

# BEROWRA & DISTRICT FINANCIAL SERVICES LIMITED

ABN 62 116 755 938

## ANNUAL REPORT 2019



**Do good. Do more. and Do well.**

Find out how Berowra & District **Community Bank Branch** can help you pick the right solutions for your banking needs.



# Berowra & District Financial Services Limited

## Contents

Chairman’s Report.....	iii
Manager’s Report.....	vii
Bendigo and Adelaide Bank Limited Report.....	x
Directors Report.....	1
Auditor’s Independence declaration.....	6
Statement of Profit or Loss.....	7
Balance Sheet as at 30 June 2019.....	8
Statement of Changes in Equity for the year ended 30 June 2019.....	9
Statement of Cashflows for the year ended 30 June 2019.....	10
Notes to Financial Statements.....	11
Directors’ Declaration.....	33
Independent Auditor’s report.....	34

### **FRONT PAGE PHOTO RECEIVING LOCAL BUSINESS AWARD FOR 2018**

Note also nominated as a finalist for 2019

# Berowra & District Financial Services Limited

## CHAIRMAN'S REPORT

It is my pleasure as the Chairman of Berowra and District Financial Services Limited to report on the company's progress during the year ended 30 June 2019.

The company had a year of business growth despite a continuation of the low interest rate environment and tight credit conditions.

The company has made good progress in continuing to build our portfolio, strengthening our engagement with the local community and efficiently managing expenses.

In terms of the growing success of the company, I am once again hugely indebted to the enormous contribution of our people

Thank you to our longstanding staff team, Danielle, Wendy, Ruth, Lisa, and new staff members Josie Fonti and Joe Ventra. They are the "face" of Berowra Community Bank Branch.

Josie joined us in November 2018 as our Branch Operations Manager. Her contribution can be seen with the large number of community groups and organisations she has been in contact with since she commenced, and the growing deposits and the branch loan pipeline.

With stagnant and in some cases falling customer numbers coming into bank branches and over 70% of new loans gained by Bendigo Bank in NSW in the past year generated by mobile lenders, Joe was appointed as our Mobile Relationship Manager also in November 2018. He has generated in the region of \$5.7 million of new loans with a correspondingly healthy pipeline.

Our board was strengthened by two new directors joining the board during the financial year, Robert Wawrzyniak and Lewis Williams. A third new director, Saurabh Bhatnagar joined in September 2019.

It is with great sadness that our long-term director and company secretary Gillian Reed passed away in January. I would like to recognise Gillian for her contribution to the company and the community.

Thank you to our Board of Directors, all of whom volunteer many hours of their time to ensure the sustainability of the company in the changing business environment.

### **Community engagement**

One of the fundamental elements of the Community Bank model is the engagement of the community bank branches in the community. This is a shared value model where support and engagement provided by the Community Bank company provides long term sustainable value to all parties.

The \$35,000 income provided by the Bendigo Bank Marketing Development Fund enabled the company to use \$33,915 to promote the branch and contribute to the community. Sponsorship and donations amounted to \$24,220 and marketing and promotion totalled \$9,795.

### **Our partnership**

We are fortunate to have Australia's 5<sup>th</sup> biggest bank as our partner. The Bendigo brand is one of Australia's most trusted. We work closely with them on ways to improve our customer experience and our growth. On

# Berowra & District Financial Services Limited

a local level we continue to enjoy a highly collaborative and supportive relationship, with our regional managers, John Carvin and Alan Fardon.

## **Operating results**

At 30 June 2019, the company's loan and deposit footings balance was \$88.4 million, up \$1.5 million or 1.7% from \$86.9 million last year. Growth in deposits of \$3.5m was partially offset by a decline in loans of \$2.0m as the effects of post banking royal commission credit tightening and housing market slow down made for a tough lending market with settlements halved on last year.

Interest rate reductions have squeezed margins across the industry and resulted in a 1.6 basis point drop in margins on income from loans and deposits. The growth in the overall business reduced the income impact to a \$3,978 or 0.7% decline, in addition changes or the withdrawal of some wealth and insurance products reduced Fee and Commission income by \$10,549 or 14.6%.

Marketing Development Fund support from Bendigo Bank remained at \$35,000 to bring total income for the year to \$704,642 which was down \$14,528 or 2% on the prior year.

The costs of running the business have increased by \$115,493 or 18.7% in response to both current branch operational issues and actions to address limits on growth. The need to replace the Branch Manager role again during the year has come at a cost and extended business disruption on last year's role change. Despite Josie's rapid integration into the role and community, there was a noticeable stalling in footings growth which is to be expected for this transition.

In response to the heavy reliance on the smooth operation of the branch for business the board has taken the opportunity this year

to invest in growth and diversify the market channels of the business. The addition of Joe as the Mobile Relationship Manager is expected to generate significant growth to the business footings and profitability of the business in coming years.

The costs of expanding the business in this way are up front, while the income from loans written extends over many years. Without this addition, the business would have been in profit this year, but the footings would have been lower by \$5.7m or 6.5%, the impact of which would be felt with lower income and profit in coming years.

The above, offset by a tax benefit of \$7,572 resulted in an after-tax loss of \$19,962 for the year. Customer numbers were up fractionally for the year, increasing by 3 to 3,376 and products per customer also increased by 1.2% to 1.725 per customer.

This result was hard earned as existing customers continued to use the low interest rate environment to either fully or partially repay their loans, requiring the company to write more new business than last year, and in a flat housing market, just to replace the outflow. Well done to our staff for this achievement.

## **Shareholder dividend**

With the difficult trading conditions, and reduced revenue, our overdraft only increased by \$6,854 to \$259,410 from \$252,556, leaving the company not in a position to pay its shareholders a dividend.

A large number of our shareholders still do not bank with us. If you do not already bank with your branch, why not come into the branch, or call us to see what your business can do for you, because the more you use your company's services, the sooner your company can pay off the overdraft, and with

# Berowra & District Financial Services Limited

positive equity, your board can begin to look at declaring a dividend.

## **Outlook**

The near-term outlook is a challenging one with a low interest rate environment reducing margins, constrains on loan growth with tighter credit conditions as regulators and industry become more concerned about the level and serviceability of household debt. However, with the foundations laid this year with the addition of our new staff, a growing recognition of our Community Bank Branch in our community and a strengthened board, we are now in a much stronger position to grow our business. On a positive note Bendigo and Adelaide Bank, with its strong community ethos and trusted brand, is still well placed to compete against the major and other banking institutions.

## **Conclusion**

Despite the challenging business environment, the company has grown the

**Roman Tarnawsky**

**Chair**

business in 2018/19. This has been achieved through a clear focus on building the business, retaining our commitment to excellent customer service and community engagement, and through the hard work of highly engaged staff. The Board is committed to maintaining this ethos while investing in resources, capabilities and opportunities directed at our primary objective of building our deposit and loan portfolio and constantly improving operating efficiency.

Lastly, I would like to thank those of our shareholders who bank with us for your continued support of the Community Bank model in Berowra. Your support as a customer and advocate of our Community Bank Branch remains vital in ensuring our growing success.

I look forward to seeing as many shareholders as possible at our 2018/19 Annual General Meeting, which will be conducted at the Berowra Football Clubroom, Berowra Waters Road on Tuesday, 19<sup>th</sup> of November 2019 commencing at 6:00 pm.



# Berowra & District Financial Services Limited

## BANK MANAGERS REPORT

It is my pleasure to bring you the manager's report to you for the first time since joining the Berowra and Districts Community Bank Branch in November of last year. It's been an exciting and challenging eight months building relationships across the community and positioning the business to address the evolving demands of customers. I am excited to be part of a dynamic community focused team.

We have continued to remain pro-active in developing our business through various channels including local media, social media and promotional opportunities such as local community events, sponsorships, etc. We are continuing to use and emphasize the benefits of our very successful "Community Cash Program" This program allows our customers to provide valuable funds to the groups and clubs in return for their support of us, a win/win situation.

Our team has seen changes this year with the resignation of long-standing part time CSO Jenni Mihalarias in July and the addition of Joe Ventra in the new role of Mobile Relationship Manager. I would like to thank Jenni for her hard work and dedication to Community Banking and for you all to welcome Joe and the exciting capabilities he brings to the business and team.

It has been a tough year to perform with the external demands of the Banking Royal Commission, tightening of lending requirements, low consumer confidence and a continuing low interest rate environment that all played its part in a subdued financial year. However, we have continued to create stronger, deeper relationships with our customers by having relevant and meaningful discussions about how we can help our

customers achieve their financial goals and aspirations.

Our major point of difference at Berowra & District Community Bank Branch is the level of support and sponsorship provided to our local community. All branch staff were again actively engaged in our community throughout the year in a variety of ways, and many local groups and community services have benefitted from our time and effort volunteering spreading the good news about our branch which in turn brings people to us.

A strong indication of growing resonance within the community and our customers has been the growth in deposits over the year of \$3.5m. Likewise, with loans the value of discharges has halved from \$8.9m last year to \$4.9m this year, a pleasing indicator that customers are satisfied. Unfortunately, despite a growing pipeline of loans, we have not been able to avoid the broader housing market slow down and settlements have also dropped from \$14.4m to \$7.2m.

I am proud of the branch's performance over the past year. I would like to take this opportunity to personally thank the great branch team of Danielle Knight, Lisa Palmer, Ruth Maher and Wendy Rayner, without their ongoing hard work, dedication and support, the branch would not have been able to achieve the successes of this year.

Thanks also to the volunteer Board of Directors for their support and guidance over the past 12 months. They are a passionate group of people who give freely of their own time, doing a thankless job for the benefit of the shareholders and community. It is always an enjoyable experience to work with you as we continue to grow and expand the business together. Without their unwavering support



# Berowra & District Financial Services Limited

and effort, we would not have been able to achieve the successes and results that we have since we commenced on the 22nd September 2006.

I would also like to thank the Bendigo and Adelaide Bank Limited state support team, who have all worked together to help us achieve our goals.

Ultimately, we wish to thank all of our customers and shareholders, who have shown their support and we trust that our personal service and commitment to you will ensure the continued future success of the Berowra & District Community Bank Branch. We value every one of our customers who entrust us with their banking. We are looking forward to helping you with your individual financial needs so we can grow our business and achieve our goals.

We are a real alternative to the major banks and we're capitalising on that goodwill and uncertainty within the overall banking sector.

To build on our achievements during the year I call on you for help in bringing new business into our branch. We welcome all the shareholders to meet with us to see how we are the "Better Big Bank".

You are all part of this community, and as such, are already part of many different community groups, and businesses, and social networks, and I would love for you all to introduce me to those groups to talk about "our point of difference" and how we as a Community Bank can help them, and support the community and the people and businesses within it.

For every new customer and account opening, that means more that's available to become profitable and then able to share this with shareholders and the community.

In the 13 years since our inception we have provided in excess of \$300,000 to our local community. Funds being available for community sponsorship is directly linked to the financial performance of the branch, which in turn reflects the level of support the branch receives from the local community.

## **My first 12 Months has not just been about transactional banking it's been about being part of Berowra and District Community:**

Attended the Community Bank's Bank Manager's 2-day state conference meeting and swapping ideas with other Community Bank managers that have assisted me in the community.

Visited all the local Businesses in and around The Berowra Village shopping Centre to establish a relationship and gain their business. Met with Steve Ewers the manager of our local RSL club to discuss how we can support each other and the community and help with "save their club"

Organised the annual Christmas stall, manned by the branch staff, to raise funds for members of the Community who "are doing it tough"-raising over \$400 (currently in the process of organising our next one for 15<sup>th</sup> December 2019)

Represent our Brand and show our presence at nearly all of our sponsored local schools via their P and C meetings, and attended a number of their presentation assembly days, and attended all 4 of their fairs/fetes held to date, to the demonstrate we are part of the Community where I continue to establish and grow new relationships/and potential new customers.

I have also represented the Berowra Community bank branch at various events and functions - namely the "Back to Berowra Football weekend", 60<sup>th</sup> Anniversary and

# Berowra & District Financial Services Limited

Presentation days/nights for Berowra Soccer, and the “Pink Stumps” day for Berowra Cricket, and their presentation night, and soon to attend their 100 Year Anniversary “Back to Berowra “ weekend.

I also attended the annual “Berowra Woodchop”. The Brooklyn Spring Fair and Art and Craft Show, to represent us as one of their Sponsors, where we continued to establish and grow new and existing relationships expanding our social network.

Attended Berowra Netball meetings and had one of the local Preschools visit the Branch.

Have added valuable contacts and established relationships with members of our Local Businesses by regular attendance at monthly morning meetings held at Berowra RSL.

Helped organise our Annual “Biggest Morning Tea” where we raised over \$500 for the Cancer Foundation

Have added RFS, Asquith Girls High School , Hawkesbury River Rescue NFP groups to our existing Community Cash Sponsored list, and continue to contact and add “like-minded “ Community Groups to my networking relationships in order to work together to grow our business and support the local community:

Represented us as a guest speaker for the Berowra Rotary Club

Joined the Hornsby Chamber of Commerce - which has proven valuable in communicating

“the Bendigo Community Bank Point of Difference” in surrounding areas of Berowra and finding new small businesses. I have attended many of their events, and as a result, have established several new customers and accounts/business opportunities.

The most satisfactory experience/success I have had came after the December Hailstorm which devastated most of Berowra was working with community and church groups such as the RFS, Salvation Army, Lions, Rotary and Probus to fund raise and purchase “Lights for the Elderly “ in Berowra, and then “Heated Throw Rugs and Blankets” and gained the support of The Bush Tele to help “spread the word” .

This attempt to do something more for the Elderly in Berowra has now resulted in establishing a connection with Hornsby Community Transport, and the commencement of a weekly “Bus Shopping service “to the Berowra Village Shopping Centre.

I again wish to thank the shareholders for establishing this community resource and welcome you to call in to say “hello” and to be part of our social media. So join our Facebook and link the stories, like or tag the posts, pass on the emails to help spread the message and keep the Berowra Community Bank Branch front of mind with those in the community, so when they think of banking services, they think of us.

**Josie Fonti**

**Branch Manager**

# Berowra & District Financial Services Limited

## Bendigo and Adelaide Bank Limited

### Report to Community Bank Companies

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**

# Berowra & District Financial Services Limited

## Directors' Report

Your directors submit the financial statements of the company for the financial year ended 30 June 2019.

### Directors

The names and details of the company's directors who held office during or since the end of the financial year:

Roman Zeno Tarnawsky

Chair

Occupation: Management Consultant

Qualifications, experience and expertise: GAICD, Grad Dip Mgmt Admin, Dip Mechanical Engineering, Dip Civil Engineering. Roman's career has provided experience in engineering, logistics and retail marketing, including franchising and business to business marketing. Roman was appointed to the board on 28 February 2017 and is a director for Ku-ring-gai Financial Services Limited.

Special responsibilities: Board Chair, Human Resources Committee

Interest in shares: Nil

Bruce John Waterhouse

Director

Occupation: Retired

Qualifications, experience and expertise: Bruce worked in the financial industry for 32 years, followed by 10 years in sports administration. He has been employed by Royal Agricultural Society of NSW on a casual basis for 42 years. He has been involved in football as a player, coach and official for almost 60 years. He is a life member of Berowra Football Club as well as Lindfield Football Club and Northern Suburbs Football Association.

Special responsibilities: Audit & Finance Committee

Interest in shares: Nil

Gregory Stephen Steptoe

Director

Occupation: Retired

Qualifications, experience and expertise: Gregory is a retired public service administrator, a qualified Justice of the Peace, and the Treasurer of the Berowra Football Club.

Special responsibilities: Human Resources Committee

Interest in shares: Nil

Thomas Zachary Collins

Director

Occupation: Self-employed

Qualifications, experience and expertise: Thomas is currently running a private investment business, following a 20 year career in accounting and management with companies including PriceWaterhouse Coopers, Volvo, Pacific Brands, Coleman Brands, and finally as Finance Director for Australia and New Zealand, first for Pure Fishing Australia and then for Jarden Australia, a subsidiary of a Fortune 500 NYSE listed company. Thomas is a chartered accountant by profession. He has continually worked with or as part of company executive management, initially as a member of the Institute of Chartered Accountants in Australia, and more recently as a member of the Chartered Institute of Management Accountants. He has been an active member of the Mt Ku-ring-gai RFS Brigade, managed and coached for the Mt Colah Colts Football Club, lived in Mt Ku-ring-gai for over 10 years, and his children attend Mt Ku-ring-gai Public School.

Special responsibilities: Treasurer, Business Development Committee, Audit & Finance Committee

Interest in shares: Nil

# Berowra & District Financial Services Limited

## Directors' Report

### **Directors (continued)**

Elisabeth Patama Sher Fung Goh

Director

Occupation: Senior Policy Officer, Department of Justice

Qualifications, experience and expertise: Elisabeth has been named and awarded one of Australia's 30 Under 30 Entrepreneurs and the Blackmore's Maurice Whelan Women and Wellbeing member in 2018 for her work with young people. As a passionate advocate and speaker for mental health, she has used her skills as the community engagement manager of Art of Smart Education and as Senior Policy Officer at NSW Victims Services in the space of policy and legal

Special responsibilities: Business Development Committee

Interest in shares: Nil

Robert Wawrzyniak

Director (*Appointed 30 October 2018*)

Occupation: Retired

Qualifications, experience and expertise: Robert has over 40 years experience in Banking and Finance and has held Senior Executive roles with both retail and institutional banks. Robert has been a member of the NSW Rural Fire Service for over 10 years and is currently an Officer with the Hornsby Heights Brigade. Robert hold a Bachelor of Commerce, MBA, CPA, FFIN.

Special responsibilities: Risk Committee

Interest in shares: Nil

Lewis Barton Williams

Director (*Appointed 30 April 2019*)

Occupation: Banker

Qualifications, experience and expertise: Lewis has over 30 years commercial banking experience with major domestic and international banks. Lewis holds a graduate diploma of Management from AGSM and is a member of the Australian Institute of Company Directors. Lewis is skilled in Business Developments, Risk Management and Team Leadership. He has previously been Credit Director for NAB (Sep 2016 - Apr 2018) and is current Senior Business Manager for Community Sector Banking (Jun 2018 - Present).

Special responsibilities: Marketing & Community Committee

Interest in shares: Nil

Gillian Reed

Director and Secretary (*Deceased 26 March 2019*)

Occupation: Accountant

Qualifications, experience and expertise: Gillian owned an accounting practice providing accountancy and taxations services to sole traders, partnerships, companies, trusts and SMSFs. Gillian had been a Member and Secretary of the Rotary Club of Thornleigh, member of Hornsby Chamber of Commerce, ASIC registered agent and Justice of the Peace.

Special responsibilities: Treasurer (to March 2018), Audit & Finance Committee.

Interest in shares: Nil

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

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

### **Company Secretary**

The company secretary is Ian Greentree. Ian was appointed to the position of secretary on 26 March 2019.

Ian has a Diploma in Law, admitted as a Solicitor to the Supreme Court of NSW, Associate Diploma in Accounting, member of Institute of Public Accountants, Retired Member of Governance Institute of Australia and previously held the position of assistant Company Secretary of Advance Bank Australia Limited.

# Berowra & District Financial Services Limited

## Directors' Report

### Principal Activities

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

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

### Operating results

Operations have continued to perform in line with expectations. The profit/(loss) of the company for the financial year after provision for income tax was:

Year ended 30 June 2019	Year ended 30 June 2018
\$	\$
(19,962)	74,304

### Dividends

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

### Significant changes in the state of affairs

In the opinion of the directors 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 since the end of the financial year

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

### Likely developments

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

### Environmental regulation

The company is not subject to any significant environmental regulation.

### Directors' benefits

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.

### Indemnification and insurance of directors and officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

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 or a related body corporate.

# Berowra & District Financial Services Limited

## Directors' Report

### Directors' meetings

The number of directors' meetings attended by each of the directors of the company during the year were:

	Directors' Meetings	
	<u>Eligible</u>	<u>Attended</u>
Roman Zeno Tarnawsky	11	11
Bruce John Waterhouse	11	10
Gregory Stephen Steptoe	11	10
Thomas Zachary Collins	11	11
Elisabeth Patama Sher Fung Goh	11	4
Robert Jan Wawrzyniak ( <i>Appointed 30 October 2018</i> )	8	4
Lewis Barton Williams ( <i>Appointed 30 April 2019</i> )	3	3
Gillian Reed ( <i>Cease 26 March 2019</i> )	6	-

### Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

### Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

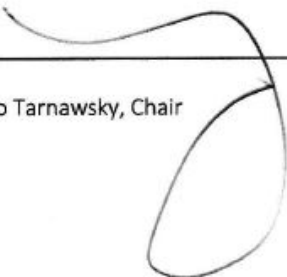
# Berowra & District Financial Services Limited Directors' Report

## **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Signed in accordance with a resolution of the board of directors at Berowra, New South Wales on 7 September 2019.

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Roman Zeno Tarnawsky, Chair





Chartered Accountants

61 Bull Street, Bendigo 3550  
PO Box 454, Bendigo 3552  
03 5443 0344  
afsbendigo.com.au

**Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Berowra & District Financial Services Limited**

As lead auditor for the audit of Berowra & District Financial Services Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the auditor independence requirements of 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.

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated: 7 September 2019

**Joshua Griffin**  
Lead Auditor

Berowra & District Financial Services Limited  
Statement of Profit or Loss and Other  
Comprehensive Income  
for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Revenue from ordinary activities	4	704,642	719,170
Employee benefits expense		(412,863)	(332,090)
Charitable donations, sponsorship, advertising and promotion		(34,629)	(31,671)
Occupancy and associated costs		(148,561)	(138,753)
Systems costs		(21,000)	(19,882)
Depreciation and amortisation expense	5	(22,706)	(24,545)
Finance costs	5	(10,313)	(5,335)
General administration expenses		(82,104)	(64,407)
<b>Profit/(loss) before income tax</b>		<b>(27,534)</b>	<b>102,487</b>
Income tax (expense)/credit	6	7,572	(28,183)
<b>Profit/(loss) after income tax</b>		<b>(19,962)</b>	<b>74,304</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>		<b>(19,962)</b>	<b>74,304</b>
<b>Earnings per share</b>		¢	¢
Basic earnings per share	22	(2.63)	9.79

The accompanying notes form part of these financial statements

# Berowra & District Financial Services Limited

## Balance Sheet

as at 30 June 2019

	Notes	2019 \$	2018 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	300	644
Trade and other receivables	8	64,196	62,910
<b>Total current assets</b>		<b>64,496</b>	<b>63,554</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	120,304	126,349
Intangible assets	10	29,993	43,423
Deferred tax asset	11	248,803	241,231
<b>Total non-current assets</b>		<b>399,100</b>	<b>411,003</b>
<b>Total assets</b>		<b>463,596</b>	<b>474,557</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	77,116	63,780
Borrowings	13	259,410	252,556
Provisions	14	29,973	22,673
<b>Total current liabilities</b>		<b>366,499</b>	<b>339,009</b>
<b>Non-current liabilities</b>			
Trade and other payables	12	15,863	31,725
Provisions	14	8,631	11,258
<b>Total non-current liabilities</b>		<b>24,494</b>	<b>42,983</b>
<b>Total liabilities</b>		<b>390,993</b>	<b>381,992</b>
<b>Net assets</b>		<b>72,603</b>	<b>92,565</b>
<b>EQUITY</b>			
Issued capital	15	728,537	728,537
Accumulated losses	16	(655,934)	(635,972)
<b>Total equity</b>		<b>72,603</b>	<b>92,565</b>

The accompanying notes form part of these financial statements

# Berowra & District Financial Services Limited

## Statement of Changes in Equity

for the year ended 30 June 2019

	Issued capital \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 July 2017</b>	728,537	(710,276)	18,261
Total comprehensive income for the year	-	74,304	74,304
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
<b>Balance at 30 June 2018</b>	<b>728,537</b>	<b>(635,972)</b>	<b>92,565</b>
<b>Balance at 1 July 2018</b>	728,537	(635,972)	92,565
Total comprehensive income for the year	-	(19,962)	(19,962)
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
<b>Balance at 30 June 2019</b>	<b>728,537</b>	<b>(655,934)</b>	<b>72,603</b>

The accompanying notes form part of these financial statements

Berowra & District Financial Services Limited  
Statement of Cash Flows  
for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		751,187	787,324
Payments to suppliers and employees		(730,421)	(647,374)
Interest paid		(10,313)	(5,335)
<b>Net cash provided by operating activities</b>	17	<b>10,453</b>	<b>134,615</b>
<b>Cash flows from investing activities</b>			
Payment for property, plant & equipment		(3,230)	-
Payments for intangible assets		(14,421)	(10,807)
<b>Net cash used in investing activities</b>		<b>(17,651)</b>	<b>(10,807)</b>
<b>Net increase/(decrease) in cash held</b>		<b>(7,198)</b>	<b>123,808</b>
Cash and cash equivalents at the beginning of the financial year		(251,912)	(375,720)
<b>Cash and cash equivalents at the end of the financial year</b>	7(a)	<b>(259,110)</b>	<b>(251,912)</b>

The accompanying notes form part of these financial statements

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2019

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### Note 1. Summary of significant accounting policies

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#### a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The company is a for-profit entity for the purpose of preparing the financial statements.

#### *Compliance with IFRS*

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates which are significant to the financial statements are disclosed in note 3.

#### *Historical cost convention*

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

#### *Comparative figures*

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

#### *Application of new and amended accounting standards*

There are two new accounting standards which have been issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 January 2018, and are therefore relevant for the current financial year.

#### *AASB 15 Revenue from Contracts with Customers*

AASB 15 replaces *AASB 111 Construction Contracts*, *AASB 118 Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The existing revenue recognition through the monthly Bendigo and Adelaide Bank Limited profit share provides an accurate reflection of consideration received in exchange for the transfer of services to the customer. Therefore based on our assessment this accounting standard has not materially affected any of the amounts recognised in the current period and is not likely to affect future periods.

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2019

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**Note 1. Summary of significant accounting policies (continued)**

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**a) Basis of preparation (continued)***AASB 9 Financial Instruments*

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces *AASB 139 Financial Instruments: Recognition and Measurement*.

Based on our assessment this accounting standard has not had any impact on the carrying amounts of financial assets or liabilities at 1 July 2018. For additional information about accounting policies relating to financial instruments, see Note 1 k).

*Application of new and amended accounting standards (continued)*

There are also a number of accounting standards and interpretations issued by the AASB that become effective in future accounting periods.

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2018. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

*AASB 16 Leases*

Only AASB 16, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

AASB 16 replaces existing leases guidance, including *AASB 117 Leases* and related Interpretations. This standard is mandatory for annual reporting periods beginning on or after 1 January 2019.

The company plans to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

The company has assessed the estimated impact that initial application of AASB 16 will have on its financial statements. The actual impacts of adopting the standard on 1 July 2019 may change.

The company will recognise new assets and liabilities for operating leases of its branch. The nature of expenses related to these leases will now change as the company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the company recognised operating lease expense on a straight-line basis over the term of the lease.

No significant impact is expected for the company's finance leases.

Based on the information currently available, the company estimates that it will recognise additional lease liabilities and new right-of-use assets of \$940,058.

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2019

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### Note 1. Summary of significant accounting policies (*continued*)

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#### a) Basis of preparation (*continued*)

##### *Economic dependency - Bendigo and Adelaide Bank Limited*

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

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

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

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 and assistance in relation to:

- the design, layout and fit out of the **Community Bank®** branch
- training for the branch manager 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
- sales techniques and proper customer relations.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.



# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2019

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### **Note 1. Summary of significant accounting policies (*continued*)**

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#### **b) 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.

Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

#### *Revenue calculation*

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

#### *Core banking products*

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

#### *Margin*

Margin is arrived at through the following calculation:

- 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.

Margin is paid on all core banking products. A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin.

The company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

#### *Commission*

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products.

#### *Fee income*

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2019

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### **Note 1. Summary of significant accounting policies (*continued*)**

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#### **b) Revenue (*continued*)**

##### *Discretionary financial contributions*

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo and Adelaide Bank Limited has also made discretionary financial payments to the company. These are referred to by Bendigo and Adelaide Bank Limited as a "Market Development Fund" (MDF).

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and donations. It is for the board to decide how to use the MDF.

The payments from Bendigo and Adelaide Bank Limited are discretionary and Bendigo and Adelaide Bank Limited may change the amount or stop making them at any time.

##### *Ability to change financial return*

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

If Bendigo and Adelaide Bank Limited makes a change to the margin or commission on core banking products and services, it must not reduce the margin and commission the company receives on core banking products and services Bendigo and Adelaide Bank Limited attributes to the company to less than 50% (on an aggregate basis) of Bendigo and Adelaide Bank Limited's margin at that time. For other products and services, there is no restriction on the change Bendigo and Adelaide Bank Limited may make.

Bendigo and Adelaide Bank Limited must give the company 30 days notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

##### *Monitoring and changing financial return*

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank®** companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank®** model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2019

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**Note 1. Summary of significant accounting policies (continued)**

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**c) Income tax***Current tax*

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

*Deferred tax*

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the entity intends to settle its tax assets and liabilities on a net basis.

*Current and deferred tax for the period*

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or gain from a bargain purchase.

**d) Employee entitlements**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

**e) Cash and cash equivalents**

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. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2019

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**Note 1. Summary of significant accounting policies (continued)**

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**f) Trade receivables and payables**

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

**g) Property, plant and equipment**

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements	5 - 15	years
- plant and equipment	2.5 - 40	years
- motor vehicles	3 - 5	years

**h) Intangibles**

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

**i) Payment terms**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

**j) Borrowings**

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

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2019

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**Note 1. Summary of significant accounting policies (continued)**

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**k) Financial instruments***Recognition and initial measurement*

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments (except for trade receivables) 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 profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

*Classification and subsequent measurement**(i) Financial liabilities*

Financial liabilities include borrowings, trade and other payables and non-derivative financial liabilities (excluding financial guarantees). They are subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

*(ii) Financial assets*

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit and loss (FVTPL).

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle amount outstanding on specified dates.

The company's trade and most other receivables are measured at amortised cost as well as deposits that were previously classified as held-to-maturity under AASB 139.

A financial asset is subsequently measured at FVOCI if it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle amount outstanding on specified dates; and
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the conditions of amortised cost and FVOCI's measurement condition are subsequently measured at FVTPL.

The company's investments in equity instruments are measured at FVTPL unless the company irrevocably elects at inception to measure at FVOCI.

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2019

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**Note 1. Summary of significant accounting policies (continued)**

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**k) Financial instruments (continued)***Derecognition**(i) Derecognition of financial liabilities*

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

*(ii) Derecognition of financial assets*

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

*Impairment*

The company recognises a loss allowance for expected credit losses on:

- financial assets that are measured at fair value through other comprehensive income;
- lease receivables;
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit of loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The company uses the simplified approach to impairment, as applicable under AASB 9. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- trade receivables that result from transactions that are within the scope of AASB 15, that contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables is used, taking into consideration various data to get to an expected credit loss, (ie diversity of its customer base, appropriate groupings of its historical loss experience etc.).

*Recognition of expected credit losses in financial statements*

At each reporting date, the entity recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2019

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**Note 1. Summary of significant accounting policies (continued)**

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**l) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**m) Provisions**

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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.

**n) Issued capital**

Ordinary shares are 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.

**o) Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

**p) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2019

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### Note 2. Financial risk management

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The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

#### (i) Market risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

#### (ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

#### (iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history.

#### *Expected credit loss assessment for Bendigo and Adelaide Bank Limited*

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited. Due to the reliance on Bendigo and Adelaide Bank Limited the company has reviewed the credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit risk exposure of the company. The most recent credit rating provided by the ratings agencies is as follows:

Ratings Agency	Long-Term	Short-Term	Outlook
Standard & Poor's	BBB+	A-2	Stable
Fitch Ratings	A-	F2	Stable
Moody's	A3	P-2	Stable

Based on the above risk ratings the company has classified Bendigo and Adelaide Bank Limited as low risk.

The company has performed a historical assessment of receivables from Bendigo and Adelaide Bank Limited and found no instances of default. As a result no impairment loss allowance has been made in relation to the Bendigo & Adelaide Bank Limited receivable as at 30 June 2019.

#### *Expected credit loss assessment for other customers*

The company has performed a historical assessment of the revenue collected from other customers and found no instances of default. As a result no impairment loss allowance has been made in relation to other customers as at 30 June 2019.

#### (iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

#### (v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.



# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2019

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### **Note 2. Financial risk management (continued)**

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#### (vi) 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 Balance Sheet.

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

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where 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 for the year ended 30 June 2019 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

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### **Note 3. Critical accounting estimates and judgements**

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Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

#### *Taxation*

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty. There is therefore a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the Statement of Profit or Loss and Other Comprehensive Income.

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2019

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### Note 3. Critical accounting estimates and judgements (*continued*)

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#### *Estimation of useful lives of assets*

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

#### *Impairment of assets*

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

<b>Note 4. Revenue from ordinary activities</b>	<b>2019</b>	<b>2018</b>
	\$	\$
Operating activities:		
- gross margin	601,928	602,121
- services commissions	16,447	24,354
- fee income	51,267	57,695
- market development fund	35,000	35,000
Total revenue from operating activities	<u>704,642</u>	<u>719,170</u>

The market development fund income is a discretionary income stream provided by our franchisor Bendigo and Adelaide Bank Limited and is calculated on the size of the deposits, loans and other financial products of the company. The funds are to be spent on marketing, advertising, donations, sponsorships and grants to market the **Community Bank®**.

Berowra & District Financial Services Limited  
Notes to the Financial Statements  
for the year ended 30 June 2019

<b>Note 5. Expenses</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Depreciation of non-current assets:		
- plant and equipment	2,515	2,616
- leasehold improvements	6,760	6,236
- motor vehicle	-	2,242
Amortisation of non-current assets:		
- franchise agreement	2,237	2,258
- franchise renewal fee	11,194	11,193
	<u>22,706</u>	<u>24,545</u>
Finance costs:		
- interest paid	<u>10,313</u>	<u>5,335</u>
- bad debts	<u>783</u>	<u>190</u>
<hr/>		
<b>Note 6. Income tax credit</b>		
The components of tax credit comprise:		
- Recoupment of prior year tax losses	(7,572)	28,183
	<u>(7,572)</u>	<u>28,183</u>
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense/(credit) as follows		
Operating profit/(loss)	(27,534)	102,487
Prima facie tax on profit from ordinary activities at 27.5% (2018: 27.5%)	(7,572)	28,183
	<u>(7,572)</u>	<u>28,183</u>
<hr/>		
<b>Note 7. Cash and cash equivalents</b>		
Cash at bank and on hand	<u>300</u>	<u>644</u>

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2019

<b>Note 7.(a) Reconciliation to cash flow statement</b>	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:			
Cash at bank and on hand		300	644
Bank overdraft	<b>13</b>	(259,410)	(252,556)
		<u>(259,110)</u>	<u>(251,912)</u>
<b>Note 8. Trade and other receivables</b>			
Trade receivables		59,497	53,981
Prepayments		4,699	8,929
		<u>64,196</u>	<u>62,910</u>
<b>Note 9. Property, plant and equipment</b>			
Leasehold improvements			
At cost		197,741	194,511
Less accumulated depreciation		(95,876)	(89,116)
		<u>101,865</u>	<u>105,395</u>
Plant and equipment			
At cost		73,516	73,516
Less accumulated depreciation		(55,077)	(52,562)
		<u>18,439</u>	<u>20,954</u>
Motor vehicles			
At cost		22,976	22,976
Less accumulated depreciation		(22,976)	(22,976)
		<u>-</u>	<u>-</u>
Total written down amount		<u>120,304</u>	<u>126,349</u>
<b>Movements in carrying amounts:</b>			
Leasehold improvements			
Carrying amount at beginning		105,395	111,631
Less: depreciation expense		(6,760)	(6,236)
Carrying amount at end		<u>98,635</u>	<u>105,395</u>
Plant and equipment			
Carrying amount at beginning		20,954	23,570
Additions		3,230	-
Less: depreciation expense		(2,515)	(2,616)
Carrying amount at end		<u>21,669</u>	<u>20,954</u>

Berowra & District Financial Services Limited  
Notes to the Financial Statements  
for the year ended 30 June 2019

<b>Note 9. Property, plant and equipment (continued)</b>	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Movements in carrying amounts (continued) :</b>		
Motor vehicles		
Carrying amount at beginning	-	2,242
Less: depreciation expense	-	(2,242)
Carrying amount at end	<u>-</u>	<u>-</u>
Total written down amount	<u>120,304</u>	<u>126,349</u>

<b>Note 10. Intangible assets</b>		
Franchise fee		
At cost	32,746	32,746
Less: accumulated amortisation	(27,774)	(25,536)
	<u>4,972</u>	<u>7,210</u>
Renewal processing fee		
At cost	113,729	113,729
Less: accumulated amortisation	(88,708)	(77,516)
	<u>25,021</u>	<u>36,213</u>
Total written down amount	<u>29,993</u>	<u>43,423</u>

<b>Note 11. Tax</b>		
<b>Non-current:</b>		
Deferred tax assets		
- tax losses carried forward	248,803	241,231
Net deferred tax asset	<u>248,803</u>	<u>241,231</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>(7,572)</u>	<u>28,183</u>

<b>Note 12. Trade and other payables</b>		
<b>Current:</b>		
Trade creditors	17,719	18,291
Other creditors and accruals	59,397	45,489
	<u>77,116</u>	<u>63,780</u>
<b>Non-current:</b>		
Other creditors and accruals	<u>15,863</u>	<u>31,725</u>

Berowra & District Financial Services Limited  
Notes to the Financial Statements  
for the year ended 30 June 2019

<b>Note 13. Borrowings</b>	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Current:</b>		
Bank overdrafts	<u>259,410</u>	<u>252,556</u>

The bank overdraft has an approved limit of \$450,000 and currently attracts an interest rate of 3.771% per agreement with Bendigo and Adelaide Bank Limited. The bank overdraft is secured by a Registered First Company Debenture Mortgage from Berowra & District Financial Services Limited.

<b>Note 14. Provisions</b>		
<b>Current:</b>		
Provision for annual leave	20,149	12,865
Provision for long service leave	9,824	9,808
	<u>29,973</u>	<u>22,673</u>
<b>Non-current:</b>		
Provision for long service leave	<u>8,631</u>	<u>11,258</u>

<b>Note 15. Issued capital</b>		
759,351 ordinary shares fully paid (2018: 759,351)	759,351	759,351
Less: equity raising expenses	(30,814)	(30,814)
	<u>728,537</u>	<u>728,537</u>

Rights attached to shares

(a) *Voting rights*

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** branch have the same ability to influence the operation of the company.

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2019

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### Note 15. Issued capital (*continued*)

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Rights attached to shares (*continued*)

(b) *Dividends*

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) *Transfer*

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the *Corporations Act 2001*.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 320. As at the date of this report, the company had 320 shareholders.

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

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Note 16. Accumulated losses	2019	2018
	\$	\$
Balance at the beginning of the financial year	(635,972)	(710,276)
Net profit/(loss) from ordinary activities after income tax	(19,962)	74,304
Balance at the end of the financial year	<u>(655,934)</u>	<u>(635,972)</u>

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Berowra & District Financial Services Limited  
Notes to the Financial Statements  
for the year ended 30 June 2019

<b>Note 17. Statement of cash flows</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by operating activities		
Profit/(loss) from ordinary activities after income tax	(19,962)	74,304
Non cash items:		
- depreciation	9,275	11,094
- amortisation	13,431	13,451
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(1,286)	6,109
- (increase)/decrease in other assets	(7,573)	28,183
- increase in payables	11,895	6,073
- increase/(decrease) in provisions	4,673	(4,599)
Net cash flows provided by operating activities	<u>10,453</u>	<u>134,615</u>

**Note 18. Leases**

Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	129,663	127,523
- between 12 months and 5 years	162,079	286,927
	<u>291,742</u>	<u>414,450</u>

The rental lease agreement on the branch premises is a non-cancellable lease with a five year term, with rent payable monthly in advance. The current lease was renewed on 22 September 2016, and contains one further option of five years available to exercise.

**Note 19. Auditor's remuneration**

Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,600	4,400
- share registry services	1,885	1,885
- non audit services	2,660	2,425
	<u>9,145</u>	<u>8,710</u>



# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2019

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**Note 20. Director and related party disclosures**

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The names of directors who have held office during the financial year are:

Roman Zeno Tarnawsky  
Bruce John Waterhouse  
Gregory Stephen Steptoe  
Thomas Zachary Collins  
Elisabeth Patama Sher Fung Goh  
Robert Jan Wawrzyniak (*Appointed 30 October 2018*)  
Lewis Barton Williams (*Appointed 30 April 2019*)  
Gillian Reed (*Cease 26 March 2019*)

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

<b>Directors Shareholdings</b>	<b>2019</b>	<b>2018</b>
Roman Zeno Tarnawsky	-	-
Bruce John Waterhouse	-	-
Gregory Stephen Steptoe	-	-
Thomas Zachary Collins	-	-
Elisabeth Patama Sher Fung Goh	-	-
Robert Jan Wawrzyniak ( <i>Appointed 30 October 2018</i> )	-	-
Lewis Barton Williams ( <i>Appointed 30 April 2019</i> )	-	-
Gillian Reed ( <i>Deceased 26 March 2019</i> )	-	-

There was no movement in directors shareholdings during the year.

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**Note 21. Key management personnel disclosures**

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No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

Berowra & District Financial Services Limited  
Notes to the Financial Statements  
for the year ended 30 June 2019

<b>Note 22. Earnings per share</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
(a) Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	(19,962)	74,304
	<b>Number</b>	<b>Number</b>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	759,351	759,351

**Note 23. Events occurring after the reporting date**

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

**Note 24. Contingent liabilities and contingent assets**

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

**Note 25. Segment reporting**

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Berowra, New South Wales pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

**Note 26. Registered office/Principal place of business**

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
Shop 9 Berowra Village Centre	Shop 9 Berowra Village Centre
1C Turner Road	1C Turner Road
Berowra Heights NSW 2082	Berowra Heights NSW 2082

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 27. Financial instruments

#### Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<b>Financial assets</b>												
Cash and cash equivalents	-	-	-	-	-	-	-	-	300	644	N/A	N/A
Receivables	-	-	-	-	-	-	-	-	59,497	53,981	N/A	N/A
<b>Financial liabilities</b>												
Interest bearing liabilities	259,410	252,556	-	-	-	-	-	-	-	-	3.92	1.72
Payables	-	-	-	-	-	-	-	-	17,719	18,291	N/A	N/A

#### Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

#### Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

#### Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

#### Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

As at 30 June 2019, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2019	2018
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	(2,594)	(2,526)
Decrease in interest rate by 1%	2,594	2,526
Change in equity		
Increase in interest rate by 1%	(2,594)	(2,526)
Decrease in interest rate by 1%	2,594	2,526

# Berowra & District Financial Services Limited

## Directors' Declaration

In accordance with a resolution of the directors of Berowra & District Financial Services Limited , we state that:

In the opinion of the directors:


- (a) the financial statements and notes of the company are 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 financial year ended on that date; and
  - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.

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Roman Zeno Tarnawsky, Chair

Signed on the 7th of September 2019.



## Independent auditor's report to the members of Berowra & District Financial Services Limited

### Report on the audit of the financial report

#### Our opinion

In our opinion, the accompanying financial report of Berowra & District 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 financial performance for the year ended; and
- ii. complying with Australian Accounting Standards.

#### What we have audited

Berowra & District Financial Services Limited's (the company) financial report comprises the:

- ✓ Statement of profit or loss and other comprehensive income
- ✓ Balance sheet
- ✓ Statement of changes in equity
- ✓ Statement of cash flows
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ The directors' declaration of the company.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We are independent of the company 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Other information

The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available 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 we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

#### **Directors' responsibility for the financial report**

The directors of the company are responsible for the preparation of the financial report that it 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 is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability 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 cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibility for the audit of the financial report**

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. Misstatement 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/home.aspx>. This description forms part of our auditor's report.



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, 3550  
Dated: 7 September 2019



**Joshua Griffin**  
Lead Auditor



## Branch Details

Backed by Australia's fifth biggest retail bank, Berowra & District Community Bank® Branch not only gives you access to award-winning financial products and services, we're also committed to returning profits to our local communities.

### Address:

1C Turner Rd  
Berowra Heights  
NSW 2082

### Services:

 ATM (can change PIN)

### Follow us:



Ph: (02) 9456 2265

Fax: (02) 9456 2342

### Operating Hours:

Mon-Fri 09:30-17:00

BSB: 633-000

