

**BEROWRA & DISTRICT  
FINANCIAL SERVICES LIMITED**

**ABN 62 116 755 938**

**ANNUAL REPORT 2020**

# Contents

Chairman’s Report.....	iii
Manager’s Report.....	vii
Bendigo and Adelaide Bank Limited Report.....	ix
Directors Report.....	1
Auditor’s Independence declaration.....	7
Statement of Profit or Loss.....	8
Balance Sheet as at 30 June 2019.....	9
Statement of Changes in Equity for the year ended 30 June 2019.....	10
Statement of Cashflows for the year ended 30 June 2019.....	11
Notes to Financial Statements.....	12
Directors’ Declaration.....	45
Independent Auditor’s report.....	46

# 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 2020.

I say pleasure, despite a year of catastrophic fires and pandemics, which have made a difficult business environment significantly harder. The pleasure is in being able to serve the shareholders and help our community in these times, with the board working towards ensuring the branch continues to grow and adapts to all the challenges it faces.

In these very difficult times, very difficult decisions have had to be made to both deal with current business conditions and to set the branch up to succeed in a changing banking and economic environment. For the three years I have been on the board, the focus has been on adapting the branch to changing customer banking needs, so we can be more relevant to more customers and grow the business and ultimately provide a return to shareholders and the community.

These changes had been implemented by offering alternate roles to existing staff or, as the opportunity presented itself in terms of staff replacements, changing the roles and seeking new staff with the required skills and experience. The advent of COVID-19 and the need to think about the branch lease renewal in 2021 has resulted in the need for more rapid change, which has been difficult and painful.

To address the current and future challenges the board approved staff role changes which occurred after the year's end. With a view to reducing the size of the branch in line with reduced counter transactions, at the end of July three part time roles were made redundant and replaced with one full time role.

The decision reflected the need to structure staffing in line with customer demands, with reduced counter transactions and the need to grow lending. A smaller branch with more customer lending capabilities was seen as better suited to creating a sustainable and profitable business. The rapid decline in deposit margins has added urgency to implementation of the strategic direction the board has followed over the last couple of years.

## People

The most heart-breaking outcome of the past year is that we have lost loved and respected staff and community members from our team. Wendy, Ruth, and Lisa who worked part time chose to take the redundancy offered and not apply for the new full-time role, so finished up in September of this year. Danielle also choose to pursue other interests and resigned at the same time.

On behalf of the board I would like to thank Wendy, Ruth, Lisa, and Danielle for their many years of wonderful service to both the branch and the community. Many customers have expressed their disappointment at their loss and in responding I have been at pains to highlight that the changes in roles no way reflects how we value staff, it was a decision made in response to business needs to grow and continue to serve the community in very difficult times.

In September 2020, Liz and Leila joined the team. Leila has been employed in the new full time Customer Service Officer position. Liz joins us as a Customer Service Officer replacing Danielle, bringing over eleven years of Bendigo Bank experience, having moved over from the Katoomba Community Bank branch. We welcome them both and are excited to have a refreshed team in place to serve the community.

Unrelated to recent changes, at the end of last year Jenni resigned and we wish her all the best. Rather than replacing Jenni's Customer Service Supervisor role we took the opportunity to create a Customer Relationship Officer role to grow the branch's ability to service customers' loan needs. It is with great pleasure Fahimeh started with the branch in February. She is a wonderful addition to the branch and the community.

In the face of all the change of the past year, Josie our Branch Operations Manager has held the branch together in very difficult circumstances. I take my hat off to her for being able to come in each day, serve our customers and actively engage with the community while running a branch that has gone through a very significant change in an uncertain business environment. We are very lucky to have her and I have every confidence that we will see strong growth as we come out of a disruptive period thanks to her leadership.

I would also like to call out Joe, our Mobile Relationship Manager who has added over \$10m in loans to the branches footings since starting and has started the new financial year very strongly despite COVID-19. Without this addition to the business's loan balances the issues on revenue discussed in the Operating Results would be significantly weaker. We are looking forward to a very strong 2021 from Joe.

2020 has also had changes in the board. Roman Tarnawsky resigned as Chair in November last year and from the board at the end of June. On behalf of the board, community, staff, and shareholders I would like to thank Roman on a great job managing and building the board and branch at a critical time. He stepped in at a time when the board was on the verge of collapse and has built a strong board capable of making tough decisions and making the changes needed for the long-term benefit of the branch. Without his leadership I doubt we would have a branch today or be able to navigate the current economic conditions.

Thank you also to our board, Bruce Waterhouse, Greg Steptoe, Lewis Williams, Elizabeth Goh Robert Wawrzyniak and Saurabh Bhatnagar who volunteer their valuable time to assist the branch and community. Each bring many years of knowledge, skills, and passion to the business that we could not operate without. Also, to Ian Greentree our Company Secretary who has been invaluable in assisting with governance and shareholder matters.

### **Operating results**

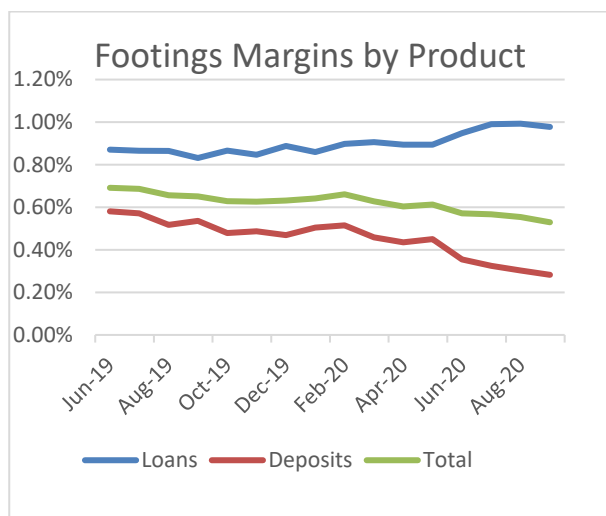
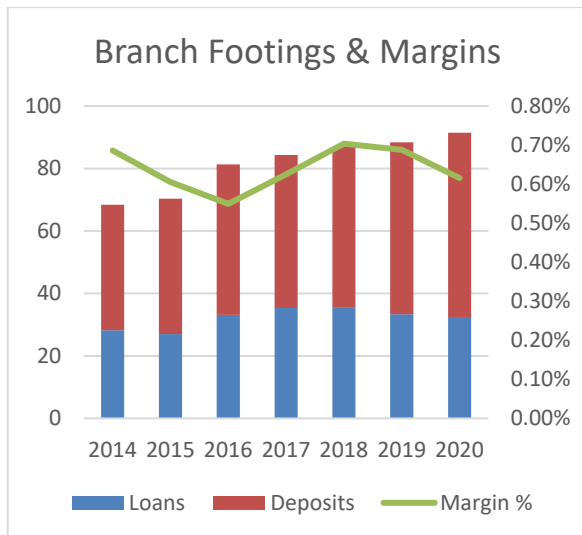
There are two core parts to the business which provide around 90% of business income, margin income on loan and deposit balances, which jointly are referred to as the branch footings. We continue to see footings grow, up \$1.4m (7%) to \$91.5m which is a great result in the current climate, however our income from footings has dropped due to lower margins, down from 69 to 62 (-10%) basis points average margin for the year. See the graph titled Branch Footings & Margins below which shows footings and margins from 2014 to 2020.

Note this is an average margin, due to RBA interest rate changes in the lead up and then in response to COVID-19, margins dropped throughout the year, such that at year end our margin was only 57 basis points, down from 69 basis points in June 2019, a 17% drop! As at the end of September 2020 it had dropped further to 53 basis points due to RBA interventions and our business mix.

The graph below titled Footings Margins by Product shows the margin movement from June 2019 to September 2020, with deposit margins dropping from 58 to 28 basis points (-51%) while loan margins increased from 87 to 98 basis points (+12%). The result is a margin squeeze to the business and given we have higher deposit balances than loan balances, it has had a very large negative impact on business income.

This is why the board is focused on growing the loan business in preference to deposits and why

we are focusing branch resources on doing so, to address a trend that will remain for at least the next 3 years. However, it takes a long time to move these figures and having the right staff structure, one that is focused on loans rather than deposit business growth is essential, which we now have.



For the year ended 30 June 2020, total revenue was up \$7,987 (+1%) to \$712,629, however this includes \$59,438 of Federal Government Cash Flow Boost payments due to COVID-19, without which revenue was down \$51,451 (-7%), due to the above explained margin impact.

Expenses increased by \$38,111 (+5%) due to higher staff costs as we had a full year cost of a Mobile Relationship Manager in 2020 but not

2019, again an investment in growing the loan book. Note that due to the introduction of new accounting standards for leases, the prior year comparisons for Occupancy, Finance and Depreciation costs are not directly comparable.

Total loss for the year was \$44,102, up from \$19,962 last year and our overdraft increased from \$259,410 to \$317,204 of a \$400,000 limit. Bendigo Bank agreed to an increase in the overdraft to \$450,000 after the financial year end to help cover the redundancy costs of staff that are leaving. We also very much appreciate Bendigo Bank waving interest charges for 3 months at the start of COVID-19.

### Community engagement

I am proud to say that despite the economic and operational stress the business is under, Josie, the team and business continue to engage with and support the community. Financially we are limited to the \$35,000 Bendigo Bank provide as the Marketing Development Fund, but the support we have been able to provide goes well beyond that as outlined in Josie's Manager's Report.

This has enabled the company to use \$21,797, to promote the branch and contribute to the community. Sponsorship and donations amounted to \$13,974 and marketing and promotion totalled \$7,823. COVID 19 delayed some of our community spend, so we expect some catch up in FY21

### Our partnership

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

On a local level we continue to enjoy a highly collaborative and supportive relationship, with our regional managers, John Carvin and Alan Fardon. They and numerous other staff in Bendigo Bank provide critical business support

for daily operations and ad hoc operational services that we would either have to go without or cost more than the business could afford.

### **Shareholder**

The board recognises the contribution shareholders have invested in this business and their patience in not receiving a dividend. The Board is very conscious of this and are committed to continue to work towards building a business that will return a dividend to shareholders

Shareholders are first among members of the community that deserve to benefit from the branch. For those who bank with us you help us work towards a day we can distribute a dividend. Your patronage and advocacy for the branch is especially important, please continue to support and direct others to the branch for banking services.

### **Outlook**

The business changes made after the year end had a single purpose – to ensure the business is able to grow and prosper so it can continue to serve the Community and eventually provide a return to shareholders. To do this it must adapt to changes in banking trends, customer needs and the current economic conditions. The board do not see that leaving things unchanged would lead to success in facing the changes and challenges ahead.

The RBA has committed to low interest rates for the next three years, hence we are unlikely to see margins improve, in particular we have to assume the margins on deposit will remain at current lows and focus on higher margin lending business. Thankfully, we now have the right roles in the branch to tackle this challenge and despite the margin challenges I am very optimistic about the branches ability to show strong loan book growth in 2021.

I hope we now enter a period of stability in terms of staffing and can grow our engagement and support in the community in line with the

business. We will be reviewing our lease which is due for renewal in September 2021 and will review options for the existing and alternate sites in coming months, but we continue to see maintaining a retail banking presence in Berowra as a core purpose.

### **Conclusion**

Unprecedented is a word that is now almost worn out, but still the only one that captures the last year. It has required changes beyond any previously made at the branch to deal with conditions no one could have imagined.

Footings have grown but revenue fell as margins fell victim to interest rate changes made to support the economy. We are in a new banking environment and consumer habits have evolved rapidly during the crisis.

Nonetheless, I am more optimistic now than at any other time that the branch is set up for success and has made the changes needed. The branch is ready to support existing customers but now more than ever is prepared to seek out and gain new customers.

I would like to thank those of our shareholders who bank with us for your continued support and ask those that don't, to give the Community Bank in Berowra a go. You have invested in this business and your support as a customer and advocate of Berowra & District Community Bank Branch remains vital in ensuring our growing success.

This year's Annual General meeting will be a virtual meeting due to COVID 19 restrictions and precautions.

Details of this meeting are outlined in the Notice of Meeting posted to Shareholders.

Through the events placed on us and with our planning for the future we are looking forward to achieving some good results in the next 12 months.

**Thomas Collins**

**Chairman**

# BANK MANAGERS REPORT

Dear Shareholders

It is my pleasure to bring you the manager's report for 2020.

I joined the Berowra and Districts Community Bank Branch in November 2018. It has been both an exciting and extremely challenging 2 years building relationships across the community and positioning the business to address the evolving demands of customers, supporting our Community through the devastating hail storm of 2018, then drought and bushfires in late 2019 and early 2020, and now the unprecedented global COVID-19 which has devastated the entire world and the ongoing changes and impact it has had on us all in so many ways.

I would like to acknowledge and recognize the resilience, and effort of everyone involved with our Berowra Community Bank branch, for the amount of hard work, passion and dedication they have put in to ensure that our business has been able to survive and indeed continue to be a source of strength, support, and security for the Community.

This could not have happened without the assistance of a great team of branch staff, the support received from our board of directors, and the Bendigo Bank management and support teams.

Our team has undergone some major changes this year with the resignation of long-standing part time CRM Danielle Knight, as well as the remainder of our long-standing team members: part time CSS's Lisa Palmer and Ruth Maher, and CSO Wendy Rayner, all accepting redundancies and leaving us in early September 2020. We also said goodbye to Jenni who chose to resign late last year. We would like to thank and acknowledge them all

for their commitment, passion and their on-going support and dedication to our customers and the Berowra Community over the years and wish them well for their future endeavours.

I would like to welcome our new team: Fahimeh Mohammadpour who joined us in February this year, and our newest members: Leila Mousavi and Liz Logue who both joined us most recently in September this year. I would also like to thank Joe Ventra our mobile relationship manager (MRM) for his contribution and assistance to the branch during the year.

Our branch team is now complete with 4 full time staff members and our MRM.

Having spent many years in retail banking at the other big banks, I am constantly amazed at the passion that customers, staff, and directors have for our Community bank. The success of the business to my mind centres on getting the message out to the rest of the community about what the branch can offer in trusted banking services and benefit to the community.

To this end, engaging with the community, meeting with schools, sports clubs and community groups to partner and get the word out has been the focus of our business development and growth. Achieving a profile in the community as a provider of comprehensive, competitive banking services and the bank that genuinely cares for customers and their community.

Our unique Community Cash program has helped explain not only the way Community Banking helps the community it is providing the process for the community to help the Community Bank.

I have met with and attended events at most of our local primary and high schools, sports

clubs and community groups that are currently active with the program, receiving unanimously positive feedback when I explain how the branch and Community Banking works.

The network of connections has led to several collaborations to support the community, working closely with respected members of the Community and Not For Profit groups such as the: Berowra Lions, Rotary, Probus and Apex clubs, to providing assistance and support such as lighting and blankets for those affected by the December storm of 2018, to establishing a bus service to the Berowra Village and Mount Ku-ring-gai shops for the elderly, raising funds and supplying much needed necessities such as water and toilet paper, for a small NSW Community town devastated by Drought, and most recently, setting up our own Community Corner” stand in the branch, where the CWA ladies continue to supply and sell their delicious home-made jams and relishes, and colourful face masks. They have managed to raise over \$9000 towards their Drought and Bush-fire relief fundraising efforts after COVID-19 prevented them from holding their market stalls. A powerful message and story, at no cost to the branch!

We will continue to assist these Not For Profit groups and support the great work they do in our community, with our “Community Corner” becoming a permanent installation in the branch as a “collection point” and “store” while they are still limited with COVID-19 restrictions.

This year has been an extremely challenging year in many ways for us all, however, as an Essential Service our doors have remained open, and we have been proud to have continued to serve our customers and the community, despite the constant challenges

and changes brought about by such an unprecedented events and the impact these have had in so many ways on us all, and indeed the entire world!

Facebook, other social media emails, Zoom and Microsoft meetings, and digital marketing have become an especially important means of communication, with so many businesses having to adapt and so many people still working from home.

We are extremely proud to maintain our Community Bank point of difference and continue to be here for the Community!

So please link any of our stories , “like” or “tag” our posts and pass on any of our emails and links, to help spread the message and keep the Community Bank Berowra Branch front of mind with those in the community, so when they think of banking - they bank with us!

I would like to especially thank the voluntary Board of Directors for their support and guidance since I joined the branch. They are a passionate group of people who give freely of their own time, doing an unrecognised job for the benefit of the community. It is always an enjoyable experience to work with you as we continue to grow and expand the business together.

Finally, on behalf of our branch, I wish to thank all our customers and shareholders for their support and trust that our personal service and commitment to the community will ensure the continued future success of the Berowra & District Community Bank branch. We value each and every one of our customers who entrust us with their banking.

**Josie Fonti**  
**Branch Manager.**



# 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

---

ABN: 62 116 755 938

Financial Report

For the year ended

30 June 2020

# Berowra & District Financial Services Limited

## Directors' Report

The directors present the financial statements of the company for the financial year ended 30 June 2020.

---

### Directors

---

The directors of the company who held office during or since the end of the financial year are:

Thomas Zachary Collins

Non-executive 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 NYSX 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 lived in Mt Ku-ring-gai for over 15 years and supported the community, serving in the Mt Ku-ring-gai RFS Brigade, managed and coached for the Mt Colah Colts Football Club and his children attend Mt Ku-ring-gai Public School.

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

Interest in shares: nil share interest held

Bruce John Waterhouse

Non-executive 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 share interest held

Gregory Stephen Steptoe

Non-executive 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 share interest held

Elisabeth Patama Sher Feng Goh

Non-executive director

Occupation: Principal Policy Officer

Qualifications, experience and expertise: Elisabeth Goh is an experienced policy officer who has worked primarily in the NSW Government. She has a Bachelor of Arts with a Bachelor of Laws from Macquarie University, and is currently completing a Masters of Strategy and Security at the Australian Defence Force Academy. She is a mental health advocate and holds further board positions with KYDS Youth Development Service and One Eighty.

Special responsibilities: Business Development and Community Committee

Interest in shares: nil share interest held

# Berowra & District Financial Services Limited

## Directors' Report

---

### **Directors (continued)**

---

Robert Wawrzyniak

Non-executive director

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 share interest held

Lewis Barton Williams

Non-executive director

Occupation: Banker

Qualifications, experience and expertise: Lewis has over 30 years experience with major domestic and international banks. Lewis holds a Graduate Diploma in Management from the Australian Graduate School of Management and is a Graduate Member of the Australian Institute of Company Directors. Lewis is skilled in Business Development, Risk Management and Organisational Culture.

Special responsibilities: Business Development and Community Committee

Interest in shares: nil share interest held

Sarurabh Bhatnager

Non-executive director (appointed 26 September 2019)

Occupation: Financial Services Consultant

Qualifications, experience and expertise: Saurabh works as a Financial Services Consultant and brings to the board over 24 years' experience as a Senior and State Manager in the banking industry gained in Australia, United Kingdom and the Middle East. This experience includes corporate banking, risk management and team management. He holds a Bachelor of Economics, Master of Business Finance and MBA. He is a member of the Australian Institute of Company Directors. Saurabh has held positions with Commonwealth Bank, HSBC, Bank of Western Australia and ANZ.

Special responsibilities: Nil

Interest in shares: nil share interest held

Roman Zeno Tarnawsky

Director (resigned 30 June 2020)

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: Human Resources Committee

Interest in shares: nil share interest held

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

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

# Berowra & District Financial Services Limited

## Directors' Report

---

### Company Secretary

---

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

---

### Principal activity

---

The principal activity of the company during the financial year was facilitating Community Bank services under management rights of Bendigo and Adelaide Bank Limited (Bendigo Bank).

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

---

### Operating results

---

The loss of the company for the financial year after provision for income tax was:

Year ended 30 June 2020	Year ended 30 June 2019
\$	\$
(44,102)	(19,962)

---

### Directors' interests

---

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Thomas Zachary Collins	-	-	-
Bruce John Waterhouse	-	-	-
Gregory Stephen Steptoe	-	-	-
Elisabeth Patama Sher Feng Goh	-	-	-
Robert Wawrzyniak	-	-	-
Lewis Barton Williams	-	-	-
Sarurabh Bhatnager	-	-	-
Roman Zeno Tarnawsky	-	-	-

---

### Dividends

---

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

---

### New Accounting Standards implemented

---

The company has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: *Leases* (AASB 16) has been applied retrospectively without restatement of comparatives by recognising the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: *Leases*. See note 4 for further details.

# Berowra & District Financial Services Limited

## Directors' Report

---

### **Significant changes in the state of affairs**

---

During the financial year, the Australian economy was greatly impacted by COVID-19. Bendigo Bank, as franchisor, announced a suite of measures aimed at providing relief to customers affected by the COVID-19 pandemic. The relief support and uncertain economic conditions has not materially impacted the company's earnings for the financial year. As the pandemic continues to affect the economic environment, uncertainty remains on the future impact of COVID 19 to the company's operations.

In the opinion of the directors there were no other 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.

# Berowra & District Financial Services Limited

## Directors' Report

---

### 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.

---

### Directors' meetings

---

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

	Board Meetings Attended	
	<i>E</i>	<i>A</i>
Thomas Zachary Collins	11	11
Bruce John Waterhouse	11	7
Gregory Stephen Steptoe	11	7
Elisabeth Patama Sher Feng Goh	11	9
Robert Wawrzyniak	11	8
Lewis Barton Williams	11	10
Sarurabh Bhatnager	9	9
Roman Zeno Tarnawsky	11	11

*E* - eligible to attend

*A* - number attended

---

### 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*.

# Berowra & District Financial Services Limited

## Directors' Report

---

### 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 note 27 to the accounts.

The board of directors has considered the non-audit services provided during the year by the auditor and, in accordance with the advice received from the Board and, is satisfied that the provision of the non-audit services is compatible with, and 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, integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

---

### 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 7.

Signed in accordance with a resolution of the directors at Berowra, New South Wales.



---

Thomas Zachary Collins, Chairman

Dated this 14th day of September 2020



**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 2020, 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: 14 September 2020



**Joshua Griffin**  
Lead Auditor

Berowra & District Financial Services Limited  
Statement of Profit or Loss and Other  
Comprehensive Income  
for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Revenue from contracts with customers	8	618,191	669,642
Other revenue	9	94,438	35,000
Employee benefit expenses	10c)	(477,907)	(412,863)
Charitable donations, sponsorship, advertising and promotion		(21,797)	(34,629)
Occupancy and associated costs		(17,465)	(148,561)
Systems costs		(20,692)	(21,000)
Depreciation and amortisation expense	10a)	(106,525)	(22,706)
Finance costs	10b)	(42,697)	(10,313)
General administration expenses		(83,204)	(82,104)
<b>Loss before income tax credit</b>		<b>(57,658)</b>	<b>(27,534)</b>
Income tax credit	11a)	13,556	7,572
<b>Loss after income tax credit</b>		<b>(44,102)</b>	<b>(19,962)</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>		<b>(44,102)</b>	<b>(19,962)</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
- Basic and diluted loss per share:	28a)	(5.81)	(2.63)

The accompanying notes form part of these financial statements

Berowra & District Financial Services Limited  
Statement of Financial Position  
as at 30 June 2020

	Notes	2020 \$	2019 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	12a)	1,067	300
Trade and other receivables	13a)	52,840	64,196
<b>Total current assets</b>		<b>53,907</b>	<b>64,496</b>
<b>Non-current assets</b>			
Property, plant and equipment	14a)	112,558	120,304
Right-of-use assets	15a)	516,290	-
Intangible assets	16a)	16,562	29,993
Deferred tax asset	17a)	315,188	248,803
<b>Total non-current assets</b>		<b>960,598</b>	<b>399,100</b>
<b>Total assets</b>		<b>1,014,505</b>	<b>463,596</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	18a)	39,545	77,116
Loans and borrowings	19a)	317,204	259,410
Lease liabilities	20b)	95,510	-
Employee benefits	22a)	43,759	29,973
<b>Total current liabilities</b>		<b>496,018</b>	<b>366,499</b>
<b>Non-current liabilities</b>			
Trade and other payables	18b)	-	15,863
Lease liabilities	20c)	583,690	-
Employee benefits	22b)	11,667	8,631
Provisions	21a)	33,905	-
<b>Total non-current liabilities</b>		<b>629,262</b>	<b>24,494</b>
<b>Total liabilities</b>		<b>1,125,280</b>	<b>390,993</b>
<b>Net assets/(net liabilities)</b>		<b>(110,775)</b>	<b>72,603</b>
<b>EQUITY</b>			
Issued capital	23a)	728,537	728,537
Accumulated losses	24	(839,312)	(655,934)
<b>Total equity</b>		<b>(110,775)</b>	<b>72,603</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 2020

	Notes	Issued capital \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 July 2018</b>		728,537	(635,972)	92,565
Total comprehensive income for the year		-	(19,962)	(19,962)
<b>Balance at 30 June 2019</b>		<b>728,537</b>	<b>(655,934)</b>	<b>72,603</b>
<b>Balance at 1 July 2019</b>		728,537	(655,934)	72,603
Effect of AASB 16: Leases	3d)	-	(139,276)	(139,276)
<b>Restated balance at 1 July 2019</b>		728,537	(795,210)	(66,673)
Total comprehensive income for the year		-	(44,102)	(44,102)
<b>Balance at 30 June 2020</b>		<b>728,537</b>	<b>(839,312)</b>	<b>(110,775)</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 2020

	Notes	2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		786,163	751,187
Payments to suppliers and employees		(698,400)	(730,421)
Interest paid		(6,701)	(10,313)
Lease payments (interest component)	10b)	(34,413)	-
Lease payments not included in the measurement of lease liabilities	10d)	(7,036)	-
<b>Net cash provided by operating activities</b>	25	<b>39,613</b>	<b>10,453</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(1,624)	(3,230)
Payments for intangible assets		(14,421)	(14,421)
<b>Net cash used in investing activities</b>		<b>(16,045)</b>	<b>(17,651)</b>
<b>Cash flows from financing activities</b>			
Lease payments (principal component)	20a)	(80,596)	-
<b>Net cash used in financing activities</b>		<b>(80,596)</b>	-
<b>Net cash decrease in cash held</b>		<b>(57,028)</b>	<b>(7,198)</b>
Cash and cash equivalents at the beginning of the financial year		(259,110)	(251,912)
<b>Cash and cash equivalents at the end of the financial year</b>	12b)	<b>(316,138)</b>	<b>(259,110)</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 2020

---

### Note 1 Reporting entity

---

This is the financial report for Berowra & District Financial Services Limited (the company). The company is a for profit entity limited by shares, and incorporated and domiciled in Australia.

The registered office and principal place of business is:

Principal Place of Business	Principal Place of Business
1C Turner Road	1C Turner Road
Berowra Heights NSW 2082	Berowra Heights NSW 2082

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 28.

---

### Note 2 Basis of preparation and statement of compliance

---

#### *Basis of preparation and statement of compliance*

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The financial statements have been prepared on an accrual and historical cost basis, except for certain properties, financial instruments, and equity financial assets that are measured at revalued amounts or fair values at the end of each reporting period.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 14 September 2020.

#### *Going concern*

The financial statements for the financial year ended 30 June 2020 have been prepared on the basis that the company is a going concern and it would continue its operations for a foreseeable future.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report. As disclosed in the financial statements, the company's financial position is as follows:

	2020 \$	2019 \$	Percentage change
Current assets	53,907	64,496	(16.42%)
Current liabilities	496,018	366,499	35.34%
Working capital (deficiency)	(442,111)	(302,003)	46.39%
Total assets	1,014,505	463,596	118.83%
Total liabilities	1,125,280	390,993	187.80%
Net assets/(liabilities)	(110,775)	72,603	(252.58%)
Accumulated losses	(839,312)	(655,934)	27.96%
(Loss) before tax	(57,658)	(27,534)	109.41%
(Loss) after tax	(44,102)	(19,962)	120.93%
Operating cash inflows (outflows)	39,613	10,453	278.96%
Cash and cash equivalents	(316,138)	(259,110)	22.01%
Available overdraft and borrowing facilities	82,796	190,590	(56.56%)

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2020

---

### Note 2 Basis of preparation and statement of compliance *(continued)*

---

#### *Going concern (continued)*

The company meets its day to day working capital requirements through an overdraft facility that is due for renewal on 29 October 2020. The overdraft has an approved limit of \$400,000 and was drawn to \$317,204 as at 30 June 2020.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current overdraft facility to meet its current obligations.

The current economic environment is difficult and while revenue has increased the company has again reported an operating loss for the year. Revenue only increased this financial year due to the \$59,438 cash flow boost received. The directors' consider that the outlook presents significant challenges in terms of banking business volume and pricing as well as for operating costs. Whilst the directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows.

The company has also obtained an undertaking of support from Bendigo Bank that it will continue to support the company and its operations for the next 12 months. This support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo Bank to further develop its business.

The directors have concluded that the combination of the circumstances above represents a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern and that, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

---

### Note 3 Changes in accounting policies, standards and interpretations

---

The company initially applied AASB 16 *Leases* from 1 July 2019. AASB Interpretation 23 *Uncertainty over Income Tax Treatments* is also effective from 1 July 2019 but is not expected to have a material impact on the company's financial statements. The company's existing policy for uncertain income tax treatments is consistent with the requirements in Interpretation 23.

The company has implemented a new Accounting Standard which has come into effect and is included in the results. AASB 16: *Leases* (AASB 16) has been applied retrospectively without restatement of comparatives by recognising the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: *Leases*.

#### **a) Definition of a lease**

Previously, the company determined at contract inception whether an arrangement was or contained a lease under Interpretation 4 *Determining whether an Arrangement contains a Lease*. The company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4m.

On transition to AASB 16, the company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The company applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed for whether there is a lease under AASB 16. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

Berowra & District Financial Services Limited  
Notes to the Financial Statements  
for the year ended 30 June 2020

---

**Note 3**      **Changes in accounting policies, standards and interpretations**    *(continued)*

---

**b) As a lessee**

As a lessee, the company leases property and IT equipment. The company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to the ownership of the underlying asset to the company. Under AASB 16, the company recognises right-of-use assets and lease liabilities for most of these leases (i.e. these leases are on balance sheet).

*Leases classified as operating leases under AASB 117*

Previously, the company classified property and IT equipment leases as operating leases under AASB 117. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the company's incremental borrowing rate as at 1 July 2019.

Right-of-use assets are measured at either:

- their carrying amount as if AASB 16 had been applied since the lease commencement date, discounted using the company's incremental borrowing rate at the date of initial application: the company applied this approach to its property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments; the company applied this approach to all other leases.

The company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The company has used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. The practical expedients include that the company:

- did not recognise right-of-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. office equipment and IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term on contracts that have options to extend or terminate.

**c) As a lessor**

The company is not a party in an arrangement where it is a lessor. The company is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor.



# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2020

---

### Note 3 Changes in accounting policies, standards and interpretations *(continued)*

---

#### d) Impact on financial statements

On transition to AASB 16, the company recognised additional right-of-use assets, and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

<i>Impact on equity presented as increase (decrease)</i>	<b>Note</b>	<b>1 July 2019</b>
		<b>\$</b>
<b>Asset</b>		
Right-of-use assets - land and buildings	15a)	600,013
Deferred tax asset	17a)	52,829
<b>Liability</b>		
Lease liabilities	20a)	(759,796)
Provision for make-good	21b)	(32,322)
<b>Equity</b>		
Accumulated losses		<u>(139,276)</u>

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 4.79%.

#### *Lease liabilities reconciliation on transition*

Operating lease disclosure as at June 2019	291,742
Add: additional options now expected to be exercised	648,315
Less: AASB 117 lease commitments reconciliation	(40,900)
Less: present value discounting	(139,361)
Lease liability as at 1 July 2019	<u>759,796</u>

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2020

---

### Note 4 Summary of significant accounting policies

---

The company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise (see also Note 3).

#### a) Revenue from contracts with customers

The company has entered into a franchise agreement with Bendigo Bank. The company delivers banking and financial services of Bendigo Bank to its community. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the company. Interest margin share is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the company's right to receive the payment is established.

The company acts as an agent under the franchise agreement and revenue arises from the rendering of services through its franchise agreement.

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement. Under AASB 15 *Revenue from Contracts with Customers* (AASB 15), revenue recognition for the company's revenue stream is as follows:

<u>Revenue</u>	<u>Includes</u>	<u>Performance obligation</u>	<u>Timing of recognition</u>
Franchise agreement profit share	Margin, commission, and fee income	When the company satisfies its obligation to arrange for the services to be provided to the customer by the supplier (Bendigo Bank as franchisor).	On completion of the provision of the relevant service. Revenue is accrued monthly and paid within 10 business days after the end of each month.

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 Bank 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.

#### *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 Bank for a deposit,
- *minus* any costs of funds i.e. interest applied by to fund a loan.

The company is entitled to a share of the margin earned by Bendigo Bank. If this reflects a loss, the company incurs a share of that loss.

#### *Commission*

Commission revenue is in the form of commission generated for products and services sold. This commission is recognised at a point in time which reflects when the company has fulfilled its performance obligation.

The company receives trailing commission for products and services sold. Ongoing trailing commission payments are recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission income is outside the control of the company, and is a significant judgement area.

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2020

---

### Note 4 Summary of significant accounting policies *(continued)*

---

#### a) Revenue from contracts with customers *(continued)*

##### *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.

##### *Core banking products*

Bendigo Bank has identified some 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.

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

Under the franchise agreement, Bendigo Bank 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 Bank

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.

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

#### b) Other revenue

The company's activities include the generation of income from sources other than the core products under the franchise agreement. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured.

<u>Revenue</u>	<u>Revenue recognition policy</u>
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

All revenue is stated net of the amount of Goods and Services Tax (GST).

##### *Discretionary financial contributions*

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo Bank has also made MDF payments to the company.

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 grants. It is for the board to decide how to use the MDF.

The payments from Bendigo Bank are discretionary and may change the amount or stop making them at any time. The company retains control over the funds, the funds are not refundable to Bendigo Bank.

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2020

---

### Note 4 Summary of significant accounting policies *(continued)*

---

#### b) Other revenue *(continued)*

##### *Cash flow boost*

During the financial year, in response to the COVID-19 outbreak, *Boosting Cash Flow for Employers (Coronavirus Economic Response Package) Act 2020* (CFB Act) was enacted. The purpose was to provide temporary cash flow to small and medium businesses that employ staff and have been affected by the economic downturn associated with COVID-19.

The amounts received or receivable is in relation to amounts withheld as withholding tax reported in the activity statement. This essentially subsidises the company's obligation to remit withholding tax to the Australian Taxation Office. For reporting purposes, the amounts subsidised are recognised as revenue.

The amounts are not assessable for tax purposes and there is no obligation to repay the amounts when the cash flow of the company improves.

#### c) Economic dependency - Bendigo Bank

The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The current five year franchise agreement expires in September 2020. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry.

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank.

The company operates as a franchise of Bendigo Bank, using the name "Bendigo Bank" and the logo and system of operations of Bendigo Bank. The company manages the Community Bank on behalf of Bendigo Bank, however all transactions with customers conducted through the Community Bank are effectively conducted between the customers and Bendigo Bank.

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, 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 Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

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 Bank 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 Bank provides significant assistance in establishing and maintaining the Community Bank 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 premises
- 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.

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2020

---

### Note 4 Summary of significant accounting policies *(continued)*

---

#### d) Employee benefits

##### *Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages (including non-monetary benefits), annual leave, and sick leave which are expected to be wholly settled within 12 months of the reporting date. They are measured at amounts expected to be paid when the liabilities are settled, plus related on-costs. Expenses for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

An annual leave liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

##### *Defined superannuation contribution plans*

The company contributes to a defined contribution plan. Obligations for superannuation contributions to defined contribution plans are expensed as the related service is provided.

Contributions to a defined contribution plan are expected to be settled wholly before 12 months after the end of the financial year in which the employees render the related service.

##### *Other long-term employee benefits*

The company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods.

That benefit is discounted to determine its present value. Consideration is given to expected future wage and salary levels plus related on-costs, experience of employee departures, and years of service achieved. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimate future cash outflows.

Remeasurements are recognised in profit or loss in the period in which they arise.

#### e) Taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

##### *Current income tax*

Current tax assets and liabilities are measured at amounts expected to be recovered from or paid to the taxation authorities. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

##### *Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for all deductible temporary differences, carried-forward tax losses, and unused tax credits to the extent that it is probable that future taxable profits will be available against which they can be used.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2020

---

**Note 4 Summary of significant accounting policies (continued)**

---

**e) Taxes (continued)***Deferred tax (continued)*

Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

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.

*Goods and Services Tax*

Revenues, expenses and assets are recognised net of the amount of GST, except:

- when the amount of GST incurred on a sale or purchase of assets or services is not payable to or 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 revenue or expense item.
- when 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 statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

**f) Cash and cash equivalents**

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise: cash on hand, deposits held with banks, and short-term, highly liquid investments (mainly money market funds) that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. Bank overdrafts are shown as current liabilities within loans and borrowings in the statement of financial position.

**g) Property, plant and equipment***Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

*Subsequent expenditure*

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the company.

*Depreciation*

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line method over their estimated useful lives, and is recognised in profit or loss.

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2020

---

### Note 4 Summary of significant accounting policies *(continued)*

---

#### g) Property, plant and equipment *(continued)*

##### *Depreciation (continued)*

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Leasehold improvements	Straight-line	5 to 40 years
Plant and equipment	Straight-line	1 to 40 years
Motor vehicles	Straight-line	8 years

Depreciation methods, useful life, and residual values are reviewed at each reporting date and adjusted if appropriate.

#### h) Intangible assets

Intangible assets of the company include the franchise fees paid to Bendigo Bank conveying the right to operate the Community Bank franchise.

##### *Recognition and measurement*

Intangible assets acquired separately are measured on initial recognition at cost.

##### *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

##### *Amortisation*

Intangible assets are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

The estimated useful life and amortisation method for the current and comparative periods are as follows:

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)

Amortisation methods, useful life, and residual values are reviewed at each reporting date and adjusted if appropriate.

#### i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset or one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade debtors and creditors, cash and cash equivalents, borrowings, leases.

Sub-note i) and j) refer to the following acronyms:

<u>Acronym</u>	<u>Meaning</u>
FVTPL	Fair value through profit or loss
FVTOCI	Fair value through other comprehensive income
SPPI	Solely payments of principal and interest
ECL	Expected credit loss
CGU	Cash-generating unit

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2020

---

### Note 4 Summary of significant accounting policies *(continued)*

---

#### i) Financial instruments *(continued)*

##### *Recognition and initial measurement*

Trade receivables are initially recognised when they originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to the acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

##### *Classification and subsequent measurement*

###### Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVTOCI - debt investment; FVTOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. On initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

###### Financial assets - business model assessment

The company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed.

###### Financial assets - subsequent measurement and gains and losses

- Financial assets at amortised cost      These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

###### Financial liabilities - classification, subsequent measurement and gains and losses

Borrowings and other financial liabilities (including trade payables) are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Any gain or loss on derecognition is also recognised in profit or loss.



# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2020

---

### Note 4 Summary of significant accounting policies *(continued)*

---

#### i) Financial instruments *(continued)*

##### *Derecognition*

##### Financial assets

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Where the company enters into transactions where it transfers assets recognised in the statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred asset, the transferred assets are not

##### Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. The company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

##### *Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

#### j) Impairment

##### *Non-derivative financial assets*

The company recognises a loss allowance for ECL on its trade receivables.

ECL's 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.

In measuring the ECL, a provision matrix for trade receivables is used, taking into consideration various data to get to an ECL, (ie diversity of 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.

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 14 days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no impairment loss allowance has been made in relation to trade receivables as at 30 June 2020.

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2020

---

### Note 4 Summary of significant accounting policies *(continued)*

---

#### j) Impairment *(continued)*

##### *Non-financial assets*

At each reporting date, the company reviews the carrying amount of its non-financial assets (other than investment property, contracts assets, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The company has assessed for impairment indicators and noted no material impacts on the carrying amount of non-financial assets.

#### k) Issued capital

##### *Ordinary shares*

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.

#### l) 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.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a

The estimated provisions for the current and comparative periods are to restore the premises under a 'make-good' clause.

The company is required to restore the leased premises to its original condition before the end of the lease term. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements, ATM installed at the branch, and incidental damage caused from the removal of assets.

#### m) Leases

The company has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and Interpretation 4. The details of accounting policies under AASB 117 and Interpretation 4 are disclosed separately.

##### *Policy applicable from 1 July 2019*

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into, on or after 1 July 2019.

##### As a lessee

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of property the company has elected not to separate lease and non-lease components and account for the lease and non-lease components as a single lease component.

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2020

---

### Note 4 Summary of significant accounting policies *(continued)*

---

#### m) Leases *(continued)*

*Policy applicable from 1 July 2019 (continued)*

##### As a lessee *(continued)*

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term or the costs of the right-of-use asset reflects that the company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate.

The company determines its incremental borrowing rate by obtaining interest rates from funding sources and where necessary makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual guarantee; and
- the exercise price under a purchase option the company is reasonable certain to exercise, lease payments in an option renewal period if the company is reasonably certain to exercise that option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

##### Short-term leases and leases of low-value assets

The company has elected not to recognise right-of-use assets and lease liabilities for leases of short-term leases and low-value assets, including IT equipment. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

A short-term lease is lease that, at commencement date, has a lease term of 12 months or less.

##### As a lessor

The company is not a party in an arrangement where it is a lessor.

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2020

---

### Note 4 Summary of significant accounting policies *(continued)*

---

#### m) Leases *(continued)*

*Policy applicable before 1 July 2019*

For contracts entered into before 1 July 2019, the company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed the right to use an asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

#### As a lessee

In the comparative period, as a lessee the company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

#### As a lessor

The company has not been a party in an arrangement where it is a lessor.

#### n) Standards issued but not yet effective

A number of new standards are effective for annual reporting periods beginning after 1 January 2019, however the changes are not expected to have a significant impact on the company's financial statements.

---

### Note 5 Significant accounting judgements, estimates, and assumptions

---

In preparing these financial statements, management has made judgements and estimates that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2020

---

### Note 5 Significant accounting judgements, estimates, and assumptions *(continued)*

---

#### a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

<u>Note</u>	<u>Judgement</u>
- Note 8 - revenue recognition	whether revenue is recognised over time or at a point in time;
- Note 20 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including: <ul style="list-style-type: none"> <li>- the amount;</li> <li>- the lease term;</li> <li>- economic environment; and</li> <li>- other relevant factors.</li> </ul>

#### b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

<u>Note</u>	<u>Assumptions</u>
- Note 17 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 14 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 22 - long service leave provision	key assumptions on attrition rate and pay increases through promotion and inflation;
- Note 21 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

---

### Note 6 Financial risk management

---

The company has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including currency, price, cash flow and fair value interest rate).

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 company. The company does not use derivative instruments.

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

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 6 Financial risk management (continued)

#### a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank.

#### b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company maintains the following lines of credit with Bendigo Bank:

- \$400,000 overdraft facility with available facility of \$82,796. Interest is payable at an average rate of 2.945% (2019: 3.771%)

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

30 June 2020

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>		
		<u>Not later than 12 months</u>	<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Bank overdraft	317,204	317,204	-	-
Lease liabilities	679,200	125,464	512,310	146,374
Trade payables	4,002	4,002	-	-
	<u>1,000,406</u>	<u>446,670</u>	<u>512,310</u>	<u>146,374</u>

30 June 2019

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>		
		<u>Not later than 12 months</u>	<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Bank overdraft	259,410	259,410	-	-
Trade payables	17,719	17,719	-	-
	<u>277,129</u>	<u>277,129</u>	<u>-</u>	<u>-</u>

The bank overdraft is repayable on demand and used for cash management purposes. It is reviewed annually by the lender, Bendigo Bank. As at balance date, the lender does not intend to reduce or end the overdraft facility within the next 12 months.

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2020

---

### Note 6 Financial risk management (*continued*)

---

#### c) Market risk

##### *Market risk*

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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

##### *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.

##### *Cash flow and fair value interest rate risk*

Interest-bearing assets are held with Bendigo Bank 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 Bank mitigates this risk significantly.

The company held cash and cash equivalents of \$1,067 at 30 June 2020 (2019: \$300). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB on Standard & Poor's credit ratings.

---

### Note 7 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 distributions to shareholders. Capital is represented by total equity as recorded in the statement of financial position.

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

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period;
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company 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 2020 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.

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8 Revenue from contracts with customers

The company generates revenue primarily from facilitating community banking services under a franchise agreement with Bendigo Bank. The company is entitled to a share of the margin earned by Bendigo Bank.

<i>Revenue from contracts with customers</i>	2020 \$	2019 \$
Revenue:		
- Revenue from contracts with customers	618,191	669,642
	618,191	669,642

#### *Disaggregation of revenue from contracts with customers*

At a point in time:

- Margin income	563,080	601,928
- Fee income	43,134	51,267
- Commission income	11,977	16,447
	618,191	669,642

There was no revenue from contracts with customers recognised over time during the financial year.

### Note 9 Other revenue

The company generates other sources of revenue from rental income from owned and leased investment properties, dividends and distributions of financial instruments and discretionary contributions received from the franchisor.

<i>Other revenue</i>	2020 \$	2019 \$
Revenue:		
- Market development fund income	35,000	35,000
- Cash flow boost	59,438	-
	94,438	35,000

### Note 10 Expenses

a) Depreciation and amortisation expense	2020 \$	2019 \$
<i>Depreciation of non-current assets:</i>		
- Leasehold improvements	6,882	6,760
- Plant and equipment	2,489	2,515
	9,371	9,275
<i>Depreciation of right-of-use assets</i>		
- Leased land and buildings	83,723	-
	83,723	-



# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 10 Expenses (continued)

<b>a) Depreciation and amortisation expense (continued)</b>	<b>2020</b>	<b>2019</b>
	\$	\$
<i>Amortisation of intangible assets:</i>		
- Franchise fee	2,238	2,237
- Franchise renewal process fee	11,193	11,194
	<u>13,431</u>	<u>13,431</u>
Total depreciation and amortisation expense	<u>106,525</u>	<u>22,706</u>

The non-current tangible and intangible assets listed above are depreciated and amortised in accordance with the company's accounting policy (see Note 4f and 4g).

<b>b) Finance costs</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
		\$	\$
<i>Finance costs:</i>			
- Bank overdraft interest paid or accrued		6,701	10,313
- Lease interest expense	20a)	34,413	-
- Unwinding of make-good provision		1,583	-
		<u>42,697</u>	<u>10,313</u>

Finance costs are recognised as expenses when incurred using the effective interest rate.

<b>c) Employee benefit expenses</b>	<b>2020</b>	<b>2019</b>
	\$	\$
Wages and salaries	407,516	344,748
Non-cash benefits	3,491	7,341
Contributions to defined contribution plans	42,453	33,544
Expenses related to long service leave	2,230	(2,611)
Other expenses	22,217	29,841
	<u>477,907</u>	<u>412,863</u>

### d) Recognition exemption

The company has elected to exempt leases from recognition where the underlying asset is assessed as low-value or the lease term is 12 months or less.

	<b>2020</b>	<b>2019</b>
	\$	\$
Expenses relating to low-value leases	7,036	-
	<u>7,036</u>	<u>-</u>

Expenses relating to leases exempt from recognition are included in system costs.

The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition.

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 11 Income tax expense

Income tax expense comprises current and deferred tax. Attributable current and deferred tax expense is recognised in the other comprehensive income or directly in equity as appropriate.

<b>a) Amounts recognised in profit or loss</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<i>Current tax expense/(credit)</i>		
- Future income tax benefit attributable to losses	(30,445)	-
- Movement in deferred tax	(54,124)	(7,572)
- Adjustment to deferred tax on AASB 16 retrospective application	52,829	-
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	18,184	-
	<u>(13,556)</u>	<u>(7,572)</u>

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a loss of \$18,184 related to the remeasurement of deferred tax assets and liabilities of the company.

<b>b) Prima facie income tax reconciliation</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Operating loss before taxation	(57,658)	(27,534)
Prima facie tax on loss from ordinary activities at 27.5% (2019: 27.5%)	(15,856)	(7,572)
Tax effect of:		
- Non-deductible expenses	461	-
- Temporary differences	1,295	-
- Other assessable income	(16,345)	-
- Movement in deferred tax	(54,124)	7,572
- Leases initial recognition	52,829	-
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	18,184	-
	<u>(13,556)</u>	<u>-</u>

### Note 12 Cash and cash equivalents

<b>a) Cash and cash equivalents</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and on hand	1,067	300
	<u>1,067</u>	<u>300</u>

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2020

---

### Note 12 Cash and cash equivalents (*continued*)

---

#### b) Reconciliation to statement of cash flows

For the purposes of the statement of cash flows, cash includes cash on hand and cash held with financial and banking institutions, net of outstanding bank overdrafts. Bank overdrafts are presented with loans and borrowings.

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as

	Note	2020 \$	2019 \$
Cash at bank and on hand		1,067	300
Bank overdraft	19a)	(317,205)	(259,410)
		<u>(316,138)</u>	<u>(259,110)</u>

---

### Note 13 Trade and other receivables

---

	2020 \$	2019 \$
<b>a) Current assets</b>		
Trade receivables	51,282	59,497
Prepayments	1,558	4,699
	<u>52,840</u>	<u>64,196</u>

---

### Note 14 Property, plant and equipment

---

	2020 \$	2019 \$
<b>a) Carrying amounts</b>		
<i>Leasehold improvements</i>		
At cost	197,741	197,741
Less: accumulated depreciation	(102,758)	(95,876)
	<u>94,983</u>	<u>101,865</u>
<i>Plant and equipment</i>		
At cost	75,141	73,516
Less: accumulated depreciation	(57,566)	(55,077)
	<u>17,575</u>	<u>18,439</u>
<i>Motor vehicles</i>		
At cost	22,976	22,976
Less: accumulated depreciation	(22,976)	(22,976)
	<u>-</u>	<u>-</u>
Total written down amount	<u>112,558</u>	<u>120,304</u>

The directors do not believe the carrying amount exceeds the recoverable amount of the above assets. The directors therefore believe the carrying amount is not impaired.

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2020

---

### Note 14 Property, plant and equipment (*continued*)

---

<b>b) Reconciliation of carrying amounts</b>	<b>2020</b>	<b>2019</b>
	\$	\$
<i>Leasehold improvements</i>		
Carrying amount at beginning	101,865	105,395
Additions	-	3,230
Depreciation	(6,882)	(6,760)
Carrying amount at end	<u>94,983</u>	<u>101,865</u>
<i>Plant and equipment</i>		
Carrying amount at beginning	18,439	20,954
Additions	1,625	-
Depreciation	(2,489)	(2,515)
Carrying amount at end	<u>17,575</u>	<u>18,439</u>
Total written down amount	<u>112,558</u>	<u>120,304</u>

### c) Changes in estimates

During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods.

There were no changes in estimates for the current reporting period.

---

### Note 15 Right-of-use assets

---

Right-of-use assets are measured at amounts equal to the present value of enforceable future payments on the adoption date, adjusted for lease incentives, make-good provisions, and initial direct costs.

The company derecognises right-of-use assets at the termination of the lease period or when no future economic benefits are expected to be derived from the use of the underlying asset.

<b>a) Carrying amounts</b>	<b>2020</b>	<b>2019</b>
	\$	\$
<i>Leased land and buildings</i>		
At cost	1,255,840	-
Less: accumulated depreciation	(739,550)	-
Total written down amount	<u>516,290</u>	<u>-</u>

Berowra & District Financial Services Limited  
Notes to the Financial Statements  
for the year ended 30 June 2020

**Note 15 Right-of-use assets (continued)**

b) Reconciliation of carrying amounts	Note	2020 \$	2019 \$
<i>Leased land and buildings</i>			
Carrying amount at beginning		-	-
Initial recognition on transition	3d)	1,255,840	-
Accumulated depreciation on adoption	3d)	(655,827)	-
Depreciation		(83,723)	-
Carrying amount at end		<u>516,290</u>	<u>-</u>

**Note 16 Intangible assets**

a) Carrying amounts	2020 \$	2019 \$
<i>Franchise fee</i>		
At cost	32,746	32,746
Less: accumulated amortisation	(30,012)	(27,774)
	<u>2,734</u>	<u>4,972</u>
<i>Franchise renewal process fee</i>		
At cost	113,729	113,729
Less: accumulated amortisation	(99,901)	(88,708)
	<u>13,828</u>	<u>25,021</u>
Total written down amount	<u>16,562</u>	<u>29,993</u>
<b>b) Reconciliation of carrying amounts</b>		
<i>Franchise fee</i>		
Carrying amount at beginning	4,972	7,209
Amortisation	(2,238)	(2,237)
Carrying amount at end	<u>2,734</u>	<u>4,972</u>
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	25,021	36,215
Amortisation	(11,193)	(11,194)
Carrying amount at end	<u>13,828</u>	<u>25,021</u>
Total written down amount	<u>16,562</u>	<u>29,993</u>

**c) Changes in estimates**

During the financial year, the company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods.

There were no changes in estimates for the current reporting period.

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 17 Tax assets and liabilities

#### a) Deferred tax

Movement in the company's deferred tax balances for the year ended 30 June 2020:

	30 June 2019	Recognised in profit or loss	Recognised in equity	30 June 2020
<i>Deferred tax assets</i>	\$	\$	\$	\$
- make-good provision	-	(74)	8,889	8,815
- lease liability	-	(32,352)	208,944	176,592
- carried-forward tax losses	248,803	15,213	-	264,016
Total deferred tax assets	248,803	(17,212)	217,832	449,423
<i>Deferred tax liabilities</i>				
- right-of-use assets	-	(30,769)	165,004	134,235
Total deferred tax liabilities	-	(30,769)	165,004	134,235
Net deferred tax assets (liabilities)	248,803	13,556	52,829	315,188

Movement in the company's deferred tax balances for the year ended 30 June 2019:

	30 June 2018	Recognised in profit or loss	Recognised in equity	30 June 2019
<i>Deferred tax assets</i>	\$	\$	\$	\$
- carried-forward tax losses	241,231	7,572	-	248,803
Total deferred tax assets	241,231	7,572	-	248,803
Net deferred tax assets (liabilities)	241,231	7,572	-	248,803

#### b) Uncertainty over income tax treatments

As at balance date, there are no tax rulings, or interpretations of tax law, which may result in tax treatments being over-ruled by the taxation authorities.

The company believes that its accrual for income taxes is adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

### Note 18 Trade creditors and other payables

Where the company is liable to settle an amount within 12 months of reporting date, the liability is classified as current. All other obligations are classified as non-current.

#### a) Current liabilities

	2020 \$	2019 \$
Trade creditors	4,002	17,719
Other creditors and accruals	35,543	59,397
	39,545	77,116

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 18 Trade creditors and other payables (*continued*)

b) Non-current liabilities	2020 \$	2019 \$
Other creditors and accruals	-	15,863
	<u>-</u>	<u>15,863</u>

### Note 19 Loans and borrowings

a) Current liabilities	2020 \$	2019 \$
Bank overdraft	317,204	259,410
	<u>317,204</u>	<u>259,410</u>

#### *Bank overdraft*

The company has an approved overdraft limit of \$400,000 which was drawn down to \$317,204. The company has \$82,796 overdraft remaining before exceeding the approved limited or required to re-negotiate the terms.

Interest is recognised using the effective interest method, currently 2.945% (2019: 3.771%).

#### b) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2020		30 June 2019	
			Face value	Carrying value	Face value	Carrying value
Bank overdraft	2.9%	Floating	317,204	317,204	259,410	259,410

### Note 20 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 4.79%.

The discount rate used in calculating the present value of enforceable future payments takes into account the particular circumstances applicable to the underlying leased assets (including the amount, lease term, economic environment, and other relevant factors).

The company has applied judgement in estimating the remaining lease term including the effects of any extension or termination options reasonably expected to be exercised, applying hindsight where appropriate.

#### *Lease portfolio*

Prior to 30 June 2019, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

The company's lease portfolio includes:

- Berowra Branch                      The lease agreement is a non-cancellable lease with an initial term of five years which commenced in September 2011. An extension option term of five years was exercised in September 2016. The lease has one further five year extension option available.

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 20 Lease liabilities (continued)

The company assesses at the lease commencement date whether it is reasonably certain to exercise extension options. The company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

#### a) Lease liability measurement

Where the company is a lessee for the premises to conduct its business, extension options are included in the lease term except when the company is reasonably certain not to exercise the extension option. This is due to the significant disruption of relocating premises and the loss on disposal of leasehold improvements fitted out in the demised leased premises.

<i>Lease liabilities on transition</i>	<b>Note</b>	<b>2020</b> \$	<b>2019</b> \$
Balance at the beginning (finance lease liabilities)		-	-
Initial recognition on AASB 16 transition	3d)	759,796	-
Lease payments - interest		34,413	-
Lease payments		(115,009)	-
		<u>679,200</u>	<u>-</u>
<b>b) Current lease liabilities</b>			
Property lease liabilities		125,464	-
Unexpired interest		(29,954)	-
		<u>95,510</u>	<u>-</u>
<b>c) Non-current lease liabilities</b>			
Property lease liabilities		658,684	-
Unexpired interest		(74,994)	-
		<u>583,690</u>	<u>-</u>
		<u>583,690</u>	<u>-</u>
<b>d) Maturity analysis</b>			
- Not later than 12 months		125,464	-
- Between 12 months and 5 years		512,310	-
- Greater than 5 years		146,374	-
Total undiscounted lease payments		<u>784,148</u>	<u>-</u>
Unexpired interest		(104,948)	-
Present value of lease liabilities		<u>679,200</u>	<u>-</u>



# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 20 Lease liabilities (continued)

#### e) Impact on the current reporting period

During the financial year, the company has mandatorily adopted AASB 16 for the measurement and recognition of its leases. The primary impact on the profit or loss is that lease payments are split between interest and principal payments and the right-of-use asset depreciates. This is in contrast to the comparative reporting period where lease payments under AASB 117 were expensed as incurred. The following note presents the impact on the profit or loss for the current reporting period.

*Comparison under current AASB 16 and former AASB 117*

The net impact for the current reporting period is a decrease in profit after tax of \$3,414.

	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
Profit or loss - increase (decrease) in expenses			
- Occupancy and associated costs	115,009	(115,009)	-
- Depreciation and amortisation expense	-	83,723	83,723
- Finance costs	-	35,996	35,996
Increase in expenses - before tax	115,009	4,710	119,719
- Income tax expense / (credit) - current	(31,627)	31,627	-
- Income tax expense / (credit) - deferred	-	(32,923)	(32,923)
Increase in expenses - after tax	83,382	3,414	86,796

### Note 21 Provisions

As at the reporting date, the make-good of the leased premises is not expected to be wholly settled within 12 months. The balance is classified as non-current.

#### a) Non-current liabilities

	2020 \$	2019 \$
Make-good on leased premises	33,905	-
	33,905	-

#### b) Make-good provision

In accordance with the branch lease agreements, the company must restore the leased premises to their original condition before the expiry of the lease term.

The company has estimated the provision based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process.

	2020 \$	2019 \$
<i>Provision</i>		
Balance at the beginning	-	-
Face-value of make-good costs recognised	45,527	-
Present value discounting	(13,205)	-
Present value unwinding	1,583	-
	33,905	-

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2020

---

### Note 21 Provisions *(continued)*

---

#### c) Changes in estimates

During the financial year, the company re-assessed the lease agreement with respect to the make-good and restoration clauses. The estimated costs were revised with respect to an analysis of restoration costs of bank branches completed by Bendigo Bank's property team. The provision was previously assessed as nil or immaterial with no provision recognised in the accounts.

The lease is due to expire on 22 September 2026 at which time it is expected the face-value costs to restore the premises will fall due.

---

### Note 22 Employee benefits

---

#### a) Current liabilities

	2020	2019
	\$	\$
Provision for annual leave	34,741	20,149
Provision for long service leave	9,018	9,824
	<u>43,759</u>	<u>29,973</u>

#### b) Non-current liabilities

Provision for long service leave	11,667	8,631
	<u>11,667</u>	<u>8,631</u>

#### c) Key judgement and assumptions

##### *Employee attrition rates*

The company uses historical employee attrition rates in determining the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with long service leave legislation.

---

### Note 23 Issued capital

---

#### a) Issued capital

	2020		2019	
	Number	\$	Number	\$
Ordinary shares - fully paid	759,351	759,351	759,351	759,351
Less: equity raising costs	-	(30,814)	-	(30,814)
	<u>759,351</u>	<u>728,537</u>	<u>759,351</u>	<u>728,537</u>

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2020

---

### Note 23 Issued capital (*continued*)

---

#### b) Rights attached to issued capital

##### *Ordinary shares*

##### 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.

##### 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 Bank 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).

##### 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").

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.

Berowra & District Financial Services Limited  
Notes to the Financial Statements  
for the year ended 30 June 2020

**Note 24 Accumulated losses**

	Note	2020 \$	2019 \$
Balance at beginning of reporting period		(655,934)	(635,972)
Adjustment for transition to AASB 16	3d)	(139,276)	-
Net loss after tax from ordinary activities		(44,102)	(19,962)
Balance at end of reporting period		<u>(839,312)</u>	<u>(655,934)</u>

**Note 25 Reconciliation of cash flows from operating activities**

	2020 \$	2019 \$
Net loss after tax from ordinary activities	(44,102)	(19,962)
Adjustments for:		
- Depreciation	93,094	9,275
- Amortisation	13,431	13,431
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	11,356	(1,286)
- (Increase)/decrease in other assets	(13,556)	(7,573)
- Increase/(decrease) in trade and other payables	(39,015)	11,895
- Increase/(decrease) in employee benefits	16,822	4,673
- Increase/(decrease) in provisions	1,583	-
Net cash flows provided by operating activities	<u>39,613</u>	<u>10,453</u>

**Note 26 Auditor's remuneration**

Amount received or due and receivable by the auditor of the company for the financial year.

	2020 \$	2019 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	4,800	4,600
	<u>4,800</u>	<u>4,600</u>
<i>Non audit services</i>		
- General advisory services	2,590	2,660
- Share registry services	1,900	1,885
	<u>4,490</u>	<u>4,545</u>
Total auditor's remuneration	<u>9,290</u>	<u>9,145</u>

# Berowra & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2020

---

### Note 27 Related parties

---

#### a) Details of key management personnel

The directors of the company during the financial year were:

Thomas Zachary Collins  
 Bruce John Waterhouse  
 Gregory Stephen Steptoe  
 Elisabeth Patama Sher Feng Goh  
 Robert Wawrzyniak  
 Lewis Barton Williams  
 Sarurabh Bhatnager  
 Roman Zeno Tarnawsky

#### b) Key management personnel compensation

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.

#### c) Related party transactions

No director or related entity has entered into a material contract with the company.

---

### Note 28 Earnings per share

---

#### a) Basic earnings per share

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	2020 \$	2019 \$
Loss attributable to ordinary shareholders	(44,102)	(19,962)
	<b>Number</b>	<b>Number</b>
Weighted-average number of ordinary shares	759,351	759,351
	<b>Cents</b>	<b>Cents</b>
Basic loss per share	(5.81)	(2.63)

---

### Note 29 Commitments

---

#### a) Lease commitments

Following adoption of AASB 16 as of 1 July 2019, all lease commitment information and amounts for the financial year ending 30 June 2020 can now be found in 'Lease liabilities' (Note 20).

	2020 \$	2019 \$
Operating lease commitments - lessee		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	-	129,663
- between 12 months and 5 years	-	162,079
Minimum lease payments payable	-	291,742

Berowra & District Financial Services Limited  
Notes to the Financial Statements  
for the year ended 30 June 2020

---

**Note 29 Commitments (*continued*)**

---

**b) Other commitments**

The company has no other commitments contracted for which would be provided for in future reporting periods.

---

**Note 30 Contingencies**

---

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

---

**Note 31 Subsequent events**

---

There have been no significant events occurring after the reporting period which may affect either the company's operations or the results of those operations or the company's state of affairs.

# 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 2020 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.

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



---

**Thomas Zachary Collins, Chairman**

Dated this 14th day of September 2020

## 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 2020 and of its financial performance for the year ended; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### 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
- ✓ Statement of financial position
- ✓ 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 (including Independence Standards)* (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.

#### Material uncertainty related to going concern

Our opinion is not modified for this matter. We draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss after tax of \$44,102 during the year ended 30 June 2020, and as of that date, the company's liabilities exceeded its total assets by \$110,775. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.



### 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: 14 September 2020



**Joshua Griffin**  
Lead Auditor

## Branch Details

Backed by Australia's fifth biggest retail bank, Berowra & District **Community Bank**<sup>®</sup> 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

Ph: (02) 9456 2265


Fax: (02) 9456 2342

### Operating Hours:

Mon-Fri 09:30-17:00

BSB: 633-000

### Services:

 ATM (can change PIN)

### Follow us:

