisation of previously unrecognised carried forward tax losses	(26,033)	13,120
Income tax attributable to the entity	**-**	**-**
The applicable weighted average effective tax rate is	0.00%	0.00%

	2016	2015
	$	$

4. Income tax (continued)

c. Current tax liability

Current tax relates to the following:

	2016	2015
Current tax liabilities / (assets)		
Opening balance	-	-
Income tax paid	-	-
Current tax	22,829	-
Recoupment of previously unrecognised carried forward tax losses	(22,829)	-
	-	-
Total carried forward tax losses not recognised as deferred tax assets	**260,816**	**309,422**

5. Cash and cash equivalents

	2016	2015
Cash at bank and on hand	3,014	218
	3,014	**218**

6. Trade and other receivables

	2016	2015
Current		
Trade receivables	50,832	43,018
Prepayments	5,959	8,748
	56,791	**51,766**

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

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.

	Gross amount	Not past due	Past due but not impaired < 30 days	31-60 days	> 60 days	Past due and impaired
2016	$	$	$	$	$	$
Trade receivables	50,832	50,832	-	-	-	-
Prepayments	5,959	5,959	-	-	-	-
Total	**56,791**	**56,791**	**-**	**-**	**-**	**-**
2015						
Trade receivables	43,018	43,018	-	-	-	-
Prepayments	8,748	8,748	-	-	-	-
Total	**51,766**	**51,766**	**-**	**-**	**-**	**-**

	2016	2015
	$	$

7. Financial assets

	2016	2015
Term deposit - security bond	25,500	25,500
	25,500	**25,500**

	2016	2015

8. Plant and equipment

	$	$
Leasehold improvements		
At cost	121,128	121,128
Less accumulated depreciation	(54,506)	(46,458)
	66,622	74,670
Plant and equipment		
At cost	101,575	101,575
Less accumulated depreciation	(68,718)	(62,175)
	32,857	39,400
Total plant and equipment	**99,479**	**114,070**

Movements in carrying amounts

Leasehold improvements		
Balance at the beginning of the reporting period	74,670	82,851
Depreciation expense	(8,048)	(8,181)
Balance at the end of the reporting period	66,622	74,670
Plant and equipment		
Balance at the beginning of the reporting period	39,400	47,123
Depreciation expense	(6,543)	(7,723)
Balance at the end of the reporting period	32,857	39,400
Total plant and equipment		
Balance at the beginning of the reporting period	114,070	129,974
Depreciation expense	(14,591)	(15,904)
Balance at the end of the reporting period	**99,479**	**114,070**

9. Intangible assets

Franchise fee		
At cost	178,713	110,000
Less accumulated amortisation	(134,050)	(110,000)
Total intangible assets	**44,663**	-

Movements in carrying amounts

Franchise fee		
Balance at the beginning of the reporting period	-	724
Additions	58,406	9,583
Amortisation expense	(13,743)	(10,307)
Balance at the end of the reporting period	**44,663**	-

10. Trade and other payables

Current

Unsecured liabilities:		
Trade creditors	14,266	10,076
Accrued expenses	18,122	3,689
Other payables	9,913	18,510
	42,301	**32,275**

Non-current

Other payables	**32,049**	-

The average credit period on current trade and other payables is one month.

	2016 $	2015 $

11. Borrowings

Current

	2016 $	2015 $
Secured liabilities		
Bank overdraft	49,445	188,728
	49,445	**188,728**

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

12. Provisions

Current

	2016 $	2015 $
Employee benefits	11,907	23,150
Doubtful debts (i)	55,000	-
Total provisions	**66,907**	**23,150**

(i) Subject to recovery action, the company is expecting to incur a loss of up to $55,000 due to an operational error during the 2016 financial year.

13. Share capital

	2016 $	2015 $
1,117,768 Ordinary shares fully paid	1,117,768	1,117,768
Less: Equity raising costs	(22,759)	(22,759)
	1,095,009	1,095,009

Movements in share capital

	2016 $	2015 $
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.

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 company otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid 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.

	2016 $	2015 $

14. Accumulated losses

	2016 $	2015 $
Balance at the beginning of the reporting period	(1,147,608)	(1,103,875)
Profit/(loss) after income tax	91,344	(43,733)
Dividends paid	-	-
Balance at the end of the reporting period	**(1,056,264)**	**(1,147,608)**

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:

	2016 $	2015 $
Cash and cash equivalents (Note 5)	3,014	218
Less bank overdraft (Note 11)	(49,445)	(188,728)
As per the Statement of Cash Flow	**(46,431)**	**(188,510)**

(b) Reconciliation of cash flow from operations with profit after income tax

	2016 $	2015 $
Profit / (loss) after income tax	91,344	(43,733)
Non-cash flows in profit		
- Depreciation	14,591	15,904
- Amortisation	13,743	724
- Bad debts		
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(5,025)	351
- Increase / (decrease) in trade and other payables	(2,589)	1,869
- Increase / (decrease) in provisions	43,757	10,110
Net cash flows from / (used in) operating activities	**155,821**	**(14,775)**

(c) Credit standby arrangement and loan facilities

The company has a bank overdraft and commercial bill facility amounting to $350,000 (2015: $350,000). This may be terminated at any time at the option of the bank. At 30 June 2016, $49,445 of this facility was used (2015: $188,728). Variable interest rates apply to these overdraft and bill facilities.

16. Earnings per share

	2016 $	2015 $
Basic earnings per share (cents)	8.17	(3.91)
Earnings used in calculating basic and diluted earnings per share	91,344	(43,733)
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share.	1,117,768	1,117,768

17. Key management personnel and related party disclosures

(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.

(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. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits.

(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

	2016	2015
John Nelson	5,001	5,001
Murray Block	35,001	35,001
Fentin McEvoy	1,001	1,001
Edward Blakely	1,000	1,000
Virginia Howard	1,000	1,000
Bob Dickinson	-	-
Beatrice Jackson	-	-
Mark Wallis	501	501
Miles Felstead	3,001	3,001
Michael Perkins	-	-
Mark Alderson	-	-

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.

18. Events after the reporting period

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

19. Contingent liabilities and contingent assets

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

20. 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 (2015: 100%).

21. Commitments

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.

	2016 $	2015 $
Payable:		
- no later than 12 months	96,003	103,185
- between 12 months and five years	384,144	309,555
- greater than five years	-	-
Minimum lease payments	480,147	412,740

The property lease is a non-cancellable lease with a five year term ending 30 June 2021, with rent payable monthly in advance and with CPI

22. Company details

The registered office and principle place of business is:

652 Military Road
Mosman, NSW 2088

23. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year
No dividends were paid or proposed by the company during the period.

24. Financial risk management

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 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.

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* as detailed in the accounting policies are as follows:

	Note	2016 $	2015 $
Financial assets			
Cash and cash equivalents	5	3,014	218
Trade and other receivables	6	56,791	51,766
Term deposit - security bond	7	25,500	25,500
Total financial assets		85,305	77,484
Financial liabilities			
Trade and other payables	10	74,350	32,275
Bank overdraft	11	49,445	188,728
Total financial liabilities		123,795	221,003

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, 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.

Credit risk exposures

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 table above.

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

24. Financial risk management (continued)

(a) Credit risk (continued)

None of the assets of the company are past due (2015: 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.

(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 undrawn amount of this facility is $300,555 (2015: $161,272) .

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. The Bank overdraft facility is subject to annual review, may be drawn at any time, and may be terminated by the bank without notice. Therefore the balance of the overdraft facility 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 2016	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	-%	3,014	3,014	-	-
Trade and other receivables	-%	56,791	56,791	-	-
Financial assets	2.7%	25,500	25,500	-	-
Total anticipated inflows		85,305	85,305	-	-
Financial liabilities					
Trade and other payables	-%	74,350	42,301	32,049	-
Bank overdraft *	4.3%	49,445	49,445	-	-
Total expected outflows		123,795	91,746	32,049	-
Net inflow / (outflow) on financial instruments		(38,490)	(6,441)	(32,049)	-

24. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2015	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	-%	218	218	-	-
Trade and other receivables	-%	51,766	51,766	-	-
Financial assets	3.0%	25,500	25,500	-	-
Total anticipated inflows		77,484	77,484	-	-
Financial liabilities					
Trade and other payables	-%	32,275	32,275	-	-
Bank overdraft *	4.6%	188,728	188,728	-	-
Total expected outflows		221,003	221,003	-	-
Net inflow / (outflow) on financial instruments		(143,519)	(143,519)	-	-

* 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 overdraft, 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.

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

Year ended 30 June 2016	Profit $	Equity $
+/- 1% in interest rates (interest income)	285	285
+/- 1% in interest rates (interest expense)	(494)	(494)
	(209)	(209)

24. Financial risk management (continued)

(c) Market risk (continued)

Year ended 30 June 2015

+/- 1% in interest rates (interest income)	257	257
+/- 1% in interest rates (interest expense)	(1,887)	(1,887)
	(1,630)	(1,630)

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

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

Fair value estimation
The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Differences between fair values and the carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied to the market since their initial recognition by the company.

	2016		2015	
	Carrying amount $	Fair value $	Carrying amount $	Fair Value $
Financial assets				
Cash and cash equivalents (i)	3,014	3,014	218	218
Trade and other receivables (i)	56,791	51,766	51,766	51,766
Financial assets	25,500	25,500	25,500	25,500
Total financial assets	85,305	80,280	77,484	77,484
Financial liabilities				
Trade and other payables (i)	74,350	74,350	32,275	32,275
Bank overdraft	49,445	49,445	188,728	188,728
Total financial liabilities	123,795	123,795	221,003	221,003

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

Warringah Financial Services Limited
ABN61 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 16 to 43 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 2016 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 on 27 September 2016.

RSD
Chartered Accountants

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INDEPENDENT AUDITOR'S OPINION

To the directors of Warringah Financial Services Limited

Report on the Annual 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 2016, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 half-year financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state that the financial statements comply with *International Financial Reporting Standards.*

Auditor's Responsibility

Our responsibility is to express a conclusion 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 review, 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 2016 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.

Richmond Sinnott & Delahunty
Chartered Accountants

Kathie Teasdale
Partner

Dated: 28 September 2016

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