


Annual Report 2019

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 2019

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CHAIRMAN'S REPORT

For the year ended 30 June 2019

Dear Shareholder,

It is my job to report to you on another year of the Mosman **Community Bank®** Branch of Bendigo Bank and its operations.

The Branch has had a positive year with a small profit being generated. It is a very hard time in the banking industry with margins being pushed to all-time lows. We have traded profitably largely due to the continuing support of the Mosman community. However, the slow growth in new home loans is a big factor in our lack of more substantial profits.

Last year we made a strategic staffing change when we introduced a mobile lender, Tom Laurich. His job is to go to the market and generate loans. It takes time to establish the contacts and build a network for this to result in new business. We have set very ambitious goals for the current year and, if achieved, should result in an increase in profits.

We also appointed Amie Ebert to run the Branch. This she has done very well. Unfortunately, Amie has decided after 18 months in the city that she prefers the country life. She will be missed. We are searching for an internal replacement, if possible, from Bendigo Bank to fill her role.

The other staff have continued to work well and are a credit to the spirit and meaning of a **Community Bank®**. Aline Affarian is our longest serving staff member and is always such a pleasure to work with. Malcolm van Koersveld and Tracy Bryant joined us during the year and we bid farewell and sent good wishes to Santosh KC and Liam McElduff.

We again enjoyed having two Year 12 Junior Observers join the Board this year: Helga Tong from Queenwood School and Jason Chen from North Sydney Boys High.

The Board has been very supportive of the Branch and they have given freely of their time. Their efforts have been greatly appreciated. I would like to thank them for their support and valuable contributions.

We are entering an interesting time for the Company. We have agreed with Bendigo Bank that the existing five-year Franchise Agreement which expired on 11 September 2019 will continue on a month to month basis until we have agreed on a way forward. We also have only 18 months to run on the existing Bridgepoint premises lease.

We are having discussions with Bendigo Bank as to what structure we should operate under going forward. There is a suggestion that community branches could consolidate to take advantages of economies of scale. That, combined with so much banking now being electronic, makes us wonder if we need such a large Branch, or if going forward branch banking such as ours, will be financially viable.

The Board is reviewing several options, including the possible sale or merger of the business with the primary concern of providing some return to shareholders. If we are to continue as we are, we need to move the Branch into a stronger financial position. This cannot be done without an increase in the level of support both from shareholders and the local community. We would hope to be able to announce some results of this review at the AGM this year.

After 10 years we are very conscious of the lack of profit and lack of dividends. I took the role on with the view to change that. I hope the position will be clearer by the time of the AGM. We will keep shareholders informed of any changes.

In the meantime, please keep supporting the Company and the Branch and we will do our best to support you and the Mosman community.

Mark Alderson

Chairman

BRANCH OPERATIONS MANAGER'S REPORT

For year ending 30 June 2019

It was my pleasure to lead the team of Mosman **Community Bank®** Branch of Bendigo Bank for my first full financial year. The Branch had a good 2018/19 with positive growth in both deposits and lending.

I would like to advise shareholders that I have been offered a position at East Gosford and Districts Financial Services Ltd as a Customer Relationship Manager at the Bendigo Bank Lisarow Branch, starting in October, and believe this role is a suitable fit for where I am in my career and is closer to family and friends. I have truly enjoyed working with staff, board, customers and shareholders in Mosman and will continue to mentor where I can.

We have Mobile Relationship Manager Tom Laurich who is focused on business development and has been engaging the community with me. Santosh KC and Liam McElduff have both now left the Bank and were great assets to our team and we wish them well in their next endeavours. A big mention to Aline Affarian, our senior and longest standing staff member, whose dedication and service to the Branch is greatly appreciated. Malcolm van Koersveld joined us in February and has shown he is capable and driven to learn, having already built great relationships with staff and customers. We also have Tracy Bryant joining our team and she is bringing a wealth of knowledge and experience.

Our focus for the coming year is based on the vision of engaging the Lower North Shore by:

1. Networking and business development within the Lower North Shore,
2. Increasing the products that existing customers have with us and strengthening those relationships,
3. Building a stronger relationship with local businesses,
4. Engaging the Mosman community groups.

We are aiming to 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, Bob Dickinson, Virginia Howard, Mark Wallis, Fentin McEvoy, Katelin Organ, Rodney Timm, Tina Jackson and Kerry Skellern for their continuous support for the Branch.

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 into the Branch and say hello and meet our wonderful team.

Amie Ebert- Branch Operations Manager

BEN Report

CB Annual Report 2018/2019

As a bank of 160-plus years, we're proud to hold the mantle of Australia's fifth biggest bank. In today's banking environment it's time to take full advantage of this opportunity and for even more people to experience banking with Bendigo Bank and our way of banking, and with our **Community Bank®** partners.

In promoting our point of difference it's sometimes lost that although we're different, we're represented in more than 500 communities across Australia and offer a full suite of banking and financial products and services. In many ways we're also a leader in digital technology and meeting the needs of our growing online customer base, many of whom may never set foot in a traditional bank branch.

At the centre of our point of difference is the business model you chose to support as a shareholder that supports local communities. Whether you're a shareholder of our most recent **Community Bank®** branch which opened in Smithton, Tasmania, in June 2019, or you're a long-time shareholder who, from more than 20 years ago, you all play an important role. Your support has enabled your branch, and this banking model, to prosper and grow. You're one of more than 75,000 **Community Bank®** company shareholders across Australia who are the reason today, we're Australia's only bank truly committed to the communities it operates in.

And for that, we thank you. For the trust you've not only put in Bendigo and Adelaide Bank, but the faith you've put in your community and your **Community Bank®** company local board of directors.

Bendigo and Adelaide Bank continues to rank at the top of industry and banking and finance sector awards. We have awards for our customer service, we have award winning products and we have a customer base that of 1.7 million-plus that not only trusts us with their money, but which respects our 'difference'.

As a Bank, we're working hard to ensure that those who are not banking with us, and not banking with your **Community Bank®** branch, make the change. It really is a unique model and we see you, the shareholder, as playing a key role in helping us grow your local **Community Bank®** business. All it takes is a referral to your local branch manager. They'll do the rest.

We find that our customer base is a very loyal group. It's getting people to make the change that's the challenge. In today's environment, we've never had a better chance to convince people to make the change and your support in achieving this is critical.

From Bendigo and Adelaide Bank, once again, thank you for your ongoing support of your **Community Bank®** branch and your community.

We would also like to thank and acknowledge the amazing work of your branch staff and directors in developing your business and supporting the communities that you live and work in.

Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

The directors present their report of the company for the financial year ended 30 June 2019.

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 Marketing and Administration Committees
Professional qualifications	FICD
Experience and expertise	Director: Foto Riesal Ltd; Union University and School Club; Rotary Club of Mosman; Camera House of Australia; Raleru Ltd; S&S Imports Pty Ltd; Alderson Camera Stores Pty Ltd.

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

Virginia Howard OAM	
Position	Director/ Company Secretary. Member of the Community Engagement and Administration
Professional qualifications	B.A ; M.A. (Hons) Dip.Ed., MAICD
Experience and expertise	Chair, Taldumande Youth Services Inc; Chair, Dougherty Retirement Village and Care Facility; Director, Mosman Community Services Inc; former Director: Mosman Community College; Uniting Care Aging Sydney North.

Bob Dickinson	
Position	Director/ Treasurer. Member of the Administration Commmittee
Professional qualifications	FCPA (Retired)
Experience and expertise	Accountant; Consultant; former Senior Executive, Banking; former Finance Director: Northern Suburbs Basketball Association; Basketball NSW; Director, R&P Dickinson Pty Ltd.

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

Katelin Organ	
Position	Director. Chair of the Marketing Committee
Professional qualifications	B.Bus., Dip. Mgt, AIM; GAICD; Justice of the Peace
Experience and expertise	Senior Executive, Information and Communications Technologies, Services and Support. Social Media

Tina Jackson	
Position	Director. Chair of the Community Engagement Committee
Professional qualifications	BEc(Hons)
Experience and expertise	Founder and Chair IMPACT100 Sydney North; Co-founder DO Something Australia; former Executive Director National Trust of Australia; former President Mosman High School P&C and Mosman Community Gardens.

Kerry Skellern (Appointed August 2018)	
Position	Director. Member of the Community Engagement Committee
Professional qualifications	B.Sc., BEng(Hons)(Chem), Grad Dip (Bus Admin), FAICD
Experience and expertise	Chair, Non-Executive Director, Business Advisor and General Manager with over ten years of non-executive experience and over twenty years of executive experience accross the public, commercial and not-for-profit sectors. Club President, Avondale Golf Club. Director, Galvin Engineering Advisory Board.

Miles Felstead (Resigned September 2018)	
Position	Director. Member of the Business Development Committee
Professional qualifications	Fellow, Property Institute of NSW; Fellow, The Real Estate Institute of NSW
Experience and expertise	Principal, Miles Felstead Realty P/L Mosman; Qualified Valuer; Past President: Mosman Chamber of Commerce; Rotary Club of Mosman. Director, Rental Bond Board NSW; Former Director, Real Estate Institute of NSW.

Rodney Timm (Resigned June 2019)	
Position	Director. Chair of the Business Development Committee
Professional qualifications	BSc(QS),Bcomm (Hons), MBA, GAICD
Experience and expertise	Excecutive Director, Property Beyond Pty Ltd; President, Koorana (not-for-profit); Director Gowie NSW (not-for-profit); Advisory Board Member, Stytex Start-up.

Directors' meetings

Attendances by each director during the year were as follows:

	Board meetings	
Director	A	B
Mark Alderson	10	9
Fentin McEvoy	10	7
Virginia Howard OAM	10	7
Bob Dickinson	10	10
Mark Wallis	10	7
Miles Felstead	2	2
Katelin Organ	10	6
Rodney Timm	10	8
Tina Jackson	10	5
Kerry Skellern	9	5

A - The number of meetings eligible to attend.

B - The number of meetings attended.

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 $7,390 (2018 profit $33,810). The decrease in profit was due to higher employment and depreciation costs. Significant challenges in terms of business growth and pricing still lie ahead.

Dividends

No dividends were paid or declared since the start of the financial 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

There were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Events subsequent to the end of the reporting period

Transitional arrangements previously agreed with Bendigo and Adelaide Bank Limited to minimise the adverse affect of changes to the profit sharing arrangements on profitability ended 30 June 2019.

The Franchise Agreement expires on 11 September 2019 and has a 5 year renewal option. The Lease Agreement for the branch premises expires on 30 June 2021 and has no renewal option.

The Board is currently discussing various options with Bendigo and Adelaide Bank Limited as to the future of the existing branch operations given disappointing business growth, and the impact on the company's viability of incurring new long term financial commitments on renewal of the Franchise Agreement, and on the possible relocation of the premises.

Likely developments

Refer above comments.

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 at page 6 of this financial report. No officer of the company is or has been a partner of the auditor of the company.

Director and shareholder privileges

The company has accepted the Bendigo and Adelaide Bank Limited's **Community Bank®** Director and Shareholder Privileges package for 2018/2019. The package is available to all directors and to all shareholders 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. The package largely mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders.

Loans to key management personnel

There were no loans to key management personnel during the current or prior reporting period.

Signed in accordance with a resolution of the Board of Directors at Mosman on 3 September 2019

Mark Alderson
Director

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Bendigo, Victoria
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3552

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Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors Warringah Financial Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019 there have been no contraventions of:

(i) The auditor independence requirements 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.

RSD Audit

Kathie Teasdale
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 5 September 2019

Warringah Financial Services Limited
ABN 61 134 721 216
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2019

	Note	2019 $	2018 $
Revenue	2	626,495	610,351
Expenses			
Employee benefits expense	3	(346,466)	(316,085)
Depreciation and amortisation	3	(42,586)	(28,454)
Finance costs	3	(405)	(1,423)
Bad and doubtful debts expense	3	(17)	(273)
Professional fees		(20,978)	(12,154)
Occupancy expenses		(116,166)	(113,670)
IT expenses		(35,243)	(32,353)
Cash delivery, freight & cartage		(4,830)	(5,927)
ATM expenses		(9,794)	(9,480)
Other expenses		(32,799)	(53,754)
		(609,284)	(573,573)
Operating profit before charitable donations & sponsorship		**17,211**	**36,778**
Charitable donations and sponsorships		(9,821)	(2,968)
Profit before income tax		**7,390**	**33,810**
Income tax expense	4	-	-
Profit for the year after income tax		**7,390**	**33,810**
Other comprehensive income		-	-
Total comprehensive income for the year		**7,390**	**33,810**
Profit attributable to members of the company		7,390	33,810
Total comprehensive income attributable to members of the company		**7,390**	**33,810**
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	0.66	3.02

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 2019

	Note	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	5	16,372	78
Trade and other receivables	6	57,876	56,370
Financial assets	7	25,500	25,500
Total current assets		**99,748**	**81,948**
Non-current assets			
Property, plant and equipment	8	48,474	77,356
Intangible assets	9	3,435	17,178
Total non-current assets		**51,909**	**94,534**
Total assets		**151,657**	**176,482**
Liabilities			
Current liabilities			
Trade and other payables	11	36,668	48,936
Borrowings	12	-	23,174
Provisions	13	20,024	8,359
Total current liabilities		**56,692**	**80,469**
Non-current liabilities			
Provisions	13	4,499	12,937
Total non-current liabilities		**4,499**	**12,937**
Total liabilities		**61,191**	**93,406**
Net assets		**90,466**	**83,076**
Equity			
Issued capital	14	1,095,009	1,095,009
Accumulated losses	15	(1,004,543)	(1,011,933)
Total equity		**90,466**	**83,076**

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 2019

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2018	**1,095,009**	**(1,011,933)**	**83,076**
Comprehensive income for the year			
Profit for the year	-	7,390	7,390
Other comprehensive income for the year	-	-	-
	-	**7,390**	**7,390**
Balance at 30 June 2019	**1,095,009**	**(1,004,543)**	**90,466**
Balance at 1 July 2017	1,095,009	(1,045,743)	49,266
Comprehensive income for the year			
Profit for the year	-	33,810	33,810
Other comprehensive income for the year	-	-	-
	-	**33,810**	**33,810**
Balance at 30 June 2018	**1,095,009**	**(1,011,933)**	**83,076**

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

Statement of Cash Flows
for the year ended 30 June 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		599,180	623,335
Payments to suppliers and employees		(585,138)	(597,030)
Interest paid		(405)	(1,423)
Interest received		796	662
Other Income		24,996	25,070
Net cash flows provided by operating activities	18b	**39,429**	**50,614**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		39	-
Purchase of intangible assets		-	(14,567)
Net cash flows from/(used in) investing activities		**39**	**(14,567)**
Net increase in cash held		**39,468**	**36,047**
Cash and cash equivalents at beginning of financial year		(23,096)	(59,143)
Cash and cash equivalents at end of financial year	18a	**16,372**	**(23,096)**

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 3 September 2019.

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 branch 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.

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.

1. Summary of significant accounting policies (continued)

(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) Comparative figures

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

(e) 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 involve 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.

1. Summary of significant accounting policies (continued)

(e) Critical accounting estimates and judgements

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.

(f) New and revised standards that are effective for these financial statements

With the exception of the below, these financial statements have been prepared in accordance with the same accounting policies adopted in the entity's last annual financial statements for the year ended 30 June 2018. Note that the changes in accounting policies specified below only apply to the current period. The accounting policies included in the company's last annual financial statements for the year ended 30 June 2018 are the relevant policies for the purposes of comparatives.

AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* (2014) became mandatorily effective on 1 January 2018. Accordingly, these standards apply for the first time to this set of annual financial statements. The nature and effect of changes arising from these standards are summarised in the section below.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 *Revenue,* AASB 111*Construction Contracts* and several revenue-related interpretations. The new Standard has been applied as at 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balances of retained earnings as at 1 July 2018 and comparatives are not restated.

Based on our assessment, there has not been any effect on the financial report from the adoption of this standard.

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* replaces AASB 139's '*Financial Instruments: Recognition and Measurement*' requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

When adopting AASB9, the entity elected not to restate prior periods. Rather, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

Based on our assessment, there has not been any effect on the financial report from the adoption of this standard.

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 out on the proceeding pages.

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 standard will primarily affect the accounting for the company's operating leases. As at the reporting date, the company has non-cancellable operating lease commitments of $211,378. However, the company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the company's profit and classification of cash flows.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The company does not intend to adopt the standard before its effective date.

(h) Change in accounting policies

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.

To determine whether to recognise revenue, the company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

Given the nature of the agreement with Bendigo and Adelaide Bank Limited, there are no performance obligations, therefore the revenue is recognised at the earlier of:

a) when the entity has a right to receive the income and it can be reliably measured; or
b) upon receipt.

1. Summary of significant accounting policies (continued)

Financial Instruments

Recognition and derecognition
Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets
Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets
For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

a) Financial assets at amortised cost

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost
Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The company's trade and most other receivables fall into this category of financial instruments as well as deposits that were previously classified as held-to-maturity under AASB 139.

Impairment of financial assets

AASB 9's new forward looking impairment model applies to company's investments at amortised cost. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

The company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the company uses its historical experience, external indicators and forward-looking information to determine the expected credit losses on a case-by-case basis.

As the accounting for financial liabilities remains largely unchanged from AASB 139, the company's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

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.

1. Summary of significant accounting policies (continued)

Classification and measurement of financial liabilities

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.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

Reconciliation of financial instruments on adoption of AASB 9

The table below shows the classification of each class of financial asset and financial liability under AASB 139 and AASB 9 as at 1 July 2018:

	AASB 139 Classification	AASB 9 Classification	AASB 139 Carrying value ($)	AASB 9 Carrying value ($)
Financial Asset				
Trade and Other receivables	Loans and receivables	Amortised cost	57,876	57,876
Term deposits	Held to maturity	Amortised cost	25,500	25,500
Financial Liabilities				
Trade and other payables	Amortised cost	Amortised cost	36,668	36,668

The effect of classification changes arising from transitioning from AASB 139 to AASB 9 is $nil.

2. Revenue

	2019 $	2018 $
Revenue		
- service commissions	624,061	608,681
	624,061	608,681
Other revenue		
- interest received	796	662
- other revenue	1,638	1,008
	2,434	1,670
Total revenue	**626,495**	**610,351**

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.

Interest and other income

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

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

Rendering of services

As detailed in the franchise agreement, companies earn three types of revenue - margin, commission and fee income. Bendigo and Adelaide Bank Limited decide the method of calculation of revenue the company earns on different types of products and services and this is dependent on the type of business the company generates also taking into account other factors including economic conditions, inlcuding interest rates.

Core Banking Products
Bendigo and Adelaide Bank Limited identify specific products and services as 'core banking products', however it also reserves the right to change the products and services identified as 'core banking products', providing 30 days notice is given. The core banking products, as at the end of the financial year included: upfront and trailing commissions, margin fees and market development fund.

Margin
Margin is earned on all core banking products. A Funds Transfer Pricing (FTP) model is used for the method of calculation of the cost of funds, deposit return and margin. Margin is determined by taking the interest paid by customers on loans less interest paid to customers on deposits, plus any deposit returns, i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit, minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Commission
Commission is a fee earned on products and services sold. Depending on the product or services, it may be paid on the initial sale or on an ongoing basis.

Fee Income
Fee income is a share of 'bank fees and charges' charged to customers by Bendigo and Adeliade Bank Limited, including fees for loan applications and account transactions.

2. Revenue (continued)

Discretionary Financial Contributions

Bendigo and Adelaide Bank Limited has made discretionary financial payments to the company, outside of the franchise agreement and in addition to margin, commission and fee income. This income received by the company is classified as "Market Development Fund" (MDF) income. The purpose of these payments is to assist the company with local market development activities, however, it is for the board to decide how to use the MDF. Due to their discretionary nature, Bendigo and Adelaide Bank Limited may change or stop these payments at any time.

Form and Amount of Financial Return

The franchise agreement stipulates that Bendigo and Adelaide Bank Limited may change the form, method of calculation or amount of financial return the company receives. The reasons behind making a change may include, but not limited to, changes in Bendigo and Adelaide Bank Limited's revenue streams/processes; economic factors or industry changes.

Bendigo and Adelaide Bank Limited may make any of the following changes to form, method of calculation or amount of financial returns:

- A change to the products and services identified as 'core banking products and services'.
- A change as to whether it pays the company margin, commission or fee income on any product or service.
- A change to the method of calculation of costs of funds, deposit return and margin and a change to the amount of any margin, commission and fee income.

These abovementioned changes, may impact the revenue received by the company on a particular product or service, or a range of products and services.

However, if Bendigo and Adeliade Bank Limited make any of the above changes, per the franchise agreement, it must comply with the following constraints in doing so.

a) If margin or commission is paid on a core banking product or service, Bendigo and Adelaide Bank Limited cannot change it to fee income;

b) In changing a margin to a commission or a commission to a margin on a core banking product or service, ***OR*** changing the method of calculation of a cost of funds, deposit return or margin or amount of margin or commission on a core product or service, Bendigo and Adelaide Bank Limited must not reduce the company's share of Bendigo and Adelaide Bank Limited's margin on core banking product and services when aggregated to less than 50% of Bendigo and Adelaide Bank Limited's margin on core banking products attributed to the company's retail branch operation; and

c) Bendigo and Adelaide Bank Limited must publish the change at least 30 days before making the change.

3. Expenses

	2019 $	2018 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	283,249	252,392
- superannuation costs	26,215	24,446
- other costs	37,002	39,247
	346,466	316,085

3. Expenses (continued)

	2019 $	2018 $
Depreciation and amortisation		
Depreciation		
- leasehold improvements	18,888	8,115
- plant and equipment	9,955	6,596
	28,843	14,711
Amortisation		
- franchise fees	13,743	13,743
Total depreciation and amortisation	42,586	28,454
Finance costs		
- Interest paid	405	1,423
Bad and doubtful debts expenses	17	273
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	3,250	3,600

Operating expenses

Operating expenses are recognised in profit or loss on an accruals 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.

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

Class of asset	*Rate*	*Method*
Leasehold improvements	7%	Straight line
Plant and equipment	7-20%	Straight line

4. Income tax

	2019 $	2018 $
a. The components of tax expense comprise:		
Current tax expense	2,920	12,984
Recoupment of prior year tax losses	(2,920)	(12,984)
	-	-

	2019 $	2018 $
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% (2018: 27.5%)	2,032	9,298
Add tax effect of:		
- Utilisation of previously unrecognised carried forward tax losses	(2,033)	(9,298)
Income tax attributable to the entity	-	-
The applicable weighted average effective tax rate is:	0.00%	0.00%
Tax losses carried forward not recognised as deferred tax assets:	239,705	243,978

	2019 $	2018 $
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	-	-
Current tax	2,920	12,984
Recoupment of prior year tax losses	(2,920)	(12,984)
	-	-

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/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.

5. Cash and cash equivalents

	2019	2018
	$	$
Cash at bank and on hand	16,372	78
	16,372	**78**

Cash and cash equivalents include cash on hand and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

6. Trade and other receivables

	2019	2018
	$	$
Current		
Trade receivables	57,876	56,370
	57,876	**56,370**

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.

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			Past due and impaired
			< 30 days	31-60 days	> 60 days	
2019	**$**	**$**	**$**	**$**	**$**	**$**
Trade receivables	57,876	57,876	-	-	-	-
Total	**57,876**	**57,876**	**-**	**-**	**-**	**-**
2018						
Trade receivables	56,370	56,370	-	-	-	-
Total	**56,370**	**56,370**	**-**	**-**	**-**	**-**

7. Financial assets

	2019 $	2018 $
Amortised cost		
Term deposits	25,500	25,500
	25,500	25,500

The effective interest rate on the bank deposit was 2.3% (2018: 2.4%). This deposit has a term of 12 months, maturing on 17 December 2019.

(a) Classification of financial assets

The company classifies its financial assets in the following categories:
- amortised cost

Classifications are determined by both:
- The entities business model for managing the financial asset; and
- The contractual cash flow characteristics of the financial assets.

(b) Measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Cash and cash equivalents, trade and other receivables fall into this category of financial instruments as well as government bonds that were previously classified as held-to-maturity under AASB 139.

7. Financial assets (continued)

(c) Impairment of financial assets

AASB 9's impairment requirements use more forward looking information to recognise expected credit losses - the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVTOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:
- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.
12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(d) 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.

8. Property, plant and equipment

	2019			2018		
	$			$		
	At cost	Accumulated depreciation	Written down value	At cost	Accumulated depreciation	Written down value
Leasehold improvements	121,129	(85,602)	35,527	125,448	(71,033)	54,415
Plant and equipment	114,558	(101,611)	12,947	117,977	(95,036)	22,941
Total property, plant and equipment	**235,687**	**(187,213)**	**48,474**	**243,425**	**(166,069)**	**77,356**

Plant and equipment

Plant and equipment are measured on the cost basis 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.

8. Property, plant and equipment (continued)

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.

(a) Capital expenditure commitments
The entity does not have any capital expenditure commitments at 30 June 2019 (2018: None).

(b) Movements in carrying amounts of PP&E

2019	Opening written down value	Additions	Disposals	Depreciation	Closing written down value
Leasehold improvements	54,415	-	-	(18,888)	35,527
Plant and equipment	22,941	-	(39)	(9,955)	12,947
Total property, plant and equipment	**77,356**	**-**	**(39)**	**(28,843)**	**48,474**

2018	Opening written down value	Additions	Disposals	Depreciation	Closing written down value
Leasehold improvements	62,530	-	-	(8,115)	54,415
Plant and equipment	29,537	-	-	(6,596)	22,941
Total property, plant and equipment	**92,067**	**-**	**-**	**(14,711)**	**77,356**

9. Intangible assets

	2019 $			2018 $		
	At cost	Accumulated amortisation	Written down value	At cost	Accumulated amortisation	Written down value
Franchise fees	178,713	(175,278)	3,435	178,713	(161,535)	17,178
Total intangible assets	**178,713**	**(175,278)**	**3,435**	**178,713**	**(161,535)**	**17,178**

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.

Movements in carrying amounts

2019	Opening written down value	Additions	Amortisation	Closing written down value
Franchise fees	17,178	-	(13,743)	3,435
Total intangible assets	**17,178**	**-**	**(13,743)**	**3,435**

2018	Opening written down value	Additions	Amortisation	Closing written down value
Franchise fees	30,921	-	(13,743)	17,178
Total intangible assets	**30,921**	**-**	**(13,743)**	**17,178**

10 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.

11. Trade and other payables

	2019 $	2018 $
Current		
Unsecured liabilities:		
Trade creditors	6,395	8,740
Other creditors and accruals	30,273	40,196
	36,668	**48,936**

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.

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

12. Borrowings

	2019 $	2018 $
Current		
Unsecured liabilities		
Bank overdraft	-	23,174
Total borrowings	**-**	**23,174**

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measures 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 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.

13. Provisions

	2019 $	2018 $
Current		
Employee benefits	20,024	8,359
Non-current		
Employee benefits	4,499	12,937
Total provisions	**24,523**	**21,296**

13. Provisions

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.

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.

14. Share capital

	2019 $	2018 $
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**

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.

(a) 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.

14. Share capital (continued)

(b) 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.

15. Accumulated losses

	2019 $	2018 $
Balance at the beginning of the reporting period	(1,011,933)	(1,045,743)
Profit for the year after income tax	7,390	33,810
Balance at the end of the reporting period	**(1,004,543)**	**(1,011,933)**

16. Dividends paid or provided for on ordinary shares

No dividends have been paid or declared during the year ended 30 June 2019 (2018: Nil)

17. Earnings per share

	2019 $	2018 $
Basic earnings per share (cents)	0.66	3.02
Earnings used in calculating basic earnings per share	7,390	33,810
Weighted average number of ordinary shares used in calculating basic earnings per share	1,117,768	1,117,768

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 servicing 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.

18. Statement of cash flows

	2019 $	2018 $
(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 5)	16,372	78
Less bank overdraft (Note 13)	-	(23,174)
As per the Statement of Cash Flow	16,372	(23,096)
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit for the year after income tax	7,390	33,810
Non-cash flows in profit		
- Depreciation and amortisation	42,586	28,454
- Bad debts	17	273
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(1,523)	428
- Decrease in trade and other payables	(12,268)	(25,754)
- Increase in provisions	3,227	13,403
Net cash flows from operating activities	39,429	50,614

(c) Credit standby arrangement and loan facilities

The company has a bank overdraft and commercial bill facility amounting to $150,000 (2018: $350,000). This may be terminated at any time at the option of the bank. At 30 June 2019, $Nil of this facility was used (2018: $23,174). Variable interest rates apply to these overdraft and bill facilities.

19. Key management personnel and related party disclosures

(a) Key management personnel

Key management personnel includes any person 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.

No remuneration was paid to key management personnel during 2019 as the positions are held on a voluntary basis (2018: Nil)

(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:

	2019	2018
John Nelson*	5,001	5,001
Murray Block*	35,001	35,001
Miles Felstead	3,001	3,001
Mark Wallis	501	501
Fentin McEvoy	1,001	1,001
Virgina Howard	1,000	1,000
	45,505	45,505

*Shareholder did not hold office in FY 2018/19 & 2017/18

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 key management or related parties 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 (2018: 100%).

23. Commitments

Operating lease commitments

	2019 $	2018 $
Payable:		
- no later than 12 months	104,127	101,094
- between 12 months and five years	107,251	193,852
- greater than five years	-	-
Minimum lease payments	211,378	294,946

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

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

24. Company details

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

25. Financial instrument risk

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	2019 $	2018 $
Financial assets			
Cash and cash equivalents	5	16,372	78
Trade and other receivables	6	57,876	56,370
Financial assets	7	25,500	25,500
Total financial assets		**99,748**	**81,948**
Financial liabilities			
Trade and other payables	11	36,668	48,936
Bank overdraft	12	-	23,174
Total financial liabilities		**36,668**	**72,110**

(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 instrument risk (continued)

(a) Credit risk (continued)

None of the assets of the company are past due (2018: 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 $150,000 with Bendigo and Adelaide Bank Limited. The undrawn amount of this facility is $150,000 (2018: $326,826).

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 2019	**Weighted average interest rate %**	**Total $**	**Within 1 year $**	**1 to 5 years $**	**Over 5 years $**
Financial assets					
Cash and cash equivalents	1.20%	16,372	16,372	-	-
Trade and other receivables		57,876	57,876	-	-
Financial assets	2.30%	25,500	25,500	-	-
Total anticipated inflows		99,748	99,748	-	-
Financial liabilities					
Trade and other payables		36,668	36,668	-	-
Total expected outflows		36,668	36,668	-	-
Net inflow / (outflow) on financial instruments		**63,080**	**63,080**	**-**	**-**

25. Financial instrument risk (continued)

(b) Liquidity risk (continued)

30 June 2018	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents		78	78	-	-
Trade and other receivables		56,370	56,370	-	-
Financial assets	2.45%	25,500	25,500	-	-
Total anticipated inflows		81,948	81,948	-	-
Financial liabilities					
Trade and other payables		48,936	48,936	-	-
Bank overdraft *	6.00%	23,174	23,174	-	-
Total expected outflows		72,110	72,110	-	-
Net inflow / (outflow) on financial instruments		**9,838**	**9,838**	**-**	**-**

* 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.

The primary risks the company is exposed to is interest rate risk and other price risk. The company has no exposure to fluctuations in foreign currency.

Interest rate risk
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 cash and cash equivalents.

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

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

1. The financial statements and notes, as set out on pages 7 to 34 are in accordance with the *Corporations Act 2001*

   (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 2019 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 3 September 2019.

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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 2019, 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 2019 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.

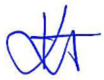
The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters 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 2019, 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.

RSD Audit



Kathie Teasdale
Partner
Bendigo
Dated: 5 September 2019

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Phone: (02) 9960 7122

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