Annual Report 2015

Mosman Warringah Financial Services Limited

ABN 61 134 721 216

Mosman **Community Bank**® Branch

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Chairman's Report

Dear Fellow Shareholders,

The Mosman **Community Bank®** Branch has just celebrated its 6th anniversary and sadly we don't have a profit to report for this Annual Report. It almost happened but, although we had been making small monthly profits for most of the second half of the year, a change in the status of a substantial term deposit had a negative effect on our end of year result.

During the year our Treasurer Bob Dickinson managed to prune in excess of $50,000 from the operating expenses, and recently we have been successful in negotiating a reduction of more than $9,000 pa in our office rent. Nevertheless, after allowing for a further reduction in the rate of commission paid by Bendigo and Adelaide Bank, and the other factors outlined in the Directors' Report likely to affect financial performance, a loss is again expected for 2015/16.

Our Franchisor Bendigo and Adelaide Bank, working in conjunction with the National **Community Bank®** network recently completed the most comprehensive review of the **Community Bank®** model since inception. One of the major changes to our **Community Bank®** branch and company which operates the branch is to the level of what is referred to as the Market Development Fund (MDF). Initially introduced to assist **Community Bank®** branches in their early days, for every banking milestone reached Bendigo and Adelaide Bank has provided funding to the **Community Bank®** company to promote their business locally. This was particularly helpful in the start-up days of the branch.

The Project Horizon review has resulted in redistribution to **Community Bank®** companies which will impact the amount of MDF contributions we will receive from Bendigo and Adelaide Bank. Less established and/or new **Community Bank®** branches will receive a greater share while more established sites will receive less.

The banking environment has been a tough one for several years now, not just in our community but nationally and indeed globally. If we continue to deliver a great service in partnership with Bendigo and Adelaide Bank, this will continue to strengthen our business and our performance.

During the past year we were privileged to receive the assistance of a Business Banker, Mr Sanjay Singh, who worked with our Branch Manager, Chris Bawn, to capture a number of businesses for our branch.

During the year we said a sad goodbye to Director Tim James and Steve Osmond and in their place we were lucky to recruit two Directors viz., Miles Felstead previously a founding Director and also Michael Perkins who also was involved in the early days of the Steering Committee.

The role of Company Secretary previously filled by Ed Blakely is now ably performed by Beatrice Jackson.

Our staff Kath Lake, Aileen Affarian, Caroline Keosseian, and Dan Solyar have all worked well with the Branch Manager, Chris Bawn, attending to their roles of providing the best service possible to our customers. I extend to them the Board's appreciation for all their hard work.

It is fitting that Chris Bawn be paid a compliment for all his efforts since the initial steps were made to form this Bank in July 2008. He played an important role in the formation of the company and then as Branch Manager where he played an active role in promoting the merits of the Bank within the community, and with the not-for-profit entities that we were sponsoring. We wish him all the best and success in his future endeavours.

We have lost our Regional Manager, Alex Hughes, who has been transferred to another role and we thank Alex for all his assistance through the years. We welcome as his replacement our new Regional Manager, Ms Amy Land.

I would especially like to thank my Co-Directors Ed Blakely, Murray Block**,** Bob Dickinson, Miles Felstead, Virginia Howard, Beatrice Jackson, Fentin McEvoy, Michael Perkins and Mark Wallis.

Directors continue to focus on the need to grow the business and we are working on a number of strategies to achieve this. Together with our committed and friendly service-driven branch staff, we are committed to continue to work hard to grow the business for the betterment of our local community through grants and sponsorships.

As a shareholder we thank you for your support. If you are banking with your **Community Bank®** branch we thank you as well. If you are not then it is worth asking yourself the question, “Am I able to investigate further with the local branch staff regarding products and services that may assist in achieving my financial goals?”

John L Nelson

Chairman

Branch Manager's Report

As we come to the end of another financial year, our sixth since opening the doors in 2009, we were excited to celebrate six months of profitability, which was a great step forward for our branch, the company, shareholders and customers.

Our loan and deposit book grew substantially over the year, which assisted with the much improved financial performance for the branch. Our customer numbers keep growing year on year and our reputation and visibility in the community is also growing stronger.

Our resolve to assist our clients, both business and personal and our community by way of investment into local community organisations, still grows stronger. This past year the following organisation's were recipients of vital funding to assist with their growth and success: Mosman Lawn Tennis, Mosman Bowling Club, Mosman Sate Emergency Services, Trumps Bridge Centre, Mosman Little Athletics, Mosman Physical Culture, Mosman Netball, Mosman Croquet, Taldumande Youth Services, Mosman Cricket, Northern Nursery School, Mosman Orchestra and Beauty Point Public School. It is rewarding to see this investment into 'grass roots' organisations, such as these and many others in our local area, and all of that comes from the products and services we provide. We will continue to work with these key community groups to grow our branch and brand recognition within their member base to ensure that we are able to assist them with their individual banking needs and in turn generate more income for the **Community Bank®** branch to invest back into our community.

This year we said farewell to one staff member and welcomed two new ones. Lyn, who was employed on a full time basis, left us late last year to pursue other opportunities closer to the Central Coast and both Carolyn and Trish joined us in a part-time job share role. This change in staffing assisted us with an additional team member, which has proved to be a change for the better as it provides vital internal support during incidents of sick leave, annual leave and training without relying on the Bendigo Bank relief team. Unfortunately, Trish decided that the Bendigo Bank wasn't for her and resigned in April this year.

In closing I would like to thank my staff, Kath, Aline, Carolyn and Dan for their dedication to their roles and to the service of our customers. I would also like to thank our fabulous Board of Directors, who all give their time generously for the good of our company and local community. Last, but by no means least, thank you to our shareholders and our clients for their passionate support of our **Community Bank®** branch.

Chris Bawn
Branch Manager

<u>A Message from our Junior Observers</u>

This year our Junior Observers have been Ainsley Pahljina and Jono Vandenberg.

Ainsley is a Year 12 student at Queenwood School where she has studied Economics and Business Studies. She plans to pursue her interest in finance and business in her tertiary studies.

Jono is a Year 12 student at North Sydney Boys High School and also has studied Economics and Business Studies this year. He is planning to commence a commerce or economics degree next year with a view to working in the finance industry in the future.

Ainsley and Jono write:

In the past year we have been privileged to be Junior Observers where we have gained an insight into the mechanisms of a financial institution. Prior to our term as Junior Observers we lacked knowledge of how integrated banking is with society and the complexities of the relationship between franchisees and franchisors. This practical experience has allowed us to apply the theory we have learnt at school and will stand us in good stead for our future endeavours. The Junior Observer program offers students like ourselves an unparalleled opportunity to gain first hand experience in industry.

Mosman Community Bank has afforded us a number of amazing opportunities such as being able to visit the state office, where we gained a new awareness of the wide variety of functions within the banking sector. We are looking forward to our upcoming lunch with Jillian Skinner at Parliament House.

We admire the bank's continuing commitment to the community, which is uncommon in the current economic climate and shows its socially responsible approach to business. Before our experience as Junior Observers we were already aware of its community focus, as we have personally benefited from its support of events such as the North Sydney Boys High Crawford Shield and Mosman Netball.

We are honoured to be part of this amazing program and are extremely grateful to the board of directors for including us in the discussion and decision making process.

Ainsley and Jono

Your directors present their report of the company for the financial year ended 30 June 2015.

Directors

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

Name and position held	Qualifications	Experience and other Directorships
John Nelson Appointed December 2008 **Chairman**	FCPA FIIA	Accountant, Consultant, Business Owner. Director, Mosman Accounting & Taxation Services Pty Ltd Director, John L Nelson & Associates Pty Ltd Secretary/Treasurer Mosman Community Services Inc.
Murray Block, OAM Appointed December 2008 **Director**		Retired Director, Mosman Community Services Inc. Director, Levisa Holdings Pty Ltd Australian China Friendship Society
Fentin McEvoy Appointed December 2008 **Director**	LLB	Lawyer, Real Estate, Business Development
Edward Blakely Appointed August 2010 **Director**	Phd. Ed.	Urban Planning, Disaster Management, Sustainable Development. CTechBA, Urban Growth Advisory
Virginia Howard Appointed June 2010 **Director**	B.A., M.A. (Hons) Dip.ED., MAICD	Chair,Taldumande Youth Services Inc; Councillor, Uniting Care Aging Sydney North; Director, Dougherty Retirement Village and Care Facility; Director, Mosman Community Services Inc. Former Mayor of Mosman
Timothy James Appointed June 2011 Resigned March 2015 **Director**	B.Bus.,LLB,MBA	Lawyer, Political Staffer Director, Life Education NSW Director, Friends of Sydney Harbour Ltd.
Bob Dickinson Appointed March 2012 **Director/Treasurer**	FCPA	Accountant, Consultant Retired Senior Executive, Banking Director, R&P Dickinson Pty Ltd
Beatrice Jackson Appointed April 2012 **Director/Company Secretary**	B.Com Dip. Ed. CA	Accountant, Consultant Director, Adesso Consulting Pty Ltd Director, Fiorire Pty Ltd. Director, Focolu Pty Ltd.
Stephen Osmond Appointed September 2013 Resigned December 2014 **Director**		Retired Senior Executive, Banking Formerly with NatWest, JP Morgan, Credit Suisse, Merrill Lynch, WestLB and Westpac
Mark Wallis Appointed May 2014 **Director**	Justice of Peace	Consultant, Sales and Marketing Director,Taldumande Youth Services Inc. Former Business Owner Former Senior Executive, IT &T
Miles Felstead Appointed January 2015 **Director**		Principal, Miles Felstead Realty. Registered Valuer. Fellow, The Real Estate Institute of NSW and The Australian Property Institute of NSW. Past President, Mosman Chamber of Commerce.
Michael Perkins Appointed April 2015 **Director**	Dip. Law (SAB)	Partner, Perkins Fahey Lawyers. Member: Society of Trust and Estate Practitioners; Conduct Review Commission, Financial Planning Association of Australia; Financial Planning Academics Forum. University Lecturer. Director, Agrimot Pty Ltd, Director/Secretary,Clydive 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.

Principal activities

The principal activities of the company during the course of the financial year were in providing community banking services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Review of operations

The loss of the company for the financial year was $43,733 (2014 loss: $130,456), which is a 33% decrease when compared with the previous year. Although operations and revenue have improved, significant challenges in terms of business volume and pricing lie ahead.

As a result of the loss for the year, the net liabilities of the company have increased to $52,599 (2014: $8,866).

Dividends

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

Options

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

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

Effective 1 October 2015 the rate of commission currently paid by Bendigo and Adelaide Bank Limited on term deposits for greater than 90 days and on fixed rate home loans is to be reduced.This will result in a reduction in income from these products which currenly form a significant part of our business. The Bank has also advised that as from 1 July 2016 these products will become margin rather than commission products, and that margin share will be calculated under a new funds transfer pricing model, resulting in a further reduction in income from these products. The amount paid by the Bank to the company to assist with local market development and community support will also be reduced. At this stage the board does not have enough information to work out the impact of these changes but it is likely to be material. However, the Bank has provided a commitment that the revenue the company receives will not decrease as a result of moving to the new financial model, for a period of up to three years.

The company currently derives a large percentage of its commission income from banking products held by a single customer. It is likely that all, or a major part these products will be withdrawn in the normal course of business during the 2015/2016 financial year. Depending on timing, loss of this income may significantly affect profitability next financial year.

The company may incur a loss of up to $55,000 due to a post balance date operational error and, subject to recovery action, could have a material impact on profitably for the 2015/16 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.

Remuneration report

<u>Remuneration policy</u>

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

<u>Remuneration benefits and payments</u>

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnifying officers or auditor

The company has agreed to indemnify each Officer (director, secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer’s liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer’s duties.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company.

Directors' meetings

The number of directors meetings held during the year was 12. Attendances by each director during the year were as follows:

Director	Board Meetings #
John Nelson	12 (12)
Murray Block, OAM	11 (12)
Fentin McEvoy	11 (12)
Edward Blakely	6 (12)
Virginia Howard	12 (12)
Timothy James (resigned March 2015)	4 (8)
Bob Dickinson	12 (12)
Beatrice Jackson	10 (12)
Stephen Osmond (resigned December 2014)	5 (5)
Mark Wallis	11 (12)
Miles Felstead (appointed January 2015)	6 (6)
Michael Perkins (appointed April 2015)	3 (3)

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

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

Company secretary

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

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

Signed in accordance with a resolution of the board of directors at Mosman NSW on 25 September 2015.

John L Nelson
Chairman

Richmond Sinnott & Delahunty
Chartered Accountants
Level 2, 10-16 Forest Street
Bendigo, VICTORIA
PO Box 30, Bendigo VICTORIA 3552
Ph: (03) 5445 4200
Fax: (03) 5444 4344
rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

28 September 2015

The Directors
Warringah Financial Services Limited
PO Box 822
SPIT JUNCTION NSW 2088

Dear Directors,

To the Directors of Warringah Financial Services Limited

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

I declare that to the best of my knowledge and belief, during the year ended 30 June 2015 there has been:

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

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

P. P. Delahunty
Partner
Richmond Sinnott & Delahunty

Warringah Financial Services Limited
ABN 61 134 721 216
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2015

	Notes	2015 $	2014 $
Revenue	2	589,121	534,356
Employee benefits expense	3	(308,404)	(305,083)
Depreciation and amortisation expense	3	(16,627)	(41,454)
Finance costs	3	(6,526)	(5,771)
Bad and doubtful debts expense	3	-	(1,130)
Occupancy and associated expenses		(123,202)	(122,106)
IT systems and support expenses		(42,838)	(53,930)
Marketing and advertising expenses		(29,599)	(29,165)
Other expenses	3	(92,381)	(91,489)
Operating loss before charitable donations & sponsorships		(30,456)	(115,772)
Charitable donations and sponsorships		(13,277)	(14,684)
Loss before income tax		(43,733)	(130,456)
Tax expense / (benefit)	4	-	-
Loss for the year		(43,733)	(130,456)
Other comprehensive income		-	-
Total comprehensive income for the year		(43,733)	(130,456)
Total comprehensive income attributable to:			
Members of the company		-	-
Total		(43,733)	(130,456)
Earnings per share (cents per share)			
- basic earnings per share	23	(3.91)	(11.67)

The accompanying notes form part of these financial statements

Warringah Financial Services Limited
ABN 61 134 721 216
Statement of Financial Position
As at 30 June 2015

	Notes	2015 $	2014 $
Assets			
Current Assets			
Cash and cash equivalents	6	218	1,092
Trade and other receivables	7	51,766	52,117
Total Current Assets		51,984	53,209
Non-Current Assets			
Term Deposit		25,500	25,500
Property, plant and equipment	8	114,070	129,973
Intangible assets	9	-	724
Total Non-Current Assets		139,570	156,197
Total Assets		191,554	209,406
Liabilities			
Current Liabilities			
Trade and other payables	10	32,275	30,406
Loans and borrowings	11	188,728	174,826
Provisions	12	23,150	13,040
Total Current Liabilities		244,153	218,272
Total Liabilities		244,153	218,272
Net Liabilities		(52,599)	(8,866)
Equity			
Issued capital	14	1,095,009	1,095,009
Accumulated losses	15	(1,147,608)	(1,103,875)
Total Equity		(52,599)	(8,866)

The accompanying notes form part of these financial statements

Warringah Financial Services Limited
ABN 61 134 721 216
Statement of Changes in Equity
for the year ended 30 June 2015

	Note	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2013		**1,095,009**	**(973,419)**	**121,590**
Loss for the year		-	(130,456)	(130,456)
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**(130,456)**	**(130,456)**
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	24	-	-	-
Balance at 30 June 2014		**1,095,009**	**(1,103,875)**	**(8,866)**
Balance at 1 July 2014		**1,095,009**	**(1,103,875)**	**(8,866)**
Loss for the year		-	(43,733)	(43,733)
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**(43,733)**	**(43,733)**
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	24	-	-	-
Balance at 30 June 2015		**1,095,009**	**(1,147,608)**	**(52,599)**

The accompanying notes form part of these financial statements

Warringah Financial Services Limited
ABN 61 134 721 216
Statement of Cash Flows
For the year ended 30 June 2015

	Notes	2015 $	2014 $
Cash Flows From Operating Activities			
Receipts from customers		538,101	483,145
Payments to suppliers and employees		(597,371)	(617,029)
Interest paid		(6,526)	(5,771)
Interest received		1,020	1,184
Other income		50,000	50,000
Net cash used in operating activities	16b	(14,776)	(88,471)
Net decrease in cash held		(14,776)	(88,471)
Cash and cash equivalents at beginning of financial year		(173,734)	(85,263)
Cash and cash equivalents at end of financial year	16a	(188,510)	(173,734)

The accompanying notes form part of these financial statements

Warringah Financial Services Limited
ABN 61 134 721 216
Statement of Cash Flows
For the year ended 30 June 2015

	Notes	2015 $	2014 $
Cash Flows From Operating Activities			
Receipts from customers		538,101	483,145
Payments to suppliers and employees		(597,371)	(617,029)
Interest paid		(6,526)	(5,771)
Interest received		1,020	1,184
Other income		50,000	50,000
Net cash used in operating activities	16b	(14,776)	(88,471)
Net decrease in cash held		(14,776)	(88,471)
Cash and cash equivalents at beginning of financial year		(173,734)	(85,263)
Cash and cash equivalents at end of financial year	16a	(188,510)	(173,734)

The accompanying notes form part of these financial statements

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

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

The financial statements were authorised for issue by the Directors on 25 September 2015.

1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001* , Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

Economic Dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branches.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name “Bendigo Bank” and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** 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®** branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

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

(b) Going concern

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

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

(i) The company has recorded a loss after tax of $43,733 of the year ended 30 June 2015 which was a 33% improvement from the loss recorded for the prior year (2014: $130,456). After allowing for a further reduction in the rate of commission paid by Bendigo and Adelaide Bank and the other factors mentioned in the Directors' Report likely to affect financial performance, the company expects to incur a loss of around $50,000 for the 2015/16 year. The company accepts that losses may be incurred while market share is being developed, especially in the current competative pricing environment. 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 2015/16 financial year and beyond through the provision of an overdraft facility for $350,000 on normal terms and conditions. The Bank has also agreed to a range of other support measures to promote business growth. This support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with the Bank to further develop its business. The company is fully committed to these obligations.

(c) Income tax

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

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

1. Summary of significant accounting policies (continued)

(c) Income tax (continued)

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

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

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

(d) Fair value of assets and liabilities

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

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

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

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

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

(e) Property, plant and equipment

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

Plant and equipment

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

1. Summary of significant accounting policies (continued)

(e) Property, plant and equipment (continued)

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

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

Depreciation

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

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

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

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

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

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

(f) Leases

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

(g) Impairment of assets

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

1. Summary of significant accounting policies (continued)

(h) Goods and services tax (GST)

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

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

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

(i) Employee benefits

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

The company's obligations for short-term employee benefits such as wages and salaries are recognised as part of current trade and other payables in the statement of financial position. The company's obligation for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

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

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

(j) Intangible assets and franchise fees

The initial franchise fee was recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current franchise fee is charged against profit as incurred and are included as an expense in the Statement of Profit or Loss and Other Comprehensive Income.

1. Summary of significant accounting policies (continued)

(k) Cash and cash equivalents

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

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

(l) Revenue and other income

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

Interest, dividend and fee revenue is recognised when earned.

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

(m) Trade and other receivables

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

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

(n) Trade and other payables

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

(o) Borrowing costs

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

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

There are no new and amended accounting policies that have been adopted by the company this financial year not otherwise disclosed.

(q) New accounting standards for application in future periods

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

The company has 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:

1. Summary of significant accounting policies (continued)

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

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

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

The key changes that may affect the company on initial application include certain simplifications to the classification of financial assets.

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

(ii) AASB 15: *Revenue from Contracts with Customers* (applicable for annual reporting periods commencing on or after 1 January 2017).

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

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

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

Although the Directors anticipate that the adoption of AASB 15 may have an impact on the Company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

(r) Loans and borrowings

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

1. Summary of significant accounting policies (continued)

(s) Provisions

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

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

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

(t) Share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(u) Comparative figures

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

(v) Critical accounting estimates and judgements

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

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.

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.

1. Summary of significant accounting policies (continued)

(v) Critical accounting estimates and judgements (continued)

Impairment

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

(w) Financial instruments

Initial recognition and measurement

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

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

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

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

(i) Loans and receivables
Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

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

Impairment

A financial asset (or group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

1. Summary of significant accounting policies (continued)

(w) Financial instruments (continued)

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

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

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

Derecognition

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

2. Revenue and other income	**2015** **$**	**2014** **$**
Revenue		
- services commissions	538,101	483,172
	538,101	483,172
Other revenue		
- interest received	1,020	1,184
- other revenue	50,000	50,000
	51,020	51,184
Total revenue	589,121	534,356

3. Expenses

Employee benefits expense		
- wages and salaries	268,604	256,178
- superannuation costs	24,160	23,863
- other costs	15,640	25,042
	308,404	305,083

3. Expenses (continued)	**2015**	**2014**
	$	**$**
Depreciation of non-current assets:		
- plant and equipment	7,721	11,339
- leasehold improvements	8,182	8,115
Amortisation of non-current assets:		
- intangible assets	724	22,000
	16,627	41,454
Finance Costs:		
- Interest paid	6,526	5,771
Bad debts	-	1,130
Other expenses		
- ATM	7,143	6,329
- cash delivery, freight and cartage	24,835	24,369
- franchise renewal fees	12,140	-
- insurance	13,148	13,104
- printing and stationery	7,444	8,064
- telecommunications	7,231	5,212
- other administation and general	20,440	34,411
	92,381	91,489

4. Tax Expense

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

Prima facie tax on loss before income tax at 30% (2014: 30%)	(13,120)	(39,137)
Add tax effect of:		
- Tax effected tax losses not accrued	8,125	33,361
- Timing differences	4,995	5,776
Current income tax expense	-	-
Income tax attributable to the entity	**-**	**-**

The applicable income tax rate is the Australian Federal tax rate of 30%
(2014: 30%) applicable to Australian resident companies.

5. Auditors' remuneration

	2015 $	2014 $
Remuneration of the auditor for:		
- Audit or review of the financial report	4,380	4,218
- Share registry services	1,800	1,790
	6,180	6,008

6. Cash and cash equivalents

	2015 $	2014 $
Cash at bank and on hand	218	1,092

7. Trade and other receivables

	2015 $	2014 $
Current		
Trade receivables	43,018	52,117
Other assets	8,748	-
	51,766	52,117

Credit risk

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

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

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

			Past Due but Not Impaired			
	Gross Amount $	Past Due and impaired $	< 30 days $	31-60 days $	> 60 days $	Not Past Due $
2015						
Trade receivables	43,018	-	-	-	-	43,018
Other receivables	8,748	-	-	-	-	8,748
Total	51,766	-	-	-	-	51,766
2014						
Trade receivables	52,117	-	-	-	-	52,117
Other receivables	-	-	-	-	-	-
Total	52,117	-	-	-	-	52,117

8. Property, plant and equipment

	2015 $	2014 $
Leasehold improvements		
At cost	121,128	121,128
Less accumulated depreciation	(46,458)	(38,276)
	74,670	82,852
Plant and equipment		
At cost	103,528	103,528
Less accumulated depreciation	(64,128)	(56,407)
	39,400	47,121
Total written down amount	114,070	129,973

Movements in carrying amounts

	2015 $	2014 $
Leasehold improvements		
Balance at the beginning of the reporting period	82,851	90,966
Additions	-	-
Disposals	-	-
Depreciation expense	(8,182)	(8,115)
Balance at the end of the reporting period	74,669	82,851
Plant and equipment		
Balance at the beginning of the reporting period	47,123	58,461
Additions	-	-
Disposals	-	-
Depreciation expense	(7,722)	(11,338)
Balance at the end of the reporting period	39,401	47,123

9. Intangible assets

	2015 $	2014 $
Franchise Fee		
At cost	110,000	110,000
Less accumulated amortisation	(110,000)	(109,276)
	-	724
Total Intangible assets	-	724

Movements in carrying amounts

	2015 $	2014 $
Franchise Fee		
Balance at the beginning of the reporting period	724	22,724
Amortisation expense	(724)	(22,000)
Balance at the end of the reporting period	-	724

10. Trade and other payables

	2015 $	2014 $
Current		
Unsecured liabilities:		
Trade creditors	10,076	11,484
Other creditors and accruals	22,199	18,922
	32,275	30,406

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

11. Borrowings

	2015 $	2014 $
Current		
Bank overdraft	188,728	174,826
	188,728	174,826

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

12. Provisions

	2015	2014
Employee benefits	23,150	13,040
Movement in employee benefits		
Opening balance	13,040	11,235
Additional provisions recognised	18,158	10,183
Amounts utilised during the year	(8,048)	(8,378)
Closing balance	23,150	13,040
Current		
Annual leave	14,112	13,040
Non Current		
Long service leave	9,038	-
Total provisions	23,150	13,040

Provision for employee benefits

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

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

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

13. Tax balances

	2015 $	2014 $
Tax Assets		
CURRENT		
Income tax receivable	-	-
	-	-
NON-CURRENT		
Deferred tax asset comprises:		
- tax losses carried forward	309,422	301,297
	309,422	301,297

Accumulated future income tax benefits arising from tax losses, have not been recognised at reporting date.

14. Share capital

	2015 $	2014 $
1,117,768 Ordinary Shares fully paid	1,117,768	1,117,768
Less: Equity raising costs	(22,759)	(22,759)
	1,095,009	1,095,009

Movements in share capital

	2015 $	2014 $
Fully paid ordinary shares:		
At the beginning of the reporting period	1,095,009	1,095,009
Shares issued during the year	-	-
At the end of the reporting period	1,095,009	1,095,009

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

Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

(i) the Distribution Limit is the greater of:
  (a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
  (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and
(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

15. Accumulated losses

	2015 $	2014 $
Balance at the beginning of the reporting period	(1,103,875)	(973,419)
Loss after income tax	(43,733)	(130,456)
Balance at the end of the reporting period	(1,147,608)	(1,103,875)

16. Statement of cash flows

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

	2015 $	2014 $
As per the statement of financial position	218	1,092
less Bank overdraft	(188,728)	(174,826)
As per the statement of cash flow	(188,510)	(173,734)

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

	2015 $	2014 $
Loss after income tax	(43,733)	(130,456)
Non cash flows in profit		
- Depreciation	15,903	19,454
- Amortisation	724	22,000
Changes in assets and liabilities		
- (Increase) decrease in receivables	351	873
- Increase (decrease) in payables	1,869	(2,147)
- Increase (decrease) in provisions	10,110	1,805
Net cash flows used in operating activities	(14,776)	(88,471)

(c) Credit standby arrangement and loan facilities

The company has a bank overdraft and commercial bill facility amounting to $350,000 (2014: $350,000). This may be terminated at any time at the option of the bank. At 30 June 2015, $188,728 of this facility was used (2014: $174,826). Variable interest rates apply to these overdraft and bill facilities.

17. Related party transactions

The company's main related parties are as follows:

(a) Key management personnel
Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any director (whether executive or otherwise) of that company is considered key management personnel.

(b) Other related parties

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

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

(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:

17. Related party transactions (continued)

	2015	**2014**
John Nelson	5,001	5,001
Murray Block, OAM	35,001	35,001
Fentin McEvoy	1,001	1,001
Edward Blakely	1,000	1,000
Virginia Howard	1,000	1,000
Timothy James	1,000	1,000
Bob Dickinson	-	-
Beatrice Jackson	-	-
Stephen Osmond	-	-
Mark Wallis	501	501
Miles Felstead	3,001	3,001
Michael Perkins	-	-

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

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

18. Events after the reporting period

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

19. Contingent liabilities and contingent assets

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

20. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Mosman, NSW. The company has a franchise agreement in place with Bendigo & Adelaide Bank Limited who account for 100% of the revenue (2014: 100%).

	2015	**2014**
21. Leases	**$**	**$**
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.		
Payable - minimum lease payments		
- no later than 12 months	103,185	-
- between 12 months and 5 years	309,555	-
	412,740	-

The office lease is a non-cancellable lease with a 5 year term, ending 30 June 2019, with rent payable monthly in advance and with CPI increases each year.

22. Company details

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

23. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares). There were no options or preference shares on issue during the year.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2015 $	2014 $
Loss after income tax expense		
Weighted average number of ordinary shares for basic and diluted earnings per share	(43,733)	(130,456)
24. Dividends paid or provided for on ordinary shares	1,117,768	1,117,768

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

25. Financial risk management

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	2015 $	2014 $
Financial Assets			
Cash & cash equivalents	6	218	1,092
Trade and other receivables	7	51,766	52,117
Total Financial Assets		51,984	53,209
Financial Liabilities			
Trade and other payables	10	32,275	30,406
Bank overdraft	11	188,728	174,826
Total Financial Liabilities		221,003	205,232

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.

(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 statement of financial position.

The company has no 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.

None of the assets of the company are past due (2014: 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.

25. Financial risk management (continued)

(a) Credit Risk (continued)

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.

	2015	2014
	$	$
Cash and cash equivalents:		
A rated	218	1,092

(b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition the company has established an overdraft facility of $350,000 with Bendigo and Adelaide Bank Limited.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Bank overdrafts have been deducted in the analysis as management does not consider there is any material risk the Bank will terminate such facilities. The Bank does however maintain the right to terminate the facilities without notice and therefore the balances of overdrafts 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 2015	**Note**	**Total** $		**Within 1 year** $	**1 to 5 years** $	**Over 5 years** $
Financial Liabilities due for payment						
Trade and other payables	10	32,275		32,275	-	-
Bank overdraft	11	188,728	*	188,728	-	-
Total expected outflows		221,003		221,003	-	-
Financial Assets - cash flows realisable						
Cash & cash equivalents	6	218		218	-	-
Trade and other receivables	7	51,766		51,766	-	-
Total anticipated inflows		51,984		51,984	-	-
Net Outflow on financial instruments		(169,019)		(169,019)	-	-

25. Financial risk management (continued)

(b) Liquidity risk (continued)

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

* 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.

	Profit $	Equity $
Year ended 30 June 2015		
+/- 1% in interest rates (interest income)	255	255
+/- 1% in interest rates (interest expense)	(1,887)	(1,887)
	(1,632)	(1,632)
Year ended 30 June 2014		
+/- 1% in interest rates (interest income)	225	225
+/- 1% in interest rates (interest expense)	(1,750)	(1,750)
	(1,525)	(1,525)

25. Financial risk management (continued)

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.

		2015		2014	
	Note	Carrying Amount $	Fair Value $	Carrying Amount $	Fair Value $
Financial Assets					
Cash and cash equivalents (i)	6	218	218	1,092	1,092
Trade and other receivables (i)	7	51,766	51,766	52,117	52,117
Total financial assets		51,984	51,984	53,209	53,209
Financial Liabilities					
Trade and other payables (i)	10	32,275	32,275	30,406	30,406
Bank overdraft	11	188,728	188,728	174,826	174,826
Total financial liabilities		221,003	221,003	205,232	205,232

(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.

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 12 to 38 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 2015 and of the performance for the year ended on that date;

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

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

John L Nelson
Director

Signed at Mosman, NSW on 25 September 2015.

Richmond Sinnott & Delahunty
Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, VICTORIA
PO Box 30, Bendigo VICTORIA 3552

Ph: (03) 5445 4200
Fax: (03) 5444 4344
rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

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

Report on the Financial Report

We have audited the accompanying financial report of Warringah Financial Services Limited, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company at the year's end.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Warringah Financial Services Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of Warringah Financial Services Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

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

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

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss of $43,733 during the year ended 30 June 2015, further reducing the company's net assets to negative $52,599. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

P. P. Delahunty
Partner

Dated at Bendigo, 28 September 2015

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Mosman **Community Bank**® Branch
652 Military Road, Spit Junction NSW 2088
Phone: (02) 9960 7122

Franchisee:
Warringah Financial Services Limited
652 Military Road, Spit Junction NSW 2088
ABN: 61 134 721 216
www.bendigobank.com.au/mosman
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