
Berowra & District
Financial Services Limited

ABN: 62 116 755 938

Financial Report

For the year ended

30 June 2021

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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 2021. We are reporting later this year, taking advantage of Covid related extensions to update shareholders on post year end changes that we plan to be resolved by mid-January.

The 2021 financial year was our first full year in a Covid world and like all businesses and communities it has taken its toll on everyone. Staff, customers and the community have experienced disruptions and needed to adapt to rapidly changing conditions.

We continue to follow a strategy of prioritising loan products to grow business revenue, but it has been a year dominated by the need to react to unexpected challenges, particularly in terms of staff. Covid has accelerated changing customer needs towards online services and changed business margins to favour lending products, validating the direction we have set.

This led us to the restructure of roles early in the year as detailed in last year's annual report, the financial impact of which has occurred this year. As with last year's report, the most significant events have occurred after the year end, where we have experienced a full team turnover of staff. The priority of addressing this is significant part of the reason for delaying the AGM.

It also provides an opportunity to update shareholders on the performance of the business in the first half of 2022 which is showing the benefits of the significant changes that have been made to the cost base of the business. We are experiencing compressed margins common to the banking industry currently, which we expect to persist for the next few years, but costs have been lowered to the point that the first half of 2022 is expected to clearly be in profit. As I have said before, cost savings opportunities are limited and as always, the path to sustained and growing profitability is in growing revenues rather than cutting costs.

People

The business has a new team with the same loan book growth objective. The capacity to do this is as good if not better than it has ever been. However, it will take several more months for the team to settle in and show their potential.

As mentioned in last years report we had successfully filled all roles following a restructure of the business. In May of this year Joe our Mobile Relationship Manager resigned and I would like to thank him for his valuable contribution. Due to the long payback such a role has, our limited resources and Covid uncertainties we have chosen to leave the role vacant subject to ongoing review. This has significant savings which we will realise in the 2022 financial year but reduces our ability to grow the loan book.

Disruption in labour markets have impacted all businesses and Community Banks have been no exception, it has become increasingly difficult to find and retain suitable talent. After the end of the financial year, we have had the unfortunate timing of all four-branch staff resigning, each for different personal reasons and at different times over a 3-month period.

The conversion of many roles to offer work from home opportunities, not previously available prior to Covid has resulted in the loss of three of our four member staff to such roles. Frustratingly our

two most experienced team members have left to take up roles in Bendigo Bank, which is a good fit for them and the bank, but due to the timing has left us struggling to staff the branch and find replacements.

On behalf of the board, shareholders and the community I would like to thank Josie, Liz, Fahimeh and Leila for their exceptional service at the branch and wish them all the best in their new roles. Under Josies leadership they have all done a remarkable job serving the community during what must have been the most difficult time for the branch and community over the last 15 years.

The rebuilding of the team is still ongoing, so I will update shareholders fully at the AGM, but we have had a stroke of good fortune in hiring Namrata Kaushal (Nam), a local Berowra resident as Branch Manager to replace Josie. Nam has 17 years ANZ branch banking experience, many of those as a home loan specialist, which is a significant boost to our lending capacity in branch and goes a long way to addressing the loss of the Mobile Relationship Manager role.

We have also recruited Sue Gorham as Customer Service Officer who also has over a decade of ANZ experience. I would like to welcome Nam and Sue to the branch and invite shareholders to do likewise. Their banking experience is a tremendous addition to the branch and has greatly accelerated their ability to service customers, but the complexity and unique nature of Bendigo Bank processes takes a long time to learn.

Due to staff resourcing issues across the Community Bank network, getting support for Nam and Sue has been hard, testing customers patience as well as Nam and Sue's endurance. Alan Fardon, our Regional Manager has gone to great lengths to arrange support, but we have had to limit opening hours and closing the branch on days we can't get at least two staff has happened and may happen again until we have a full team on board, which we hope will be prior to the AGM.

We would like to thank the shareholders and customers for their patience during this time.

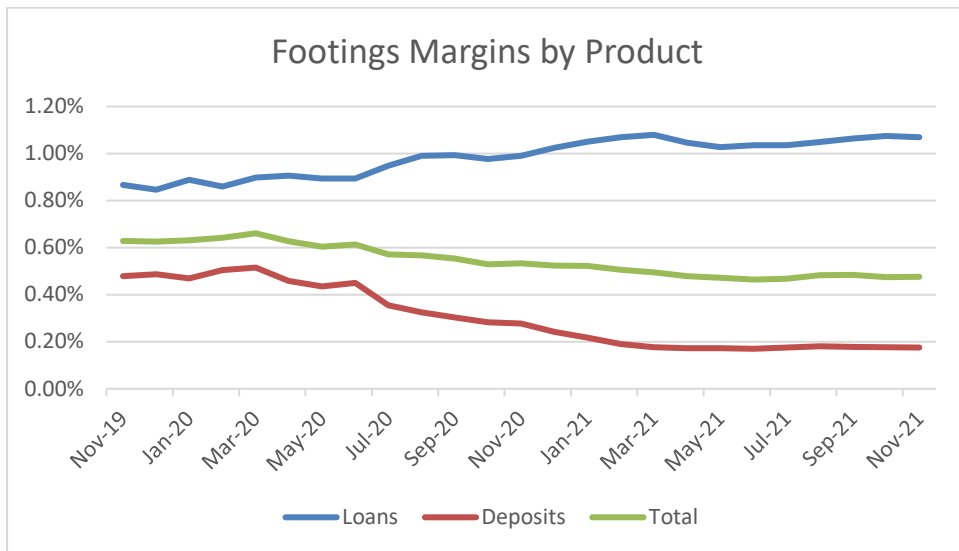
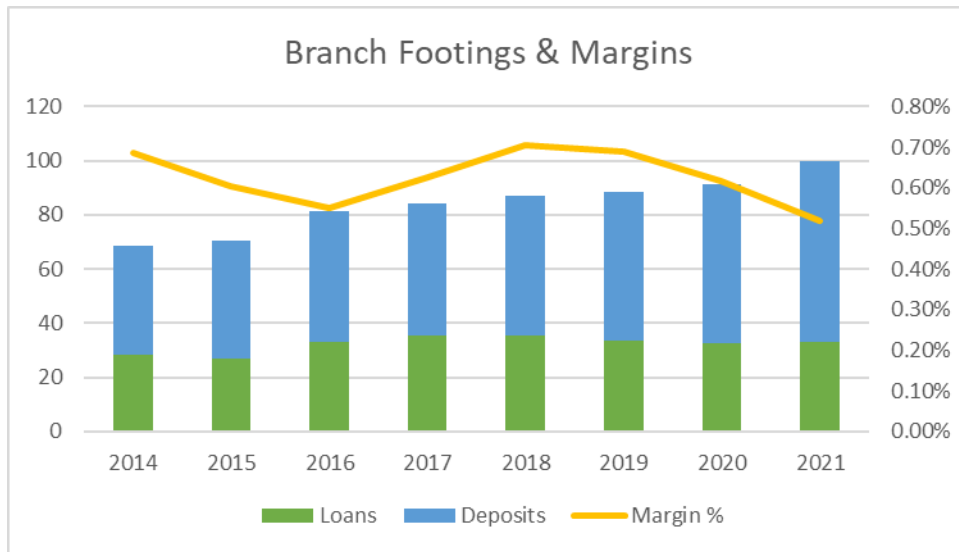
We have also had some changes in the board, Elizabeth Goh and Lewis Williams resigned to concentrate on the exciting career opportunities and Stephen Pead joined the board. I would like to thank them all and our continuing directors Bruce Waterhouse, Greg Steptoe, Robert Wawrzyniak and Saurabh Bhatnagar 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, thank you to Ian Greentree our Company Secretary who has been invaluable in assisting with governance and shareholder matters.

Operating results

Despite cost savings of \$50,935 the loss for the year increased \$38,428 to a Net Loss of -\$82,530 due to a -\$90,669 (-12.7%) drop in income as a result of the average margins we receive from Bendigo falling from 0.62% to 0.52% (-15.8%). The footing (loans + deposits) of the business increased by 9.1% to \$99.8m continuing the unbroken run of footings increases the business has had since at least 2014.

As I detailed in last years letter, the business has a great record in terms of footings growth, with this year being the highest growth since 2016. However, our margins are dropping at a faster rate than we have been able to increase our footings. This is due to two factors, the first being the general reduction in margins across the banking industry, the second being that deposit margins have

dropped while loan margins have increased but to a lesser extent and our business is weighted heavily to deposits.



The graphs presented show how our footings growth has been offset by reduced margins, with most of the footings growth being in deposits which have seen margins more than half in the last two years. Loan book growth is generally more challenging because it naturally reduces due to customers paying down their loans, so it's a case of having to run to stop going backwards.

During the year we successfully renegotiated the premises lease for the Branch obtaining a 40% rent reduction from March 2021. This combined with reducing our salary costs (no Mobile Relationship Manager) puts the business in a good position to achieve an operating profit for the next financial year.

We have also seen margins stabilise in the second half of calendar 2021, as the graphs show, which is important for stabilising and improving our cash position. Due to operating losses in 2021 and the pay out of leave provisions the overdraft with Bendigo Bank increased by \$145,697 to \$462,901.

Because we are now operating profitably in 2022, we expect this to improve from here and as at the end of November the overdraft had improved to \$416,849.

With Banking margins falling away as fast as they have, we have been playing catch up in terms of reducing the branch's operating cost base to take account of reduced revenue. By the end of the 2021 financial year the business had been reset to operate to the current conditions.

Community engagement

As always, supporting the community by providing banking services locally is our greatest form of engagement, during Covid it was needed more than ever. Our ability to support schools, clubs and community groups was impacted in line with the Covid restrictions that limited our lives.

None the less Josie and the team remain active in the community, and we continued to support groups financially that we have in previous years, but event-based support was largely absent for obvious reasons. In branch the team actively supported many fund-raising activities, helping promote them and acting as a collection point for bushfire donations and the like. The team deserves special recognition for their work with the CWA where masks, jams & other items have been sold in the branch raising over \$15,000 making the local CWA one of the most successful fund raises in the state.

In total community engagement related expenses were \$24,428, of which \$17,036 related to sponsorships and donations, the remaining \$7,392 related to promotional and marketing spend locally. This spend was fully funded via the Marketing Development Funding of \$25,625 received from Bendigo Bank for these activities.

Our partnership

We are fortunate to have Bendigo bank as our partner, the most trusted banking brand. We continue to work closely with them on ways to improve our customer experience and our grow the business.

On a local level we continue to enjoy a highly collaborative and supportive relationship, with our regional manager Alan Fardon. Alan and numerous other staff in Bendigo Bank provide critical business support for daily operations and ad hoc operational services that we would either go without or cost more than the business could afford.

Shareholders

Improving the value to shareholders remains the primary objective of the board in making decisions regarding the business. Only by improving the value to shareholders can the business improve the value it offers the community.

The shareholders of the business have waited far too long to benefit from the business and Covid has provided further frustration on this front. As in prior years we continue to thank you for your support.

Outlook

Changes made in 2021 reflect the need to enhance the focus of the business on growing the loan business, this is the greatest revenue opportunity and provides the best margins for the business. The current formation of a new team with Nam as our Branch Manager remains committed to these objects with the added advantage of starting from an improved cost base and stabilised margins.

Based on the first five months of the year we are well placed to achieve an operating profit in 2022. Given continued Covid uncertainties, volatility in margins and the time needed to settle in a new team any operating profit will be modest. The most important outcomes sought from the remainder of the year is the establishment of a strong branch team and showing momentum in loan book growth.

Conclusion

Continued strong growth in the footings of the business has not been rewarded with higher revenues, but rather the opposite has occurred due to the fall in banking margins. The cost base of the business has been reset for the new margin paradigm, the way up from here will depend on execution within the branch and the continued support of the community to refer business.

To this end, it is the team in the branch that is and has always been the key ingredient to the success of the business. We have had a great start rebuilding that team and will continue to focus on having a team that can best achieve the business objectives and serve the community.

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 Community Bank Berowra & District 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.

I look forward to updating you further at the AGM.

Thomas Collins

Chairman

BANK MANAGERS REPORT

Dear Shareholder,

I joined Bendigo Bank two and a half months ago. I have come from a very strong Banking Background of 17 years with ANZ. During my 17 year career with ANZ I have done various roles including assistant manager and branch manager. I've had the opportunity to manage three branches throughout my managerial period with ANZ. In addition to management, I have been heavily involved in writing Home Loans that included complex lending scenarios which I enjoyed thoroughly. I'm very excited and looking forward to using my Management and Lending skills at Bendigo and leading the team to a successful year ahead.

After residing for almost five years in Berowra, I have become familiar with the locality and Berowra Community which has allowed me to gain an insight into the community and understands it's needs and expectations from a Bank. I take these expectations into account when forming strategies to develop business.

As part of my Business Development Plan, I'm looking forward to meeting our local business owners and communities to introduce myself not just as a Branch Manager of their local Bank but also as their first point of contact should they have a banking need for their business or personal account. My goal is to work in developing our lending book which I'm very certain I will with my lending and relationship building skills. I'm also determined to extend my approach to Accountants, Solicitors, and Conveyancers to sign up for mortgage referrer's programme.

Given that we will have one whole new team at Berowra Community Bank, my 2nd goal is to train each staff member to be familiar with our Home Lending Products and products that we offer in alignment with Gov Grants such as FHLDS etc. This will not only provide a better customer experience but also be beneficial to our Business. While I have plans to develop business, I'm also aware that it's very important to keep our existing customers satisfied by providing them the best service to make them feel valued. My team and myself are dedicated to providing a high level of service to our existing customers.

I would like to acknowledge and thank our previous Branch Manager, Josie Fonti, who has worked hard in building relationships with local communities, not only to develop business but also to keep Bendigo's promise to support local communities. I wish to maintain these relationships with local communities and work on building more relationships as part of my Business Development Plan.

As we are in the process of having a new branch team built, I'm very mindful of the hard work previous team members have put in place to maintain a high standard of service and support provided to local communities at a time of need, especially during Covid Restrictions, they have worked tirelessly to make sure all our customers are up to date with their banking needs throughout the lockdown. Therefore, I offer my humble gratitude to our previous Customer Relationship Officers Fahimeh and Liz, along with Josie.

Lastly, a huge thank you to the Bendigo Bank Team, our Regional Manger Alan Fardon and our Board who have supported me and Sue (Customer Service officer) throughout our training period with Bendigo Bank for the last two months.

Branch Manager

Nam Kaushal

On behalf of Bendigo and Adelaide Bank, thank you! As a shareholder of your local Community Bank company, you are playing an important role in supporting your community.

It has been a tumultuous year for every community across Australia, and across the world. For our business, recognition that banking is an essential service has meant that we've kept the doors open, albeit with conditions that none of us could ever imagine having to work with.

Face masks, perspex screens, signed documents to cross state borders, checking in customers with QR codes and ensuring hand sanitiser stations are filled aren't what you would expect as a bank employee.

Then there's the fact that while communities have been, and continue to go in and out of lockdown, digital and online banking has become the norm.

So, what does that mean for Bendigo Bank and the Community Bank that you are invested in both as a shareholder, and a customer?

What we're seeing is that your Community Bank is still as important, if not more so, than when you first invested as a shareholder. If the pandemic has taught us anything, it has taught us the importance of place, of our local community, our local economy, our community-based organisations, the importance of social connection and the importance of your local Community Enterprise – your Community Bank in providing, leadership, support, and assistance in these difficult times.

As we continue to adapt to this rapidly changing world one thing that continues to be important to us all is supporting each other and our strong sense of community.

Your continued support as a shareholder is essential to the success of your local community. Thank you for continuing to back your Community Bank company and your community.



Collin Brady
Head of Community Development

Berowra & District Financial Services Limited

Directors' Report

The directors present their report together with the financial statements of the company for the financial year ended 30 June 2021.

Directors

The directors of the company who held office during the financial year and to the date of this report 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: Assistant to Treasurer

Interest in shares: nil share interest held

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

Berowra & District Financial Services Limited

Directors' Report

Directors (continued)

Sarurabh Bhatnager

Non-executive director

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

Stephen John Pead

Non-executive director (appointed 23 December 2020)

Occupation: Media Sales Trainer & Coach

Qualifications, experience and expertise: Stephen's background is in media where he has worked for more than 40 years – starting out as an announcer in Newcastle he has worked in a variety of roles in multiple markets including Townsville, Melbourne, Canberra, Auckland and finally in Sydney. In 2009 he started his own media consultancy Sales Solutions. The company works with Radio, Newspaper and Television groups to help them grow their advertising revenue. His clients are in Australia, New Zealand, South Africa, Kenya and India and include many well-known brands such as Australian Community Media, Times of India Group and News Corporation. Most recently he has consulted to the Asian Broadcasting Union based in Malaysia, training their members who are based in Asia and the sub-continent. Stephen is an author and blogger on media websites and regularly speaks to community groups such as Probus on his career and global travel experiences.

Special responsibilities: Lead member of HR Committee and Business & Community Committee

Interest in shares: nil share interest held

Lewis Barton Williams

Non-executive director (resigned 30 June 2021)

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

Elisabeth Patama Sher Feng Goh

Non-executive director (resigned 28 October 2020)

Occupation: Principal Policy Officer

Qualifications, experience and expertise: Elisabeth Goh is one of Australia's Top 30 Under 30 Entrepreneurs, Blackmores Mercie Whellan Women+Wellbeing Winner and a Woman of the Year nominee for leadership and innovation. Elisabeth has spent 10 years working in both state and federal government, public policy and start up in Australia. In her day-job, Elisabeth is in Consulting at EY Australia, while also working with award-winning startups, Art of Smart Education, and Ensu. She also holds board positions with respected charities including KYDS Youth Development Service and One Eighty. Elisabeth is also an active member and firefighter of Hornsby Heights Rural Fire Brigade of the NSW RFS. She is a Community Liaison Officer for the Hornsby Ku-ring-gai RFS District, and frequently works with NSW RFS Headquarters in community engagement.

Special responsibilities: Business Development and Community 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.

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

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 2021	Year ended 30 June 2020
\$	\$
(82,530)	(44,102)

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	-	-	-
Stephen John Pead	-	-	-

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.

Significant changes in the state of affairs

Since January 2020, COVID-19 has developed and spread globally. In response, the Commonwealth and State Government introduced a range of social isolation measures to limit the spread of the virus. Such measures have been revised, as appropriate, based on case numbers and the level of community transmission. Whilst there has been no significant changes on the company's financial performance so far, 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.

Berowra & District Financial Services Limited

Directors' Report

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings	
	<u>E</u>	<u>A</u>
<i>E- eligible to attend</i>		
<i>A - number attended</i>		
Thomas Zachary Collins	12	12
Bruce John Waterhouse	12	7
Gregory Stephen Steptoe	12	10
Robert Wawrzyniak	12	10
Sarurabh Bhatnager	12	10
Stephen John Pead	7	7
Elisabeth Patama Sher Feng Goh	4	3
Lewis Barton Williams	12	12

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.

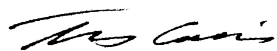
The board of directors has considered the non-audit services provided during the year by the auditor and, in accordance with the advice received from the Board and, is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements 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 6.

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



Thomas Zachary Collins, Chairman

Dated this 14th day of September 2021

Independent 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 2021, 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 2021



Adrian Downing
Lead Auditor

Berowra & District Financial Services Limited
Statement of Profit or Loss and Other
Comprehensive Income
for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Revenue from contracts with customers	8	560,673	618,191
Other revenue	9	61,287	94,438
Employee benefit expenses	10c)	(453,460)	(477,907)
Charitable donations, sponsorship, advertising and promotion		(24,428)	(21,797)
Occupancy and associated costs		(20,450)	(17,465)
Systems costs		(20,318)	(20,692)
Depreciation and amortisation expense	10a)	(93,813)	(106,525)
Finance costs	10b)	(36,572)	(42,697)
General administration expenses		(81,512)	(83,204)
Loss before income tax credit		(108,593)	(57,658)
Income tax credit	11a)	26,063	13,556
Loss after income tax credit		(82,530)	(44,102)
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		(82,530)	(44,102)
Earnings per share		¢	¢
- Basic and diluted loss per share:	29a)	(10.87)	(5.81)

The accompanying notes form part of these financial statements

Berowra & District Financial Services Limited
Statement of Financial Position
as at 30 June 2021

	Notes	2021 \$	2020 \$
ASSETS			
Current assets			
Cash and cash equivalents	12a)	-	1,067
Trade and other receivables	13a)	51,340	52,840
Total current assets		51,340	53,907
Non-current assets			
Property, plant and equipment	14a)	103,516	112,558
Right-of-use assets	15a)	240,644	516,290
Intangible assets	16a)	3,131	16,562
Deferred tax asset	17a)	341,250	315,188
Total non-current assets		688,541	960,598
Total assets		739,881	1,014,505
LIABILITIES			
Current liabilities			
Trade and other payables	18a)	41,114	39,545
Loans and borrowings	19a)	462,901	317,204
Lease liabilities	20a)	63,274	95,510
Employee benefits	22a)	15,553	43,759
Total current liabilities		582,842	496,018
Non-current liabilities			
Lease liabilities	20b)	312,921	583,690
Employee benefits	22b)	1,858	11,667
Provisions	21a)	35,565	33,905
Total non-current liabilities		350,344	629,262
Total liabilities		933,186	1,125,280
Net liabilities		(193,305)	(110,775)
EQUITY			
Issued capital	23a)	728,537	728,537
Accumulated losses	24	(921,842)	(839,312)
Total equity		(193,305)	(110,775)

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 2021

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019	728,537	(795,210)	(66,673)
Total comprehensive income for the year	-	(44,102)	(44,102)
Balance at 30 June 2020	728,537	(839,312)	(110,775)
Balance at 1 July 2020	728,537	(839,312)	(110,775)
Total comprehensive income for the year	-	(82,530)	(82,530)
Balance at 30 June 2021	728,537	(921,842)	(193,305)

The accompanying notes form part of these financial statements

Berowra & District Financial Services Limited
Statement of Cash Flows
for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		686,750	786,163
Payments to suppliers and employees		(677,789)	(698,400)
Interest paid		(8,148)	(6,701)
Lease payments (interest component)	10b)	(26,764)	(34,413)
Lease payments not included in the measurement of lease liabilities	10d)	(7,692)	(7,036)
Net cash provided by/(used in) operating activities	25	(33,643)	39,613
Cash flows from investing activities			
Payments for property, plant and equipment		-	(1,624)
Payments for intangible assets		(14,421)	(14,421)
Net cash used in investing activities		(14,421)	(16,045)
Cash flows from financing activities			
Lease payments (principal component)		(98,699)	(80,596)
Net cash used in financing activities		(98,699)	(80,596)
Net cash decrease in cash held		(146,763)	(57,028)
Cash and cash equivalents at the beginning of the financial year		(316,138)	(259,110)
Cash and cash equivalents at the end of the financial year	12b)	(462,901)	(316,138)

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 2021

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 29.

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. 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 2021 were authorised for issue in accordance with a resolution of the directors on 14 September 2021.

Going concern

The financial statements for the financial year ended 30 June 2021 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:

	2021	2020	Percentage
	\$	\$	change
Current assets	51,340	53,907	(16.42%)
Current liabilities	582,842	496,018	17.50%
Working capital (deficiency)	(531,502)	(442,111)	20.22%
Total assets	739,881	1,014,505	(27.07%)
Total liabilities	933,186	1,125,280	(17.07%)
Net assets/(liabilities)	(193,305)	(110,775)	74.50%
Accumulated losses	(921,842)	(839,312)	9.83%
(Loss) before tax	(108,593)	(57,658)	88.34%
(Loss) after tax	(82,530)	(44,102)	87.13%
Operating cash inflows (outflows)	(33,643)	39,613	(184.93%)
Cash and cash equivalents	(462,901)	(316,138)	46.42%
Available overdraft and borrowing facilities	87,099	82,796	5.20%

Berowra & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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. The overdraft has an approved limit of \$550,000 and was drawn to \$462,901 as at 30 June 2021.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company will be required to seek an increase in its overdraft facility.

The current economic environment is difficult and while revenue has decreased the company has again reported an operating loss for the year. 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

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2020, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Note 4 Summary of significant accounting policies

The company has consistently applied the following accounting policies to all periods presented in these financial statements.

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:

Berowra & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

a) Revenue from contracts with customers

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

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.

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.

Berowra & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

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

Ability to change financial return

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

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

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).

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 2021

Note 4 Summary of significant accounting policies (continued)

b) Other revenue (continued)

Cash flow boost

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 sized businesses that employ staff and have been affected by the economic downturn associated with COVID-19.

The amounts received are 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.

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
- providing payroll services.

Berowra & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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 where the employee has provided the service but payment has not yet occurred at the reporting date. They are measured at amounts expected to be paid, plus related on-costs. Non-accumulating sick leave is expensed 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. The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The company's obligations for employees' annual leave and long service leave entitlements are recognised in employee benefits in the statement of financial position.

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.

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 estimated 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.

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.

Berowra & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (continued)

e) Taxes (continued)

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.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the 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 and deposits held with banks. Bank overdrafts are shown as current liabilities within loans and borrowings in the statement of financial position.

g) Property, plant and equipment

Items of property, plant and equipment are measured at cost or fair value as applicable, 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 is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the company.

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.

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 relate to the franchise fees paid to Bendigo Bank which conveys the right to operate the Community Bank franchise.

Intangible assets are measured on initial recognition at cost. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

The franchise fees paid by the company 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 required.

Berowra & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

i) Financial instruments

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

Trade receivables are initially recognised at the transaction price when they originated. All other financial assets and financial liabilities are initially measured at fair value plus, transaction costs (where applicable) when the company becomes a party to the contractual provisions of the instrument. These assets and liabilities are subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the rights are transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and rewards associated with the asset. Financial liabilities are derecognised when its contractual obligations are discharged, cancelled, or expire. Any gain or loss on derecognition is recognised in profit or loss.

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

Expected credit losses (ECL) 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. At each reporting date, the entity recognises the movement in the ECL (if any) 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 10 business 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 ECL has been made in relation to trade receivables as at 30 June 2021.

Non-financial assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

k) Issued capital

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

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 finance cost.

Berowra & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (continued)

m) Leases

At inception of a contract, the company assesses whether a contract contains or is 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 and obtain substantially all the economic benefits from the use of that asset.

As a lessee

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 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 fixed or variable lease payments that depend on an index or rate and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected to separate lease and non-lease components when calculating the lease liability.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the company changes its assessment of whether it will exercise an extension option or if there is a revised in-substance fixed lease payment.

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.

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.

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.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for 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.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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 a lease that, at commencement date, has a lease term of 12 months or less.

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 2021

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 20 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to control the use of the identified asset for a period of time in exchange for consideration 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 the amount, the lease term, economic environment and other relevant factors.
- Note 2 - going concern	whether management's assessment of uncertainties about the company's ability to continue as a going concern are appropriate.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2021 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 credit, liquidity and market risk arising from financial instruments. 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.

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's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings of the bank.

Berowra & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 6 Financial risk management (continued)

b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities. 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:

- \$550,000 overdraft facility with available facility of \$462,901. Interest is payable at a rate of 2.035% (2020:2.945%)

The bank overdraft is repayable on demand and used for cash management purposes. It is reviewed annual 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.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The contractual cash flows amounts are gross and undiscounted.

30 June 2021

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Bank overdraft	462,901	462,901	-	-
Lease liabilities	376,195	80,156	332,155	14,652
Trade and other payables	41,114	41,114	-	-
	<u>880,210</u>	<u>584,171</u>	<u>332,155</u>	<u>14,652</u>

30 June 2020

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</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 and other payables	39,545	39,545	-	-
	<u>1,035,949</u>	<u>482,213</u>	<u>512,310</u>	<u>146,374</u>

c) 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.

Berowra & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 6 Financial risk management (continued)

c) Market risk (continued)

Cash flow and fair value interest rate risk

Interest-bearing assets and liabilities 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 held cash and cash equivalents of (\$197) at 30 June 2021 (2020: \$1,067). 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; and
- (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 2021 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.

Note 8 Revenue from contracts with customers

	2021	2020
	\$	\$
- Margin income	506,550	563,080
- Fee income	42,981	43,134
- Commission income	11,142	11,977
	<u>560,673</u>	<u>618,191</u>

Note 9 Other revenue

	2021	2020
	\$	\$
- Market development fund income	25,625	35,000
- Cash flow boost	35,662	59,438
	<u>61,287</u>	<u>94,438</u>

Berowra & District Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 10 Expenses

a) Depreciation and amortisation expense	2021	2020
	\$	\$
<i>Depreciation of non-current assets:</i>		
- Leasehold improvements	6,645	6,882
- Plant and equipment	2,397	2,489
	<u>9,042</u>	<u>9,371</u>
<i>Depreciation of right-of-use assets</i>		
- Leased land and buildings	<u>71,340</u>	<u>83,723</u>
<i>Amortisation of intangible assets:</i>		
- Franchise fee	2,238	2,238
- Franchise renewal process fee	11,193	11,193
	<u>13,431</u>	<u>13,431</u>
Total depreciation and amortisation expense	<u>93,813</u>	<u>106,525</u>
b) Finance costs		
<i>Finance costs:</i>		
- Bank overdraft interest paid or accrued	8,148	6,701
- Lease interest expense	26,764	34,413
- Unwinding of make-good provision	1,660	1,583
	<u>36,572</u>	<u>42,697</u>
c) Employee benefit expenses		
Wages and salaries	412,208	407,516
Non-cash benefits	2,995	3,491
Contributions to defined contribution plans	34,726	42,453
Expenses related to long service leave	(18,827)	2,230
Other expenses	22,358	22,217
	<u>453,460</u>	<u>477,907</u>
d) Recognition exemption		
The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition under AASB 16 accounting. Expenses relating to low-value exempt leases are included in system costs expenses.		
	2021	2020
	\$	\$
Expenses relating to low-value leases	<u>7,692</u>	<u>7,036</u>

Berowra & District Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 11 Income tax expense

a) Amounts recognised in profit or loss	2021 \$	2020 \$
<i>Current tax expense/(credit)</i>		
- Future income tax benefit attributable to losses	(43,805)	(30,445)
- Movement in deferred tax	6,681	(54,124)
- Adjustment to deferred tax on AASB 16 retrospective application	-	52,829
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	13,650	18,184
- Changes in estimates related to prior years	(2,589)	-
	<u>(26,063)</u>	<u>(13,556)</u>

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2021, the company tax rate will be reduced from 26% to 25%. This change resulted in a loss of \$13,650 related to the remeasurement of deferred tax assets and liabilities of the company.

b) <i>Prima facie</i> income tax reconciliation	2021 \$	2020 \$
Operating loss before taxation	(108,593)	(57,658)
Prima facie tax on loss from ordinary activities at 26% (2020: 27.5%)	(28,234)	(15,856)
Tax effect of:		
- Non-deductible expenses	382	461
- Temporary differences	(6,681)	1,295
- Other assessable income	(9,272)	(16,345)
- Movement in deferred tax	6,681	(54,124)
- Changes in estimates related to prior years	(2,589)	-
- Leases initial recognition	-	52,829
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	13,650	18,184
	<u>(26,063)</u>	<u>(13,556)</u>

Note 12 Cash and cash equivalents

a) Cash and cash equivalents	2021 \$	2020 \$
Cash at bank and on hand	-	1,067

b) Reconciliation to statement of cash flows

For the purposes of the statement of cash flows, cash includes cash on hand, cash held with financial and banking institutions, and investments in short-term money financial instruments, net of outstanding bank overdrafts. Bank overdrafts are presented with

The below figures reconcile to the amount of cash shown in the Statement of Cash Flows at the end of the financial year as

	2021 \$	2020 \$
Cash at bank and on hand	-	1,067
Bank overdraft	(462,901)	(317,205)
	<u>(462,901)</u>	<u>(316,138)</u>

Berowra & District Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 13 Trade and other receivables

a) Current assets	2021	2020
	\$	\$
Trade receivables	45,120	51,282
Prepayments	6,220	1,558
	<u>51,340</u>	<u>52,840</u>

Note 14 Property, plant and equipment

a) Carrying amounts	2021	2020
	\$	\$
<i>Leasehold improvements</i>		
At cost	197,741	197,741
Less: accumulated depreciation	(109,403)	(102,758)
	<u>88,338</u>	<u>94,983</u>
<i>Plant and equipment</i>		
At cost	75,141	75,141
Less: accumulated depreciation	(59,963)	(57,566)
	<u>15,178</u>	<u>17,575</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>103,516</u>	<u>112,558</u>
b) Reconciliation of carrying amounts		
<i>Leasehold improvements</i>		
Carrying amount at beginning	94,983	101,865
Additions	-	-
Depreciation	(6,645)	(6,882)
	<u>88,338</u>	<u>94,983</u>
<i>Plant and equipment</i>		
Carrying amount at beginning	17,575	18,439
Additions	-	1,625
Depreciation	(2,397)	(2,489)
	<u>15,178</u>	<u>17,575</u>
Total written down amount	<u>103,516</u>	<u>112,558</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.

Berowra & District Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 15 Right-of-use assets

a) Carrying amounts	2021	2020
	\$	\$
<i>Leased land and buildings</i>		
At cost	1,051,534	1,255,840
Less: accumulated depreciation	(810,890)	(739,550)
Total written down amount	<u>240,644</u>	<u>516,290</u>
b) Reconciliation of carrying amounts		
<i>Leased land and buildings</i>		
Carrying amount at beginning	516,290	-
Initial recognition on transition	-	1,255,840
Accumulated depreciation on adoption	-	(655,827)
Remeasurement adjustments	(204,306)	-
Depreciation	(71,340)	(83,723)
Total written down amount	<u>240,644</u>	<u>516,290</u>
See note 20 lease liabilities for information remeasurement adjustments.		

Note 16 Intangible assets

a) Carrying amounts	2021	2020
	\$	\$
<i>Franchise fee</i>		
At cost	32,746	32,746
Less: accumulated amortisation	(32,250)	(30,012)
	<u>496</u>	<u>2,734</u>
<i>Franchise renewal process fee</i>		
At cost	113,729	113,729
Less: accumulated amortisation	(111,094)	(99,901)
	<u>2,635</u>	<u>13,828</u>
Total written down amount	<u>3,131</u>	<u>16,562</u>
b) Reconciliation of carrying amounts		
<i>Franchise fee</i>		
Carrying amount at beginning	2,734	4,972
Amortisation	(2,238)	(2,238)
	<u>496</u>	<u>2,734</u>
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	13,828	25,021
Amortisation	(11,193)	(11,193)
	<u>2,635</u>	<u>13,828</u>
Total written down amount	<u>3,131</u>	<u>16,562</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 2021

Note 17 Tax assets and liabilities

a) Deferred tax	2021 \$	2020 \$
<i>Deferred tax assets</i>		
- make-good provision	8,892	8,815
- lease liability	94,049	176,592
- carried-forward tax losses	298,470	264,016
Total deferred tax assets	<u>401,411</u>	<u>449,423</u>
<i>Deferred tax liabilities</i>		
- right-of-use assets	60,161	134,235
Total deferred tax liabilities	<u>60,161</u>	<u>134,235</u>
Net deferred tax assets (liabilities)	<u>341,250</u>	<u>315,188</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>(26,062)</u>	<u>13,556</u>
Movement in deferred tax charged to Statement of Changes in Equity	<u>-</u>	<u>52,829</u>

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	2021 \$	2020 \$
Trade creditors	445	4,002
Other creditors and accruals	40,669	35,543
	<u>41,114</u>	<u>39,545</u>

Note 19 Loans and borrowings

a) Current liabilities	2021 \$	2020 \$
Bank overdraft	<u>462,901</u>	<u>317,204</u>

The company has an approved overdraft limit of \$550,000 which was drawn down to \$462,901. The company has \$87,098 overdraft remaining before exceeding the approved limited or required to re-negotiate the terms.

Interest is recognised using the effective interest method, currently 2.035% (2020: 2.945%).

b) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2021		30 June 2020	
			Face value	Carrying value	Face value	Carrying value
Bank overdraft	2.035%	Floating	462,901	462,901	317,204	317,204

Berowra & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

The company's lease portfolio includes:

- Berowra Branch The lease agreement commenced in September 2011. An 18 month renewal option was exercised in March 2021. The company has 2 x 2 year renewal options available which for AASB 16: Leases purposes they are reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is August 2026.

a) Current lease liabilities	2021	2020
	\$	\$
Property lease liabilities	80,156	125,464
Unexpired interest	(16,882)	(29,954)
	<u>63,274</u>	<u>95,510</u>
b) Non-current lease liabilities		
Property lease liabilities	346,807	658,684
Unexpired interest	(33,886)	(74,994)
	<u>312,921</u>	<u>583,690</u>
c) Maturity analysis		
Balance at the beginning	679,200	-
Initial recognition on AASB 16 transition	-	759,796
Remeasurement adjustments	(204,306)	-
Lease interest expense	26,764	34,413
Lease payments - total cash outflow	(125,463)	(115,009)
	<u>376,195</u>	<u>679,200</u>
Remeasurement adjustments were mainly due to a rent reduction negotiated as part the lease agreement changes in the period.		
d) Maturity analysis		
- Not later than 12 months	80,156	125,464
- Between 12 months and 5 years	332,155	512,310
- Greater than 5 years	14,652	146,374
Total undiscounted lease payments	<u>426,963</u>	<u>784,148</u>
Unexpired interest	(50,768)	(104,948)
Present value of lease liabilities	<u>376,195</u>	<u>679,200</u>

Berowra & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 21 Provisions

a) Non-current liabilities	2021 \$	2020 \$
Make-good on leased premises	35,565	33,905

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision as at \$45,527 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. The lease is due to expire on 31 August 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	2021 \$	2020 \$
Provision for annual leave	15,553	34,741
Provision for long service leave	-	9,018
	<u>15,553</u>	<u>43,759</u>
b) Non-current liabilities		
Provision for long service leave	<u>1,858</u>	<u>11,667</u>

c) Key judgement and assumptions

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	2021		2020	
	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>

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.

Berowra & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 23 Issued capital (continued)

b) Rights attached to issued capital (continued)

Ordinary shares (continued)

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.

Note 24 Accumulated losses

	2021	2020
	\$	\$
Balance at beginning of reporting period	(839,312)	(655,934)
Adjustment for transition to AASB 16	-	(139,276)
Net loss after tax from ordinary activities	(82,530)	(44,102)
Balance at end of reporting period	<u>(921,842)</u>	<u>(839,312)</u>

Berowra & District Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 25 Reconciliation of cash flows from operating activities

	2021 \$	2020 \$
Net loss after tax from ordinary activities	(82,530)	(44,102)
Adjustments for:		
- Depreciation	80,382	93,094
- Amortisation	13,431	13,431
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	1,500	11,356
- (Increase)/decrease in other assets	(26,062)	(13,556)
- Increase/(decrease) in trade and other payables	15,991	(39,015)
- Increase/(decrease) in employee benefits	(38,015)	16,822
- Increase/(decrease) in provisions	1,660	1,583
Net cash flows provided by/(used in) operating activities	<u>(33,643)</u>	<u>39,613</u>

Note 26 Financial instruments

The following shows the carrying amounts for all financial instruments at amortised costs. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	2021 \$	2020 \$
Financial assets			
Cash and cash equivalents	12	-	1,067
Trade and other receivables	13	45,120	51,282
		<u>45,120</u>	<u>51,282</u>
Financial liabilities			
Trade and other payables	18	41,114	39,545
Bank overdrafts	19	462,901	317,204
Lease liabilities	20	376,195	679,200
		<u>504,015</u>	<u>356,749</u>

Note 27 Auditor's remuneration

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

	2021 \$	2020 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	5,000	4,800
<i>Non audit services</i>		
- General advisory services	2,900	2,590
- Share registry services	1,900	1,900
Total auditor's remuneration	<u>9,800</u>	<u>9,290</u>

Berowra & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 28 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
Robert Wawrzyniak
Sarurabh Bhatnager
Stephen John Pead
Elisabeth Patama Sher Feng Goh
Lewis Barton Williams

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 29 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.

	2021 \$	2020 \$
Loss attributable to ordinary shareholders	(82,530)	(44,102)
	Number	Number
Weighted-average number of ordinary shares	759,351	759,351
	Cents	Cents
Basic loss per share	(10.87)	(5.81)

Note 30 Commitments

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

Note 31 Contingencies

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

Note 32 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 2021 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 2021

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Berowra & District Financial Services Limited's (the company), which comprises:

- Statement of financial position as at 30 June 2021
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

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 2021 and of its financial performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

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.

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 2 in the financial report, which indicates that the company incurred a net loss after tax of \$82,530 during the year ended 30 June 2021, and as of that date, the company's liabilities exceeded its total assets by \$193,305. These conditions, along with other matters as set forth in Note 2, 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.

Responsibilities of the Directors 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 responsibilities 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.

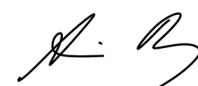
As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 14 September 2021



Adrian Downing
Lead Auditor

Branch Details

Community Bank Berowra & District not only gives you access to award-winning financial products and services, we're also committed to returning profits to our local communities.

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Operating Hours:

Mon-Fri 09:30-16:00

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Services:

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