Annual Report 2017

Mosman
Warringah Financial Services Limited

ABN 61 134 721 216

Mosman **Community Bank**® Branch

Warringah Financial Services Limited
ABN: 61 134 721 216

Financial Report

For the year ended 30 June 2017

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CHAIRMAN'S REPORT

For year ending 30 June 2017

Dear Shareholder,

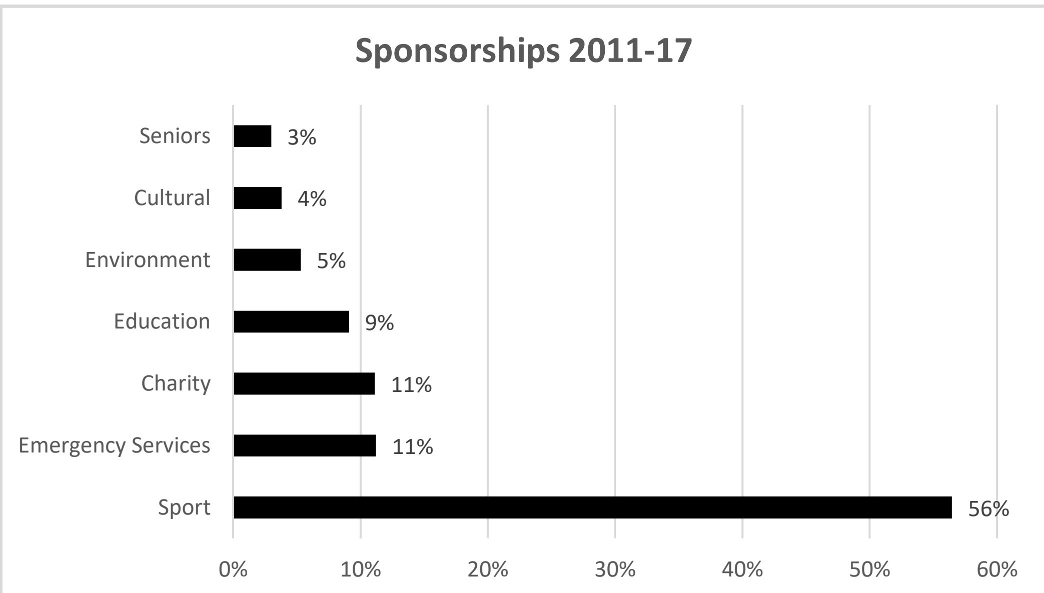
This is my second report to you as Chairman of Warringah Financial Services Limited. We are reporting a profit of $10,521 in what has been a year of change and very tight margins in the banking world. Low interest rates result in very small profits for local **Community Bank®** branches such as ours.

Bendigo and Adelaide Bank has made several changes to our profit sharing model over the last 12 months that have impacted on the branch as well. These changes have also resulted in a review of the product offering and services. The pleasing thing to note is that the branch's offering is now very competitive with the market, in particular, the new credit card frequent flyer program is very good value. Products like wealth management, insurance, and business lending have all improved into market leading products.

The team in the branch has settled in under the leadership of Daniel Durocher and we have seen an improvement in nearly all areas of the branch's offerings. During the year we welcomed Charles Tan as Customer Relationship Manager and Daniel's Assistant. Charles has a lot of experience in banking and is a great addition to the team. We also welcomed Santosh and Liam who both joined since the last shareholder's report and, together with our long serving Aline, are ready to provide you with friendly service. I encourage all shareholders to visit the branch and meet the new staff. I would also like to thank Catherine Seddon for her bookkeeping services on our behalf.

Community Engagement

In the last six years Mosman **Community Bank®** Branch has given back to the local community $75,292 in sponsorships to worthy groups and organisations ranging from the Mosman SES to the Mosman Men's Shed, from the 1st Balmoral Sea Scouts to Mosman Croquet. By being a shareholder you have helped this happen. The table below shows the breakdown.



Junior Observers
We have continued with this program based on the excellent feedback we have received from previous students. The program exposes two Year 12 students to how a Board operates and gives them an insight to the banking industry. This year's students are Astrid Mullens from Queenwood and Calvin Kwong from North Sydney Boys High.

Calvin has commented, "Being a Junior Observer over the past year has allowed me to gain a deep insight into the structure of a business through attending the board meetings each month. The conversations between Directors has broadened my knowledge from basic textbook information to real life applications, such as the unique **Community Bank®** model which was explained to me in great depth. The ability to constantly ask questions about the business has taught me aspects about finance that are essentially unobtainable elsewhere. The generosity exhibited by the board reflects the strive to achieve community goals and this has been a great benefit for my professional development. Overall, this experience has been a great privilege and has taught me invaluable information that may be crucial in my future in the financial services industry."

Shareholder Benefits Scheme
As a shareholder of Warringah Financial Services Limited we have arranged for you to receive a wide range of discounts on products your **Community Bank®** branch offers. These offers are normally only available to shareholders of Bendigo and Adelaide Bank but the Bank has given us permission to extend them to our shareholders. We will send out a list of the benefits and we hope that you will find them attractive. If you have not received the offers in the mail please ask at the branch and the staff will be happy to explain them to you.

The Board
We have had several changes to the Board this year due to health and business reasons.

We thank Murray Block, Beatrice Jackson, Michael Perkins, David Kerr and Colleen Godsell for their contributions to the operations of the Board and the company. We welcome Katelin Organ to the Board.

I would like to thank the Board for their support and assistance during the year. In particular, our Treasurer, Bob Dickinson and Secretary, Virginia Howard, who are key players in keeping the company going.

The Future
Daniel and his team are now actively promoting our **Community Bank®** branch to local businesses and organisations. This will result in additional income from the services and products they introduce to the new customers. Bendigo and Adelaide Bank also is releasing a number of new products that we expect will be highly desirable to our customers.

Our **Community Bank®** branch is at a point where we can see a profitable future ahead. This will allow us to more fully engage with the community and our shareholders. We appreciate the patience shown by all parties but there is light at the end of the tunnel.

The Board has been very active in working with the leadership team at Bendigo and Adelaide Bank to secure the branch's future in line with the new profit sharing arrangement the Bank is now offering. We have agreed to a profit share model that varies how much we make based on the margin available on individual products. A clear majority of **Community Bank®** Branches are now on this model. In the short term it may mean a reduction in revenue from some products; in the longer term as margins increase our profit from these products will expand accordingly. We have recently signed an Amending Deed to our Franchise Agreement with the Bank to formalise this new arrangement which is effective from 1 July 2017. It is hoped that this is the last major change to the trading terms for a long time to come.

When we see the work done by other **Community Bank®** branches, we know what is possible and we are very committed to bring Mosman up to a new level of performance that will allow that to happen. We have the team and the enthusiasm to make this happen.

We have an excellent relationship with Bendigo and Adelaide Bank and, as a result of recent negotiations, we are much more positive about the future. The needs of a **Community Bank®** branch in Mosman are different to a country or regional branch and I am pleased to see that being recognised by the Bank.

We need your ongoing support of the branch to ensure the vision becomes a reality. I fully understand that you have been very patient and it is my aim to justify that faith in the concept of our **Community Bank®** branch. The benefit of compound interest is what makes the branch able to make a profit. Once we pass break even, the profit compounds each year. We now have that base in place.

If any shareholder would like to meet with me to discuss our **Community Bank®** company and the way ahead I am happy to make the time. My email address is aldersonmark@hotmail.com

Mark Alderson

Chairman

BRANCH MANAGER'S REPORT

For year ending 30 June 2017

It has been a pleasure to lead the Mosman **Community Bank®** Branch in the last year. Being my first full year it has definitely been a learning experience with challenges and successes for the branch.

Our branch staff are an important part of the structure of the business and there have been some changes this year with Caroline Keosseian, Dan Solyar and Sarah Griffiths leaving us. We have been fortunate to gain some great team members with Santosh KC, Liam Mcelduff and Charles Tan, all whom have big futures with the Bank and show great capabilities. A special mention to Aline Affarian who has celebrated her fourth year with the branch and we are looking forward to another four years.

Our focus for the coming year is based on the vision of engaging the Mosman community by:

1. Ensuring our bank is the bank of choice in Mosman
2. Growing our client base within the community
3. Increasing the products that existing customers have with us
4. Engaging our shareholders in the business
5. Engaging the Mosman community groups.

A small profit was made in the last financial year and with the business steadily growing in most areas it will only be a matter of time until will see an increase in revenue and profit and a successful future for the branch going forward.

I would really like to thank the Board of Mark Alderson, John Nelson, Virginia Howard, Miles Felstead, Mark Wallis, Fentin McEvoy, Bob Dickinson, and Kaitlyn Organ for their continuous support for the Branch and I look forward to working together to make next year the biggest year ever for the Mosman **Community Bank®** Branch.

Also a big thank you to all our shareholders for without you this branch would not exist. Many of you have shown ongoing support for the branch by taking advantage of the products and benefits offered to shareholders. I encourage you to come in to the Branch and say hello and meet our wonderful team.

I look forward to a great year ahead.

Daniel Durocher
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2017

As we approach 20 years since the first **Community Bank®** branch opened its doors, it's timely to reflect on the role of our network's 70,000-strong shareholders and its army of nearly 2,000 passionate local Directors.

As a group of people you are a powerful force that continues to influence change both locally and nationally.

United for a shared purpose in your communities, you are making big things happen beyond the delivery of great banking products and services; you're creating jobs, helping businesses to thrive, solving problems and achieving outcomes that will make your communities better places to live and do business.

Amongst other things, you are providing hundreds of thousands of people in communities around Australia with new opportunities to:

- Play sport in new **Community Bank®** funded centres.
- Continue their education thanks to a **Community Bank®** scholarship.
- Seek treatment in hospitals closer to home with equipment funded through a **Community Bank®** grant.
- Reap the environmental benefits of **Community Bank®** funded solar panels and LED lighting, and
- Access mental health services for teenage children with a service supported by a local **Community Bank®** branch.

In fact, since the model's inception your investment in local communities exceeds $165 million and that figure continues to grow every year. This amount excludes the significant co-investment on key projects that many companies have obtained from Government and other parties.

Nationally our voices are increasingly being heard, and our collaborative approach recognised and celebrated.

Representing us all at a recent forum at Canberra's Parliament House, Bendigo Bank's Managing Director and Chairman reinforced the significance of the **Community Bank®** model's achievements and called for regulatory change that would help us compete in a crowded and ever-evolving banking sector. Just two months later, the Federal Government announced a levy on Australia's biggest banks that is set to re-level the playing field as we've regularly advocated for.

But for us this is more than a levy. The Turnbull Government's announcement recognises the importance of customers having access to a robust, competitive and customer-focused banking sector. On this note Bendigo Bank was recently recognised as the banking provider of choice in the annual Mozo People's Choice Awards. Better yet, out of 110 banking providers nationally, we were the only bank recognised in all eight banking categories – and were rated the leading bank in six of those eight categories.

This is an extraordinary achievement for you and our bank. Not only does it demonstrate that, in the eyes of our customers, we are doing something right – it very clearly outlines that together we can continue to achieve results.

As we've long known, the more successful our customers are, the stronger our communities become. In this regard the **Community Bank®** model enables these outcomes for customers and communities, as increasingly recognised by more and more Australians.

So thank you for your investment in your local **Community Bank®** company, for your ongoing contribution and support, tireless advocacy and continued commitment to building strong local communities. Without this, our **Community Bank®** branches would be just another bank.

Robert Musgrove
Executive Engagement Innovation

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

The Directors present their report of the company for the financial year ended 30 June 2017.

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:

Mark Alderson	
Position	Chairman, Member of the Advertising and Marketing Committee
Professional qualifications	FICD
Experience and expertise	Consultant Business Owner. Director of the following: Foto Riesal Pty Ltd; Union University and School Club; Rotary Club of Mosman. Former director of Camera House Australia Pty Ltd; Raleru Ltd; S&S Imports Pty Ltd; Alderson Camera Stores Pty Ltd.

John Nelson	
Position	Member of the Finance and Audit Committee
Professional qualifications	FCPA, FIIA
Experience and expertise	Accountant; Consultant; Business Owner; Rotary Club of Mosman. Mosman Accounting & Director of the following: Taxation Services Pty Ltd; John L Nelson & Associates Pty Ltd; Dragonmight Pty Ltd; Secretary/Treasurer Mosman Community Services Inc.; Trustee, The Donald Boden Memorial Trust - Charity.

Fentin McEvoy	
Position	Member of Legal and Governance Committee
Professional qualifications	LLB
Experience and expertise	Lawyer; Real Estate; Business Development.

Virginia Howard	
Position	Member of the Community Engagement Committee.
Professional qualifications	B.A., M.A. (Hons) Dip Ed., MAICD
Experience and expertise	Former Mayor of Mosman; Education; Not-For-Profit management. Other directorships include: Chair of Tuldamande Youth Services Inc; Councillor of Uniting Care Aging Sydney North; Director of Dougherty Retirement Village and Care Facility; Mosman Community Services inc. Previous director of Mosman Community College.

Bob Dickinson	
Position	Treasurer, Member of the Finance and Audit Committee
Professional qualifications	FCPA (retired)
Experience and expertise	Accountant; Consultant; former Senior Executive Banking. Director of R & P Dickinson Pty Ltd.

Mark Wallis	
Position	Member of the Advertising and Marketing Committee
Professional qualifications	Justice of the Peace
Experience and expertise	Consultant, Sales and Marketing; President of Rotary Club of Mosman; former Business owner and Senior Executive, IT&T; President of Beauty Point School P&C.

Miles Felstead	
Position	Member of the Premises and Community Engagement Committees.
Professional qualifications	Fellow of the Real Estate Institute of NSW; Fellow of the Property Institute of NSW
Experience and expertise	Principal of Miles Felsted Realty; Registered Valuer; Past President of Mosman Chamber of Commerce, Past President Rotary Club of Mosman. Director of Rental Board NSW and former director of REI NSW.

Directors (continued)

Michael Perkins (Resigned as Director July 2017)	
Position	Member of the Legal and Community Engagement Committees
Professional qualifications	Dip. Law (SAB)
Experience and expertise	Partner of Perkins Fahey Lawyers; Member of Society of Trust and Estate Practitioners; Financial Planning and Association of Australian Professional Advisory Council, Sydney Community Foundation; University Lecturer. Director of Clydive Pty Ltd and Agrimot Pty Ltd.

David Kerr (Appointed March 2017; Resigned July 2017)	
Position	Director
Professional qualifications	BEc (Mq), LLB (Syd), Dip. Fin. Planning
Experience and expertise	Consultant, regultary compliance, risk management and ethical issues. Risk Management and Compliance Committee

Colleen Godsell (Appointed March 2017; Resigned July 2017)	
Position	Director
Professional qualifications	Justice of the Peace, MAICD
Experience and expertise	Company director with extensive commercial, marketing and financial experience; Community leader with long volunteer service to the marginalised and to not for profit organisations

Murray Block	
Position	Resigned 23 November 2016
Professional qualifications	OAM
Experience and expertise	Rotary Club of Mosman; Australian China Friendship Society; Mosman Community Services Inc.; Levisa Holdings Pty Ltd

Beatrice Jackson	
Position	Resigned 1 March 2017
Professional qualifications	B.Com, Dip. Ed., CA, Company Secretary
Experience and expertise	Addesso Consulting Pty Ltd; Fioire Pty Ltd; Focolu Pty Ltd.

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings	
	A	B
Directors	11	11
Mark Alderson	11	11
John Nelson	11	9
Fentin McEvoy	11	11
Virginia Howard	11	11
Miles Felstead	11	10
Michael Perkins	11	9
Murray Block	5	2
Beatrice Jackson	8	7
David Kerr	4	2
Colleen Godsell	3	3
Katelin Organ	0	1

A - The number of meetings eligible to attend.
B - The number of meetings attended.
N/A - not a member of that committee.

Company Secretary

Virginia Howard has been the company secretary of Warringah Financial Services Ltd since March 2017.

Virginia has been a director of the company since 2010 and is an experienced company secretary.

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 $10;521 (2016: $91,344), which is a 88% decrease as compared with the previous year. This decrease is primarily due to a change in the commission rates earnt through our franchise agreement with the Bendigo and Adelaide Bank Limited.

Dividends

No dividends has been declared or paid for the year ended 30 June 2017.

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 future profitability.

Further negative changes to the current profit sharing arrangement with Bendigo and Adelaide Bank Limited were due to commence on 1 July 2017. The company has therefore agreed to accept a new pricing model. Transitional arrangements have been agreed with the Bank to minimise the adverse affect of the new model on profitability in the 2017/18 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.

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.

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.

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 13 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 13th September 2017.

Mark Alderson
Director

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Bendigo, Victoria
PO Box 448, Bendigo, VIC, 3552

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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 2017 there have 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: 13th September 2017

Warringah Financial Services Limited
ABN 61 134 721 216
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2017

	Note	2017 $	2016 $
Revenue	2	575,438	676,679
Expenses			
Employee benefits expense	3	(328,861)	(268,507)
Depreciation and amortisation	3	(28,897)	(28,334)
Finance costs	3	(1,967)	(4,741)
Bad and doubtful debts expense	3	27,187	(56,338)
Professional fees		(29,161)	(26,563)
Occupancy expenses		(110,543)	(102,716)
IT systems and support expenses		(32,052)	(31,106)
Cash delivery, freight and cartage		(11,010)	(19,577)
Marketing and advertising expenses		(13,762)	(16,726)
Other expenses		(30,933)	(22,659)
		(559,999)	(577,267)
Operating profit before charitable donations and sponsorships		**15,439**	**99,412**
Charitable donations and sponsorships		(4,918)	(8,068)
Profit before income tax		**10,521**	**91,344**
Income tax expense	4	-	-
Profit for the year		**10,521**	**91,344**
Other comprehensive income		-	-
Total comprehensive income for the year		**10,521**	**91,344**
Profit attributable to members of the company		10,521	91,344
Total comprehensive income attributable to members of the company		**10,521**	**91,344**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	17	0.94	8.17

These financial statements should be read in conjunction with the accompanying notes.

Warringah Financial Services Limited
ABN 61 134 721 216
Statement of FInancial Position
as at 30 June 2017

	Note	2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents	5	209	3,014
Trade and other receivables	6	57,071	50,832
Financial assets	7	25,500	25,500
Other assets	8	-	5,959
Total current assets		**82,780**	**85,305**
Non-current assets			
Plant and equipment	9	92,067	99,479
Intangible assets	10	30,921	44,663
Total non-current assets		**122,988**	**144,142**
Total assets		**205,768**	**229,447**
Liabilities			
Current liabilities			
Trade and other payables	11	73,233	42,301
Borrowings	13	59,352	49,445
Provisions	14	7,893	66,907
Total current liabilities		**140,478**	**158,653**
Non-current liabilities			
Trade and other payables	11	16,024	32,049
Total non-current liabilities		**16,024**	**32,049**
Total liabilities		**156,502**	**190,702**
Net assets		**49,266**	**38,745**
Equity			
Issued capital	15	1,095,009	1,095,009
Accumulated losses	16	(1,045,743)	(1,056,264)
Total equity		**49,266**	**38,745**

These financial statements should be read in conjunction with the accompanying notes.

Warringah Financial Services Limited
ABN 61 134 721 216
Statement of Changes in Equity
for the year ended 30 June 2017

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2015		**1,095,009**	**(1,147,608)**	**(52,599)**
Profit for the year		-	91,344	91,344
Total comprehensive income for the year		**-**	**91,344**	**91,344**
Balance at 30 June 2016		**1,095,009**	**(1,056,264)**	**38,745**
Balance at 1 July 2016		**1,095,009**	**(1,056,264)**	**38,745**
Profit for the year		-	10,521	10,521
Total comprehensive income for the year		**-**	**10,521**	**10,521**
Balance at 30 June 2017		**1,095,009**	**(1,045,743)**	**49,266**

These financial statements should be read in conjunction with the accompanying notes.

Warringah Financial Services Limited
ABN 61 134 721 216
Statement of Cash Flows
for the year ended 30 June 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		601,660	684,319
Payments to suppliers and employees		(615,095)	(574,637)
Interest paid		(1,967)	(4,741)
Interest received		-	880
Other income		25,000	50,000
Net cash provided by operating activities	18b	**9,598**	**155,821**
Cash flows from investing activities			
Purchase of plant and equipment		(7,743)	-
Purchase of intangible assets		(14,567)	(13,742)
Net cash flows used in investing activities		**(22,310)**	**(13,742)**
Cash flows from financing activities			
Net increase / (decrease) in cash held		**(12,712)**	**142,079**
Cash and cash equivalents at beginning of financial year		(46,431)	(188,510)
Cash and cash equivalents at end of financial year	18a	**(59,143)**	**(46,431)**

These financial statements should be read in conjunction with the accompanying notes.

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 xx September 2017.

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.

The branches operate 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®** branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branches 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®** branches 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®** branches;
- 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) 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.

(c) 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.

(d) 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.

(e) Comparative figures

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

1. Summary of significant accounting policies (continued)

(f) 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.

1. Summary of significant accounting policies (continued)

(g) 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.

1. Summary of significant accounting policies (continued)

(g) New accounting standards for application in future periods

(i) AASB 9 *Financial Instruments* and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018) (continued)

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.

(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

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.

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)

(h) 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 $10,521 for the year ended 30 June 2017 (2016: $91,344). This profit includes a reversal of a prior year provision for a doubtful debt that was significantly less than the actual loss incurred. The budgeted loss for the 2016/17 financial year was $61,000. 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 2017/18 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.

2. Revenue

Revenue arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank LImited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The entity applies the revenue recognition criteria set out below to each separately identifiable sales transaction in order to reflect the substance of the transaction.

Rendering of services
The entity generates service commissions on a range of products issued by the Bendigo and Adelaide Bank Limited. The revenue includes upfront and trailing commissions, sales fees and margin fees.

Interest and other income
Interest income is recognised on an accrual basis using the effective interest rate method.

Other revenue is recognised when the right to the income has been established.

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

	2017	**2016**
	$	**$**
Revenue		
- service commissions	574,612	673,230
	574,612	673,230
Other revenue		
- interest received	-	880
- other revenue	826	2,569
	826	3,449
Total revenue	**575,438**	**676,679**

3. Expenses

Operating expenses
Operating expenses are recognised in profit or loss on an accurals basis, which is typically upon utilisation of the service or at the date upon which the entity becomes liable.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Depreciation
The depreciable amount of all fixed 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.

3. Expenses (continued)

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

Class of asset	*Rate*	*Method*
Leasehold improvements	7%	SL
Plant and equipment	6% - 20%	SL

SL = Straight line depreciation method

	2017 $	2016 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	264,176	223,196
- superannuation costs	27,960	20,054
- other costs	36,725	25,257
	328,861	268,507
Depreciation and amortisation		
Depreciation		
- plant and equipment	6,743	6,543
- leasehold improvements	8,412	8,048
	15,155	14,591
Amortisation		
- franchise fees	13,742	13,743
Total depreciation and amortisation	28,897	28,334
Finance costs		
- Interest paid	1,967	4,741
Bad and doubtful debts expenses/(recoveries)	(27,187)	56,338
Auditors' remuneration		
Remuneration of the Auditor, Richmond, Sinnott & Delahunty, for:		
- Audit or review of the financial report	6,795	4,580
- Share registry services	1,900	1,850
	8,695	6,430

4. Income tax

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities are measured at the amounts expected to be paid to 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.

	2017 $	2016 $
a. The components of tax expense / (income) comprise:		
Current tax expense / (income)	(48,493)	22,829
Recoupment of prior year tax losses	48,493	(22,829)
	-	-
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5% (2016: 28.5%)	2,998	26,033
Add tax effect of:		
- Utilisation of previously unrecognised carried forward tax losses	(2,998)	(26,033)
Income tax attributable to the entity	-	-
The applicable weighted average effective tax rate is :	0.00%	0.00%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities		
Opening balance	-	-
Income tax paid	-	-
Current tax	(48,493)	22,829
Recoupment of previously unrecognised carried forward tax losses	48,493	(22,829)
	-	-
d. Deferred tax asset		
Total carried forward tax losses not recognised as deferred tax assets	258,923	254,518

5. 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.

	2017 $	2016 $
Cash at bank and on hand	209	3,014
	209	**3,014**

6. 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 ther eis 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.

	2017 $	2016 $
Current		
Trade receivables	57,071	50,832
	57,071	**50,832**

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.

6. Trade and other receivables (continued)

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	Past due but not impaired 31-60 days	Past due but not impaired > 60 days	Past due and impaired
2017	**$**	**$**	**$**	**$**	**$**	**$**
Trade receivables	57,071	57,071	-	-	-	-
Total	**57,071**	**57,071**	**-**	**-**	**-**	**-**
2016						
Trade receivables	50,832	50,832	-	-	-	-
Total	**50,832**	**50,832**	**-**	**-**	**-**	**-**

7. Financial assets

Classification of financial assets

The company classifies its financial assets in the following categories:

- loans and receivables; and
- held to maturity investments.

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.

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.

7. Financial assets (continued)

Measurement of financial assets

At initial recognition, the group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

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

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.

Impairment of financial assets

The group 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.

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.

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.

7. Financial assets (continued)

	2017	2016
	$	$
Held to maturity financial assets		
Term deposits - security bond	25,500	25,500
	25,500	**25,500**

8. Other assets

Other assets represent items that will provide the entity with future economic benefits controlled by the entity as a result of past transactions or other past events.

	2017	2016
	$	$
Prepayments	-	5,959
	-	**5,959**

9. Plant and equipment

Plant and equipment are 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.

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.

	2017	2016
	$	$
Leasehold improvements		
At cost	125,448	121,128
Less accumulated depreciation	(62,918)	(54,506)
	62,530	66,622
Plant and equipment		
At cost	117,977	114,555
Less accumulated depreciation	(88,440)	(81,698)
	29,537	32,857
Total plant and equipment	**92,067**	**99,479**

9. Plant and equipment (continued)

Movements in carrying amounts

Leasehold improvements		
Balance at the beginning of the reporting period	66,622	74,670
Additions	4,320	-
Depreciation expense	(8,412)	(8,048)
Balance at the end of the reporting period	62,530	66,622
Plant and equipment		
Balance at the beginning of the reporting period	32,857	39,400
Additions	3,423	-
Depreciation expense	(6,743)	(6,543)
Balance at the end of the reporting period	29,537	32,857
Total plant and equipment		
Balance at the beginning of the reporting period	99,479	114,070
Additions	7,743	-
Depreciation expense	(15,155)	(14,591)
Balance at the end of the reporting period	**92,067**	**99,479**

10. Intangible assets

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.

	2017 **$**	**2016** **$**
Franchise fee		
At cost	178,713	178,713
Less accumulated amortisation	(147,792)	(134,050)
	30,921	**44,663**

Movements in carrying amounts

Franchise fee		
Balance at the beginning of the reporting period	44,663	-
Additions	-	58,406
Amortisation expense	(13,742)	(13,743)
Balance at the end of the reporting period	**30,921**	**44,663**

11. 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.

	2017 $	2016 $
Current		
Unsecured liabilities:		
Trade creditors	38,280	14,250
Accrued expenses	19,901	18,122
Other creditors and accruals	15,052	9,929
	73,233	**42,301**
Non-current		
Unsecured liabilities:		
Other payables	16,024	32,049
	16,024	**32,049**
Total trade and other payables	**89,257**	**74,350**

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

12. Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities 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.

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as "fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Non-derivative financial liabilities other than financial guarantees 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.

13. Borrowings

Bank overdrafts
Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

Borrowings as 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.

	2017 $	2016 $
Current		
Secured liabilities		
Bank overdraft	59,352	49,445
	59,352	**49,445**

(a) Bank overdraft
The company has a secured overdraft facility of $350,000 with Bendigo and Adelaide Bank Limited which is subject to normal commercial terms and conditions.

7. Financial assets (continued)

	2017 $	2016 $
Held to maturity financial assets		
Term deposits - security bond	25,500	25,500
	25,500	**25,500**

8. Other assets

Other assets represent items that will provide the entity with future economic benefits controlled by the entity as a result of past transactions or other past events.

	2017 $	2016 $
Prepayments	-	5,959
	-	**5,959**

9. Plant and equipment

Plant and equipment are 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.

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.

	2017 $	2016 $
Leasehold improvements		
At cost	125,448	121,128
Less accumulated depreciation	(62,918)	(54,506)
	62,530	66,622
Plant and equipment		
At cost	117,977	114,555
Less accumulated depreciation	(88,440)	(81,698)
	29,537	32,857
Total plant and equipment	**92,067**	**99,479**

15. Share capital (continued)

Movements in share capital

Fully paid ordinary shares:		
At the beginning of the reporting period	1,117,768	1,117,768
Shares issued during the year	-	-
At the end of the reporting period	**1,117,768**	**1,117,768**

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.

16. Accumulated losses

	2017 $	2016 $
Balance at the beginning of the reporting period	(1,056,264)	(1,147,608)
Profit after income tax	10,521	91,344
Balance at the end of the reporting period	**(1,045,743)**	**(1,056,264)**

17. 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.

	2017 $	2016 $
Basic earnings per share (cents)	0.94	8.17
Earnings used in calculating basic earnings per share	10,521	91,344
Weighted average number of ordinary shares used in calculating basic earnings per share.	1,117,768	1,117,768

18. Statement of cash flows

	2017 $	2016 $
(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:		
Cash and cash equivalents (Note 6)	209	3,014
Less bank overdraft (Note 13)	(59,352)	(49,445)
As per the Statement of Cash Flow	(59,143)	(46,431)
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit after income tax	10,521	91,344
Non-cash flows in profit		
- Depreciation	15,155	14,591
- Amortisation	13,742	13,743
- Bad debt expense / (recoveries)	-	56,338
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(6,239)	(5,025)
- (increase) / decrease in prepayments and other assets	5,959	-
- Increase / (decrease) in trade and other payables	29,374	(2,589)
- Increase / (decrease) in provisions	(58,914)	(12,581)
Net cash flows from / (used in) operating activities	9,598	155,821

(c) Credit standby arrangement and loan facilities

The company has a bank overdraft and commercial bill facility amounting to $350,000 (2016: $350,000). This may be terminated at any time at the option of the bank. At 30 June 2017, $59,352 of this facility was used (2016: $49,445). Variable interest rates apply to these overdraft and bill facilities.

19. 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

Other than detailed below, 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.

19. Key management personnel and related party disclosures (continued)

(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:

	2017	2016
John Nelson	5,001	5,001
Murray Block	35,001	35,001
Fentin McEvoy	1,001	1,001
Virginia Howard	1,000	1,000
Mark Wallis	501	501
Miles Felstead	3,001	3,001
	45,505	45,505

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.

20. Events after the reporting period

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

21. Contingent liabilities and contingent assets

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

22. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one 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 (2016: 100%).

23. Company details

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

24. Commitments

Operating lease commitments

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.

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

	2017 $	2016 $
Payable:		
- no later than 12 months	96,926	96,003
- between 12 months and five years	290,778	384,144
- greater than five years	-	-
Minimum lease payments	387,704	480,147

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 increases.

25. 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	#	2017 $	#	2016 $
Financial assets					
Cash and cash equivalents	5		209		3,014
Trade and other receivables	6		57,071		50,832
Financial assets	7		25,500		25,500
Total financial assets			**82,780**		**79,346**
Financial liabilities					
Trade and other payables	11		89,257		74,350
Bank overdraft	13		59,352		49,445
Total financial liabilities			**148,609**		**123,795**

(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.

25. Financial risk management (continued)

(a) Credit risk (continued)

None of the assets of the company are past due (2016: 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 $290,648 (2016: $300,555) .

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 2017	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	-%	209	209	-	-
Trade and other receivables	-%	57,071	57,071	-	-
Financial assets	2.6%	25,500	25,500	-	-
Total anticipated inflows		82,780	82,780	-	-
Financial liabilities					
Trade and other payables	-%	89,257	73,233	16,024	-
Bank overdraft *	-%	59,352	59,352	-	-
Total expected outflows		148,609	132,585	16,024	-
Net inflow / (outflow) on financial instruments		**(65,829)**	**(49,805)**	**(16,024)**	**-**

25. Financial risk management (continued)

(b) Liquidity risk (continued)

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		50,832	50,832	-	-
Financial assets	2.7%	25,500	25,500	-	-
Total anticipated inflows		79,346	79,346	-	-
Financial liabilities					
Trade and other payables		74,350	42,301	32,049	-
Borrowings		-	-	-	-
Bank overdraft *	4.3%	49,445	49,445	-	-
Total expected outflows		123,795	91,746	32,049	-
Net inflow / (outflow) on financial instruments		**(44,449)**	**(12,400)**	**(32,049)**	**-**

* 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.

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

Year ended 30 June 2017	Profit $	Equity $
+/- 1% in interest rates (interest income)	257	257
+/- 1% in interest rates (interest expense)	(594)	(594)
	(336)	**(336)**

25. Financial risk management (continued)

(c) Market risk (continued)

Year ended 30 June 2016

+/- 1% in interest rates (interest income)	285	285
+/- 1% in interest rates (interest expense)	(494)	(494)
	285	285

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.

	2017		2016	
	Carrying amount $	Fair value $	Carrying amount $	Fair Value $
Financial assets				
Cash and cash equivalents (i)	209	209	3,014	3,014
Trade and other receivables (i)	57,071	57,071	50,832	50,832
Financial assets	25,500	25,500	25,500	25,500
Total financial assets	**82,780**	**82,780**	**79,346**	**79,346**
Financial liabilities				
Trade and other payables (i)	89,257	89,257	74,350	74,350
Bank overdraft	59,352	59,352	49,445	49,445
Total financial liabilities	**148,609**	**148,609**	**123,795**	**123,795**

(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
ABN 61 134 721 216
Directors' Declaration

In accordance with a resolution of the Directors of Warringah Financial Services Limited, the Directors of the company

1. The financial statements and notes, as set out on pages 14 to 46 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 2017 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.

Mark Alderson
Director

Signed at Mosman on 13th September 2017.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF WARRINGAH FINANCIAL SERVICES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Warringah Financial Services Limited, which comprises the statement of financial position as at 30 June 2017, 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, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

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 2017 and of its performance for the year then ended; 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.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

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

Independence

We are independent of the entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

Director's 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.
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 entity's preparation of the financial report that gives a true and fair view 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 entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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 conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. On connection with our audit of the financial report, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 13th September 2017

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