Galston Financial Services Limited 16th Annual Report and Notice of Annual General Meeting 14th November 2017

Galston & District **Community Bank™** Branch **Bendigo Bank**

Franchisee: Galston Financial Services Limited

348 Galston Road, Galston, NSW 2159
Telephone (02) 9653 2227 Facsimilie (02) 9653 2811

Galston Financial Services Limited

ACN 097 581 854

NOTICE OF ANNUAL GENERAL MEETING

The Sixteenth Annual General Meeting of Shareholders will be held at
The Galston Club 21-25 Arcadia Road Galston NSW
On Tuesday 14th November 2017 at 7.30 pm

Agenda

1) Welcome

2) Reports

a) The Chairman, Mike Beardsell, will present his report on the operations of the Company for the year ended 30th June 2017.

b) The Manager, Mr Gary Mangan, will present his report for the year ended 30th June 2017.

3) Financial Statements and Reports

To receive and consider the financial statements and reports to the shareholders comprising:-

a) The Financial Statements of the Company for the year ended 30th June 2017.

b) The directors' declaration and report for the financial year ended 30th June 2017.

c) The auditor's report for the financial year ended 30th June 2017.

A copy of the AGM Report and the Audited Financial Statements can be found on our website at www.galstonbendigo.com.au . For those shareholders without internet access, printed copies are available at the Galston Community Bank Branch, 348 Galston Road Galston.

4) Directors

To consider, and if thought fit, to pass the following resolutions as ordinary resolutions:

a) That pursuant to article 62(1) of the Company's Constitution, Ralph Steele retires as a director, and being eligible is re-elected as a director;

b) That pursuant to article 62(1) of the Company's Constitution, Diana Paton retires as a director, and being eligible is re-elected as a director;

c) That pursuant to article 62(1) of the Company's Constitution, Rob Pullan retires as a director, and being eligible is re-elected as a director.

5) General Business

To consider any other business that may lawfully be brought forward by the members of the Company.

By order of the Board

M Beardsell

Michael Beardsell
Chairman
Dated 15th October 2017

Galston Financial Services Limited

ACN 097 581 854

PROXY FORM

I, ...
(Full Name - BLOCK letters)

of ....
(Address)

being a member of Galston Financial Services Limited

HEREBY APPOINT...
(Name of Proxy)

OR failing such appointment or the absence of that person, the Chair of the Meeting, as my Proxy to vote for me on my behalf (with discretion as to any business not referred to below) at the Annual General Meeting of members of the Company to be held on 14th November 2017. (Voting instructions to be indicated by placing a tick in the appropriate box. If no instruction is given the Proxy may vote as that person thinks fit, or abstain.)

Business	**FOR**	**AGAINST**	**ABSTAIN**
1. Receive Financial Statements and Reports	❑	❑	❑
2. Election of Directors			
a. Ralph Steele	❑	❑	❑
b. Diana Paton	❑	❑	❑
c. Rob Pullan	❑	❑	❑

Individual Shareholder
Signature of Shareholder .... Date............................

Company Shareholder Sole Director Company Yes ❑ No ❑

Signature of Director/Secretary ....Date............................

Signature of Director/Secretary..Date............................

THE RULES FOR VOTING BY PROXY ARE DETAILED ON PAGE 4 OF THIS ANNUAL GENERAL MEETING NOTICE

Galston Financial Services Limited

ACN 097 581 854

RULES FOR VOTING BY PROXY

a) Who may appoint a proxy? Each shareholder has the right to appoint a proxy to attend and vote for the shareholder at this meeting.

b) Shareholders appointing two proxies. To enable a shareholder to divide their voting rights, a shareholder may appoint two proxies. Where two proxies are appointed:
   i) a separate Proxy Form should be used to appoint each proxy;
   ii) the Proxy Form may specify the proportion, or the number, of votes that the proxy may exercise, and if it does not do so the proxy may exercise half of the votes.

c) Who may be a proxy? A shareholder can appoint any other person to be their proxy. A proxy need not be a shareholder of the Company. The proxy appointed can be described in the Proxy Form by an office held, for example, "the Chair of the Meeting".

d) Signature(s) where shareholder is an individual: In the case of shareholders who are individuals, the Proxy Form must be signed:
   i) If the shares held by one individual, by that shareholder;
   ii) If the shares held in joint names, by any one of them.

e) Signature(s) where shareholder is a company. In the case of shareholders who are companies, the Proxy Form must be signed:
   i) If it has a sole director who is also sole company secretary, by that director (and stating the fact next to, or under, the signature on the Proxy Form);
   ii) In the case of any other company, by either two directors or a director and company secretary.

The use of the common seal of the company, in addition to those required signatures, is optional.

f) Authorised persons/attorneys. If the person signing the Proxy Form is doing so under power of attorney, or is an officer of a company outside of (e) above but authorised to sign the Proxy Form, the power of attorney or other authorisation (or certified copy of it), as well as the Proxy Form, must be received by the Company by the time and at the place in (g) below.

g) Where to lodge and deadline. A Proxy Form accompanies this notice. To be effective, Proxy Forms (duly completed and signed) must be received by the Company at is registered office at 348 Galston Road, Galston, NSW, 2159 no later than 12 noon on Thursday 9th November 2017 and marked for the Attention of the Company Secretary.

Chairman's Report

The past year has seen a great deal of positive activity at your **Community Bank**® branch. Early in the year, we celebrated the tremendous milestone of $2 million of sponsorships and donations with our community partners at a well-attended function at the Galston Club. In May the Board approved entering into a new Franchise Agreement with Bendigo and Adelaide Bank that will extend that important relationship for another 10 years. Then, in July, we sponsored an exciting event at the Glenorie Club for women operating their own businesses. Customers may also have noticed some refurbishment work at the branch which will allow our staff to discuss business with clients in greater privacy.

The Community Bank® company also posted some good financial results for the year ending June 2017. Revenue grew by 10.2% to $1.303 million driven by an increase in deposits, together with a growing range of services offered to customers, including equipment leasing and insurance. Operating profit before charitable donations and sponsorships grew by 10.8% to $549,758.

Sponsorships and donations for the year of $298,539 included $100,000 invested with Bendigo Bank's Community Enterprise Foundation™, to be applied to investment in a significant community project at some future time. This left our net profit after donations and tax at $179,606. The Board has declared a dividend of 13 cents per share, an 8.3% increase in the dividend paid for each of the past two years.

Of course, none of this would be possible without the energy and dedication of our staff, led by the inimitable Gary Mangan. The Board would also like to thank the local community for their ongoing support and confidence in the bank because it is this support that enables Galston Financial Services Limited to reinvest into the many outstanding organisations and projects that contribute so much to our community.

Finally, I would like to thank my fellow Board members, some who have provided valued continuity since the branch opened its doors in 2001 and others who have joined more recently bringing new perspectives to our mission to serve the Galston and district community. I would particularly like to thank Kevin Cook, who worked tirelessly in the very demanding Treasurer role for many years, now ably replaced by Rob Pullan.

Mike Beardsell
Chairman
Galston Financial Services Limited

Manager's Report

We have now completed our 16th financial year and my third full year as the Manager of Galston Community Bank® Branch. The year has been challenging with many clients opting for a sea change together with competition in our chosen market.

Last year a number of changes took place with staffing and I must say all have performed in their new roles. To all the staff well done on another strong year in performance.

The business has recorded a solid result for the 2016/17 financial year.

This means that returns to shareholders and to our community continue to be very positive.

By the end of the 2016/17 financial year our Community Bank® branch achieved the following milestones:

- Number of accounts 5,818, an increase of 235 new accounts or 4.2%.
- Total deposits in excess of $174.9 million, an increase of $17.5 million or 11.1%.
- Total loans in excess of $55.4 million, a decrease of $1.1 million or -1.9%.
- Total business of $230.3 million, an increase of $16.1 million or 7.5%.
- Net profit before tax, sponsorships and donations was $549,758, an increase of 10.8%
- Fully franked dividends paid to shareholders were 12 cents/share.
- Community sponsorships and donations totalled $298,539, an increase of 55%.

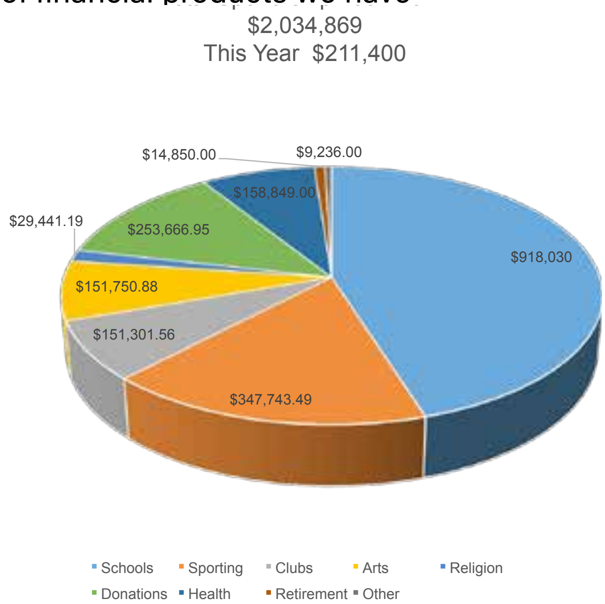
Overall growth was very good with our share of wallet growing by 7.5 %.
The global market has impacted interest rates which reduced margins and lowered our gross income for the first part of the year but with the improvements around investment finance margins in the second half we were able to register a 10.1% increase in revenue.

Overall I believe the Board, shareholders, customers and staff can gain comfort from the results above considering the economic times, low interest rate environment and the competition in the market.

The aim for the coming year is a continuation of what I planned last year, which is proving successful:

1. Commercial/business growth - to increase our share of wallet;
2. Customer awareness-improve customer awareness of financial products we have available to meet clients financial needs; and
3. Community group awareness and support to help our business to continue to grow.

Community sponsorships/donations to date show a good mix across groups as can be seen in the following graph.



We continue to maintain a viable banking service whilst at the same time providing good returns for local shareholders and making a great contribution back to the community.

Gary Mangan
Branch Manager

Galston Financial Services Limited
ABN: 23 097 581 854

Financial Report

For the year ended 30 June 2017

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The Directors present their report of the company for the financial year ended 30 June 2017.

Directors

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

Ralph Henry Steele	
Position	Director, Appointed 23 July 2001.
Professional qualifications	Sound Engineer
Experience and expertise	Director of Location Sound and Berrilee Boarding Kennels. Member of original steering committee and original Chairman of Galston Financial Services Limited. Member of the Sponsorships/Donations Committee

Diana Mary Paton	
Position	Director/Secretary, Appointed 23 July 2001
Professional qualifications	Printer
Experience and expertise	Director of Adelphi Design and Print. Member of original steering committee of Galston Financial Services Limited. Company Secretary.

Kevin Cook	
Position	Director/Treasurer, Appointed 4 December 2009. Resigned 2 November 2016.
Professional qualifications	BA M App Fin
Experience and expertise	Retired Accountant. Director of Blackboro Associates Pty Ltd. Member of the Audit Committee.

Jacqualine Pakinga	
Position	Director, Appointed 10 November 2015
Professional qualifications	Post Grad Dip Human Resources, Certified Practitioner and Certified Professional of the Australian Human Research Institute (AHRI)
Experience and expertise	Director and Co-Founder of Core Body Business Pty Ltd. HR professional with over 15 years corporate experience

Sheena Daley	
Position	Director/Chairman, Appointed 2 April 2008
Professional qualifications	Licensed Real Estate Agent.
Experience and expertise	Principal and licensee of DPW Realty in Galston from 1994 to retirement in 2011. Member of the Audit Committee. Member of the Sponsorhips/Donations Committee.

Dennis Arthur Phillips	
Position	Director, Appointed 23 July 2001
Professional qualifications	Farmer.
Experience and expertise	Director of DA & PK Phillips Stock Feed Merchant. Member of original steering committee of Galston Financial Services Limited. Member of the Sponsorships/Donations Committee

Gavin Koorey	
Position	Director, Appointed 2 April 2008
Professional qualifications	Self Storage Manager.
Experience and expertise	Director of Hills Self Storage. Former Chairman of Galston Financial Services Limited (2009-2012)

Directors (continued)

Michael Glen Beardsell	
Position	Director, Appointed 2 June 2015
Professional qualifications	BSc PhD
Experience and expertise	Graduate Member of the Australian Institute of Company Directors. Manager. Consultant. Chairman.

Robert Neil Pullan	
Position	Director/Treasurer, Appointed 6 December 2016
Professional qualifications	B Bus, Chartered Accountant
Experience and expertise	Regional CFO for various Global Health Care companies both in Australia and overseas. Prior Non-executive director for listed Oil Company and charity. Current board member of Parramatta Mission.

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings		**Audit Committee meetings**	
Director	**A**	**B**	**A**	**B**
Ralph Henry Steele	11	8	N/A	N/A
Diana Mary Paton	11	9	N/A	N/A
Kevin Cook	6	6	1	1
Jacqualine Pakinga	11	11	N/A	N/A
Sheena Daley	11	8	1	1
Dennis Arthur Phillips	11	11	N/A	N/A
Gavin Koorey	11	7	1	1
Michael Glen Beardsell	11	7	N/A	N/A
Robert Neil Pullan	5	2	N/A	N/A

A - The number of meetings eligible to attend.
B - The number of meetings attended.
N/A - not a member of that committee.

Company Secretary

Diana Paton has been the Company Secretary of Galston Financial Services Limited since 2007. Diana has 18 years experience in the financial markets and for the last 11 years has jointly with her husband operated a printing business in Glenorie.

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $179,606 (2016 profit: $253,718), which is a 29% decrease as compared with the previous year.

Dividends

Dividends paid or declared since the start of the financial year.

A fully franked final dividend of 12 cents per share was declared and paid during the year for the year ended 30 June 2016. The dividend was franked at 27.5%.

Options

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

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

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

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

Proceedings on behalf of company

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

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set at page 6 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Galston on 26th September 2017.

Robert Neil Pullan
Director

rsd Audit
Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 448, Bendigo, VIC, 3552

Ph: (03) 5445 4200
admin@rsdaudit.com.au
www.rsdaudit.com.au

Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the Directors of Galston Financial Services Limited.

I declare that to the best of my knowledge and belief, during the year ended 30 June 2017 there have been no contraventions of:

(i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 27th September 2017

Galston Financial Services Limited
ABN 23 097 581 854
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2017

	Note	2017 $	2016 $
Revenue	2	1,303,313	1,183,183
Expenses			
Employee benefits expense	3	(467,980)	(452,762)
Depreciation and amortisation	3	(34,424)	(32,288)
Finance costs	3	-	(118)
Bad and doubtful debts expense	3	(708)	(2,132)
IT expenses		(20,060)	(21,801)
Accounting Fees		(24,150)	(14,877)
Cleaning		(32,254)	(27,111)
Other expenses		(173,979)	(136,069)
		(753,555)	(687,158)
Operating profit before charitable donations and sponsorships		**549,758**	**496,025**
Charitable donations and sponsorships		(298,539)	(192,593)
Profit before income tax		**251,219**	**303,432**
Income tax expense	4	(71,613)	(49,714)
Profit for the year		**179,606**	**253,718**
Other comprehensive income	17	703,721	-
Total comprehensive income for the year		**883,327**	**253,718**
Profit attributable to members of the company		883,327	253,718
Total comprehensive income attributable to members of the company		**883,327**	**253,718**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	18	108.14	31.06

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

Galston Financial Services Limited
ABN 23 097 581 854
Statement of Financial Position
as at 30 June 2017

	Note	2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents	5	1,912,574	1,728,115
Trade and other receivables	6	125,359	109,750
Current tax asset	4	471	-
Other assets	8	6,107	1,595
Total current assets		**2,044,511**	**1,839,460**
Non-current assets			
Property, plant and equipment	9	1,699,063	724,868
Intangible assets	10	53,124	7,702
Deferred tax assets	4	-	24,126
Total non-current assets		**1,752,187**	**756,696**
Total assets		**3,796,698**	**2,596,156**
Liabilities			
Current liabilities			
Trade and other payables	11	231,248	52,156
Current tax liability	4	-	13,644
Provisions	13	61,675	58,228
Total current liabilities		**292,923**	**124,028**
Non-current liabilities			
Provisions	13	7,368	-
Deferred tax liability	4	238,195	-
Total non-current liabilities		**245,563**	**-**
Total liabilities		**538,486**	**124,028**
Net assets		**3,258,212**	**2,472,128**
Equity			
Issued capital	14	816,800	816,800
Retained earnings / Accumulated losses	15	1,715,258	1,633,669
Reserves	17	726,154	21,659
Total equity		**3,258,212**	**2,472,128**

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

Galston Financial Services Limited
ABN 23 097 581 854
Statement of Changes in Equity
for the year ended 30 June 2017

	Note	Issued capital $	Retained earnings $	Reserves $	Total equity $
Balance at 1 July 2015		**816,800**	**1,477,967**	**21,659**	**2,316,426**
Profit / Loss for the year		-	253,718	-	253,718
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		**816,800**	**1,731,685**	**21,659**	**2,570,144**
Transactions with owners, in their capacity as owners					
Dividends paid or provided	16	-	(98,016)	-	(98,016)
Balance at 30 June 2016		**816,800**	**1,633,669**	**21,659**	**2,472,128**
Balance at 1 July 2016		**816,800**	**1,633,669**	**21,659**	**2,472,128**
Profit for the year		-	179,606	-	179,606
Change in opening balance for change in tax rate				774	774
Other comprehensive income for the year		-	-	703,721	703,721
Total comprehensive income for the year		**-**	**179,606**	**704,495**	**884,101**
Transactions with owners, in their capacity as owners					
Dividends paid or provided	16	-	(98,017)	-	(98,017)
Balance at 30 June 2017		**816,800**	**1,715,258**	**726,154**	**3,258,212**

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

Galston Financial Services Limited
ABN 23 097 581 854
Statement of Cash Flows
for the year ended 30 June 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		1,380,100	1,236,536
Payments to suppliers and employees		(1,013,593)	(932,161)
Interest paid		-	(118)
Interest received		32,962	35,801
Income tax paid		(89,562)	(114,293)
Net cash provided by operating activities	19b	**309,907**	**225,765**
Cash flows from investing activities			
Purchase of property, plant and equipment		(27,432)	-
Net cash flows used in investing activities		**(27,432)**	**-**
Cash flows from financing activities			
Dividends paid		(98,016)	(98,016)
Net cash provided used in financing activities		**(98,016)**	**(98,016)**
Net increase in cash held		**184,459**	**127,749**
Cash and cash equivalents at beginning of financial year		1,728,115	1,600,366
Cash and cash equivalents at end of financial year	19a	**1,912,574**	**1,728,115**

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

Galston Financial Services Limited
ABN 23 097 581 854
Notes to the Financial Statements
for the year ended 30 June 2017

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

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

The financial statements were authorised for issue by the Directors on 26th September 2017.

1. Summary of significant accounting policies

(a) Basis of preparation

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

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

Economic dependency

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

The branch operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank", the logo, and systems of operation of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic dependency (continued)
Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank®** branches franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

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

(b) Impairment of assets

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

(c) Goods and services tax (GST)

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

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

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

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

There are no new and amended accounting policies that have been adopted by the company this financial year.

1. Summary of significant accounting policies (continued)

(e) Comparative figures

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

(f) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Fair value assessment of non-current physical assets

The AASB 13 Fair Value standard requires fair value assessments that may involve both complex and significant judgement and expertise. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

Employee benefits provision

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment

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

1. Summary of significant accounting policies (continued)

(g) New accounting standards for application in future periods

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

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

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

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a) Financial assets that are debt instruments will be classified based on:
(i) the objective of the entity's business model for managing the financial assets; and
(ii) the characteristics of the contractual cash flows.

b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
- the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities

1. Summary of significant accounting policies (continued)

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

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

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

(ii) AASB 15: *Revenue from Contracts with Customers* (applicable for annual reporting periods commencing on or after 1 January 2018)

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

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

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

When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

1. Summary of significant accounting policies (continued)

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

(iii) AASB 16: *Leases* (applicable for annual reporting periods commencing on or after 1 January 2019)

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

2. Revenue

Revenue arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank LImited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The entity applies the revenue recognition criteria set out below to each separately identifiable sales transaction in order to reflect the substance of the transaction.

Rendering of services
The entity generates service commissions on a range of products issued by the Bendigo and Adelaide Bank Limited. The revenue includes upfront and trailing commissions, sales fees and margin fees.

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

Other revenue is recognised when the right to the income has been established.

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

	2017 $	2016 $
Revenue		
- service commissions	1,269,215	1,147,382
	1,269,215	1,147,382
Other revenue		
- interest received	34,098	35,801
	34,098	35,801
Total revenue	**1,303,313**	**1,183,183**

3. Expenses

Operating expenses
Operating expenses are recognised in profit or loss on an accurals basis, which is typically upon utilisation of the service or at the date upon which the entity becomes liable.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Depreciation
The depreciable amount of all fixed assets, including buildings and capitalised leased assets, but excluding freehold land, is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

3. Expenses (continued)

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

Class of asset	*Rate*	*Method*
Buildings	0-2.5%	SL
Leasehold improvements	40%	DV
Plant and equipment	3.75% - 50%	DV

SL = Straightline depreciation
DV = Diminishing value depreciation

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

	2017 $	2016 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	428,008	426,976
- superannuation costs	39,972	37,800
- other costs	-	(12,014)
	467,980	452,762
Depreciation and amortisation		
Depreciation		
- plant and equipment	14,425	6,356
- buildings	9,460	14,378
	23,885	20,734
Amortisation		
- franchise fees	10,539	11,554
Total depreciation and amortisation	34,424	32,288
Finance costs		
- Interest paid	-	118
Bad and doubtful debts expenses	708	2,132
Auditors' remuneration		
Remuneration of the Auditor, Richmond, Sinnott & Delahunty, for:		
- Audit or review of the financial report	6,793	4,600

4. Income tax

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

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

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

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

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

	2017 $	2016 $
a. The components of tax expense comprise:		
Current tax expense	75,447	83,123
Deferred tax expense	262,321	3,470
Deferred taxes recognised directly in equity	(266,155)	-
Under / (over) provision of prior years	-	(36,879)
	71,613	**49,714**
b. Prima facie tax payable		
The prima facie tax on profit / (loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit / (loss) before income tax at 27.5% (2016: 28.5%)	69,085	86,478
Add tax effect of:		
- Changes in tax rates	1,621	
- Under / (over) provision of prior years	907	(36,879)
- Non-deductible expenses		115
Income tax attributable to the entity	**71,613**	**49,714**
The applicable weighted average effective tax rate is:	28.51%	16.38%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	13,644	44,813
Income tax paid	(89,562)	(114,292)
Current tax	75,447	83,123
	(471)	**13,644**

4. Income tax (continued)

	2017 $	2016 $
d. Deferred tax asset / (liability)		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Property, plant & equipment	-	15,834
Accruals	3,300	969
Employee provisions	18,987	16,595
	22,287	**33,398**
Deferred tax liabilities balance comprises:		
Accrued income	312	454
Land, property, plant & equipment	260,170	8,818
	260,482	**9,272**
Net deferred tax asset / (liability)	**(238,195)**	**24,126**

	2017 $	2016 $
e. Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	3,434	(33,398)
(Decrease) / increase in deferred tax liabilities	36	(11)
Under / (over) provision prior years	-	-
	3,470	**(33,409)**

5. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, and other short-term highly liquid investments with original maturities of three months or less.

	2017 $	2016 $
Cash at bank and on hand	1,912,574	1,728,115
	1,912,574	**1,728,115**

6. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

	2017 $	2016 $
Current		
Trade receivables	125,359	109,750
	125,359	**109,750**

Credit risk

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

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

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

	Gross amount	Not past due	Past due but not impaired			Past due and impaired
			< 30 days	31-60 days	> 60 days	
2017	$	$	$	$	$	$
Trade receivables	125,359	125,359	-	-	-	-
Total	**125,359**	**125,359**	**-**	**-**	**-**	**-**

6. Trade and other receivables (continued)

	Gross amount	Not past due	Past due but not impaired			Past due and impaired
			< 30 days	31-60 days	> 60 days	
2016	**$**	**$**	**$**	**$**	**$**	**$**
Trade receivables	109,750	109,750	-	-	-	-
Total	**109,750**	**109,750**	**-**	**-**	**-**	**-**

7. Financial assets

Classification of financial assets

The company classifies its financial assets in the following categories:

- loans and receivables,
- held to maturity investments, and

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Loans and receivables

This category is the most relevant to the company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the period end, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Held to maturity investments

The group classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the group intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Measurement of financial assets

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

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

7. Financial assets (continued)

Measurement of financial assets (continued)

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in the profit or loss.

Impairment of financial assets

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Derecognition

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

	2017 $	2016 $
Held to maturity financial assets		
Term deposits	1,355,797	1,322,802
	1,355,797	1,322,802

8. Other assets

Other assets represent items that will provide the entity with future economic benefits controlled by the entity as a result of past transactions or other past events.

	2017	2016
	$	$
Prepayments	4,971	-
Accrued Income	1,136	1,595
	6,107	**1,595**

9. Property, plant and equipment

Property

Freehold land and buildings are carried at their fair value (refer note 25), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

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

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

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

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

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

9. Property, plant and equipment (continued)

	2017 $	2016 $
Land		
At fair value	1,100,000	293,112
Buildings		
At fair value	753,734	575,147
Less accumulated depreciation	(203,734)	(189,309)
	550,000	385,838
Plant and equipment		
At cost	217,896	205,291
Less accumulated depreciation	(168,833)	(159,373)
	49,063	45,918
Total property, plant and equipment	**1,699,063**	**724,868**

Movements in carrying amounts

	2017 $	2016 $
Land		
Balance at the beginning of the reporting period	293,112	293,112
Revaluation	806,888	-
Balance at the end of the reporting period	1,100,000	293,112
Buildings		
Balance at the beginning of the reporting period	385,838	400,216
Revaluation	163,761	-
Additions	14,826	-
Depreciation expense	(14,425)	(14,378)
Balance at the end of the reporting period	550,000	385,838
Plant and equipment		
Balance at the beginning of the reporting period	45,918	52,274
Additions	12,605	-
Depreciation expense	(9,460)	(6,356)
Balance at the end of the reporting period	49,063	45,918
Total property, plant and equipment		
Balance at the beginning of the reporting period	724,868	745,602
Revaluations	970,649	
Additions	27,431	-
Depreciation expense	(23,885)	(20,734)
Balance at the end of the reporting period	**1,699,063**	**724,868**

10. Intangible assets

Franchise fees have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation in the Statement of Profit or Loss and Other Comprehensive Income.

	2017	2016
	$	$
Franchise fee		
At cost	55,961	57,768
Less accumulated amortisation	(2,837)	(50,066)
	53,124	**7,702**

Movements in carrying amounts

	2017	2016
Franchise fee		
Balance at the beginning of the reporting period	7,702	19,256
Additions	55,961	-
Amortisation expense	(10,539)	(11,554)
Balance at the end of the reporting period	**53,124**	**7,702**

11. Trade and other payables

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

	2017 $	2016 $
Current		
Unsecured liabilities:		
Trade creditors	138,247	7,322
Franchise Fee payable	61,557	
Sundry Creditors	-	350
ATO payable	19,050	38,271
Other creditors and accruals	12,394	6,213
	231,248	**52,156**

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

12. Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as "fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

13. Provisions

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

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

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

13. Provisions (continued)

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

	2017 $	2016 $
Current		
Annual Leave	27,303	21,296
Long Service Leave	34,372	36,932
	61,675	58,228
Non-current		
Long Service Leave	7,368	-
Total provisions	**69,043**	**58,228**

14. Share capital

Ordinary shares are classified as equity.

	2017 $	2016 $
816,800 Ordinary shares fully paid	816,800	816,800
	816,800	**816,800**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	816,800	816,800
At the end of the reporting period	**816,800**	**816,800**

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

Capital management

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

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

(i) the Distribution Limit is the greater of:
  (a) 20% of the profit or funds of the company otherwise available for distribution to shareholders; and

  (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

14. Share capital (continued)

Capital management (continued)

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

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

15. Retained earnings

	2017 $	2016 $
Balance at the beginning of the reporting period	1,633,669	1,477,967
Profit after income tax	179,606	253,718
Dividends paid	(98,017)	(98,016)
Balance at the end of the reporting period	**1,715,258**	**1,633,669**

16. Dividends paid or provided for on ordinary shares

	2017 $	2016 $
Dividends paid or provided for during the year		
Fully franked ordinary dividend of 12 cents per share (2016: 12 cents) franked at the tax rate of 27.5% (2016: 28.5%).	98,017	98,016

A provision is made for the amount of any dividends declared, authorised and no longer payable at the discretion of the entity on or before the end of the financial year, but not distributed at balance date.

17. Reserves

The reserves represent undistributable gains recognised on the revaluation of non-current assets.

	2017 $	2016 $
Asset revaluation reserve		
Balance at the beginning of the reporting period	21,659	21,659
Change in beginning balance due to change in income tax rate	774	-
Fair value movements during the period	703,721	-
Balance at the end of the reporting period	**726,154**	**21,659**

18. Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servcing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjsuted for bonus elements in ordinary shares issues during the year.

	2017 $	2016 $
Basic earnings per share (cents)	108.14	31.06
Earnings used in calculating basic earnings per share	883,327	253,718
Weighted average number of ordinary shares used in calculating basic earnings per share.	816,800	816,800

19. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:

	2017 $	2016 $
Cash and cash equivalents (Note 5)	1,912,574	1,728,115
As per the Statement of Cash Flow	**1,912,574**	**1,728,115**

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

	2017 $	2016 $
Profit / (loss) after income tax	179,606	253,718
Non-cash flows in profit		
- Depreciation	23,885	20,734
- Amortisation	10,539	11,554
- Bad debts	708	2,132
- Change in opening balance of reserves due to tax rate change booked to other comprehensive income	774	-
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(15,858)	20,035
- (increase) / decrease in prepayments and other assets	(4,971)	-
- (Increase) / decrease in deferred tax asset	(4,608)	(33,409)
- Increase / (decrease) in trade and other payables	123,132	(5,817)
- Increase / (decrease) in current tax liability	(14,115)	(31,169)
- Increase / (decrease) in provisions	10,815	(12,013)
Net cash flows from operating activities	**309,907**	**225,765**

20. Key management personnel and related party disclosures

(a) Key management personnel

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

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

During the year, the company purchased goods and services under normal terms and conditions, from related parties as follows:

20. Key management personnel and related party disclosures (continued)

Name of related party	Description of goods / services provided	Value $
Diana Paton	Printing & Advertising Services	1,685
Jacqualine Pakinga	Administrative Services	9,620

(d) Key management personnel shareholdings

The number of ordinary shares in Galston Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	2017	2016
Ralph Henry Steele	10,000	10,000
Diana Mary Paton	500	500
Kevin Cook	-	-
Jacqualine Pakinga	-	-
Sheena Daley	5,000	5,000
Dennis Arthur Phillips	4,900	4,900
Gavin Koorey	-	-
Michael Glen Beardsell	1,000	1,000
Robert Neil Pullan	-	-
	21,400	21,400

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

(e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

21. Events after the reporting period

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

22. Contingent liabilities and contingent assets

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

23. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one area being Galston, NSW. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2016: 100%).

24. Company details

The registered office and principle place of business is 348 Galston Road, Galston NSW 2159.

25. Fair value measurements

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

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

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

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

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

The company measures and recognises the following assets at fair value on a recurring basis after initial recognition:

- freehold land and buildings

The company does not subsequently measure any liabilities at fair value on a non-recurring basis.

(a) Fair value hierarchy

AASB 13: *Fair value measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	**Level 2**	**Level 3**
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

Fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

25. Fair value measurements (continued)

Valuation techniques

The company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the company are consistent with one or more of the following valuation approaches:

- *Market approach:* valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income approach:* valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach:* valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following tables provide the fair values of the company's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

	30 June 2017		
	Level 1 $	Level 2 $	Level 3 $
Recurring fair value measurements			
Non-financial assets			
Freehold land	-	1,100,000	-
Buildings	-	550,000	-
Total non-financial assets recognised at fair value on a	-	1,650,000	-

	30 June 2016		
	Level 1 $	Level 2 $	Level 3 $
Recurring fair value measurements			
Non-financial assets			
Freehold land	-	293,112	-
Buildings	-	385,838	-
Total non-financial assets recognised at fair value on a recurring basis	-	678,950	-

There were no transfers between Levels for assets measured at fair value on a recurring basis during the reporting period (2016: no transfers).

25. Fair value measurements (continued)

(b) Valuation techniques and inputs used to measure Level 2 fair values

Description	Fair value at 30 June 2017 $	Description of valuation techniques	Inputs used
Freehold land	1,100,000	Property valuer appraisal	Valuer appraisal
Buildings	550,000	Property valuer appraisal	valuer appraisal

(i) The fair value of freehold land and buildings is determined at least every three years based on valuations by an independent valuer. At the end of each intervening period, the Directors review the independent valuation and, when appropriate, update the fair value measurement to reflect current market conditions using a range of valuation techniques, including recent observable market data and discounted cash flow methodologies.

There were no changes during the period in the valuation techniques used by the company to determine Level 2 fair values.

(c) Reconciliation of recurring Level 2 Fair value measurements

Level 2	Freehold land $
Balance at the beginning of the year	678,950
Revaluations	971,050
Balance at the end of the year	1,650,000

There were no transfers between Level 2 and Level 3 for liabilities measured at fair value on a recurring basis during the reporting period (2016: no transfers).

26. Financial risk management

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* as detailed in the accounting policies are as follows:

	Note	2017 $	2016 $
Financial assets			
Cash and cash equivalents	5	1,912,574	1,728,115
Trade and other receivables	6	125,359	109,750
Total financial assets		**2,037,933**	**1,837,865**
Financial liabilities			
Trade and other payables	11	231,248	52,156
Total financial liabilities		**231,248**	**52,156**

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the table above.

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

26. Financial risk management (continued)

(a) Credit risk (continued)

None of the assets of the company are past due (2016: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited and therefore credit risk is considered minimal.

(b) Liquidity risk

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

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

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

30 June 2017	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets				
Cash and cash equivalents	1,912,574	1,912,574	-	-
Trade and other receivables	125,359	125,359	-	-
Total anticipated inflows	2,037,933	2,037,933	-	-
Financial liabilities				
Trade and other payables	231,248	231,248	-	-
Total expected outflows	231,248	231,248	-	-
Net inflow / (outflow) on financial instruments	**1,806,685**	**1,806,685**	**-**	**-**

26. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2016	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets				
Cash and cash equivalents	1,728,115	1,728,115	-	-
Trade and other receivables	109,750	109,750	-	-
Total anticipated inflows	1,837,865	1,837,865	-	-
Financial liabilities				
Trade and other payables	52,156	52,156	-	-
Total expected outflows	52,156	52,156	-	-
Net inflow / (outflow) on financial instruments	**1,785,709**	**1,785,709**	**-**	**-**

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the company to interest rate risk are cash and cash equivalents.

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

Year ended 30 June 2017	Profit $	Equity $
+/- 1% in interest rates (interest income)	19,126	19,126
	19,126	**19,126**

26. Financial risk management (continued)

(c) Market risk (continued)

Year ended 30 June 2016

+/- 1% in interest rates (interest income)	17,281	17,281
	17,281	17,281

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

(e) Fair values

Fair value estimation
The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Differences between fair values and the carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied to the market since their initial recognition by the company.

	2017		2016	
	Carrying amount $	**Fair value $**	**Carrying amount $**	**Fair Value $**
Financial assets				
Cash and cash equivalents (i)	1,912,574	1,912,574	1,728,115	1,728,115
Trade and other receivables (i)	125,359	125,359	109,750	109,750
Total financial assets	**2,037,933**	**2,037,933**	**1,837,865**	**1,837,865**
Financial liabilities				
Trade and other payables (i)	231,248	231,248	52,156	52,156
Total financial liabilities	**231,248**	**231,248**	**52,156**	**52,156**

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

Galston Financial Services Limited
ABN 23 097 581 854
Directors' Declaration

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

1. The financial statements and notes, as set out on pages 7 to 38 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2017 and of the performance for the year ended on that date;

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

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

Robert Neil Pullan
Director

Signed at Galston on 27th September 2017.

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

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Galston Financial Services Limited, which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion:

(a) the financial report of Galston 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 2017 and of its performance for the year then ended; and

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

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

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

Independence

We are independent of the entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

Director's Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001,* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. On connection with our audit of the financial report, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 27th September 2017