

Galston Financial Services Limited 19th Annual Report and Notice of Annual General Meeting 10th November 2020



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 Nineteenth Annual General Meeting of Shareholders will be held at
The Galston Club 21-25 Arcadia Road Galston NSW
On Tuesday 10th November 2020 at 7.30 pm**

Agenda

1) Welcome

2) Reports

- a) The Chairman, Ralph Steele, will present his report on the operations of the Company for the year ended 30th June 2020.
- b) The Manager, Mr Gary Mangan, will present his report for the year ended 30th June 2020.

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 2020.
- b) The directors' declaration and report for the financial year ended 30th June 2020.
- c) The auditor's report for the financial year ended 30th June 2020.

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 52(2) Mr Callum Hoogesteger, who the Board of Directors appointed as a director on 1st July 2020 retires as a director, and being eligible, is re-elected as a director.
- b. That pursuant to article 52(2) Mr Darren Bonaccordo, who the Board of Directors appointed as a director on 1st July 2020 retires as a director, and being eligible, is re-elected as a director.
- c. That pursuant to article 52(2) Mr Andrew McLean who the Board of Directors appointed as a director on 1st July 2020 retires as a director, and being eligible, is re-elected as a director.
- d. 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;
- e. 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;
- f. 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
Ralph Steele, Chairman, 14th October 2020

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 10th November 2020.
(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	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Election of Directors			
a. Callum Hoogesteger	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Darren Bonaccordo	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Andrew McLean	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Ralph Steele	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Diana Paton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Rob Pullan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Individual Shareholder

Signature of Shareholder Date.....

Company Shareholder Sole Director Company Yes ☐ No ☐

Signature of Director/SecretaryDate.....

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 its registered office at 348 Galston Road, Galston, NSW, 2159 no later than 12 noon on Friday 6th November 2020 and marked for the Attention of the Company Secretary.

Chairman's Report

2019/2020 Board Report

The past year was travelling well for Galston Financial Services under the direction of previous chairman Peter Ruefli. Unfortunately, earlier in the year Peter succumbed to a medical condition which required him to retire from the Chairman position so as to be able to have treatment in a relaxed way.

We wish Peter all the best with the upcoming treatments and sincerely thank him for the professional and personal input he gave to Galston Financial Services.

I have stepped back into this position on an interim basis and a new permanent Chairman will be elected in the near future.

I would like to acknowledge our Manager Gary Mangan and staff and board who have all put in 100% to keep us as the most personalised and popular Bank. I also welcome to the board the three new members, Callum Hoogesteger, Darren Bonaccordo and Andrew McLean.

The Galston Community Bank was operating with good financial results until along came COVID-19. This was a stumbling block to us as it was to all businesses in Galston however our treasurer and Gary Mangan our manager had numerous meetings to plot the correct path for us to the end of COVID-19 and also to be able to assist all of our valued customers during this time.

Our financial results since COVID-19 have altered as to the budgeted figures, never the less Galston Financial Services is still making progress as far as results are concerned but we also must be aware that Bendigo and Adelaide bank also have to adjust their financials to accommodate the changes required for them to get to the end of the virus. Our financial result for the 2020 year is \$95K down from the previous year

With due consideration the Board has voted that a fully franked dividend of \$0.17 per share be declared for the 2020 year.

Once again a great big thank you to our staff and board and a great big thank you to Rob Pullan our treasurer and of course a thank you to our customers and shareholders for your continued support of the Best Bank, Galston Community Bank.

Regrettably I have to announce that Gary our friendly and congenial manager has decided to retire as at November 2nd 2020 and move to the mid north coast.

We thank Gary for his service and input to our community and wish him happiness and good health in the future and once again for thank him for his input to our community.

Ralph Steele
Chairman
Galston Financial Services

Manager's Report

We have now completed our 19th financial year and my sixth and final year as the Manager of Galston Community Bank® Branch.

Before I advise how our community bank performed, I would like to say it has been an absolute pleasure being the Branch Manager of this Community Bank which has been able to give so much back to the community.

I would also like to say THANK YOU to the community for the support they have given me over the six years I have been the Branch Manager. I would like to thank the Board for giving me the opportunity to be part of this Special Bank. To my staff past/present the changes you have experienced over the six years has, at times, been intense but your loyalty to the Bank, community and myself has been outstanding and its been a pleasure to know you all.

Last year I reported that tightening of monetary policy and responsible lending was having effect on our performance/profitability, then, declining interest rates and Covid hit which has not only reduced customer/community interaction, but has seen our margin at unprecedented lows. This in turn has seen growth and profitability reduced.

Going forward we have undertaken marketing plans to increase customer awareness to curb the downturn that is being experienced across all financial institutions.

During the year Bendigo Bank sold their Wealth Business which saw our deposit footing reduce by \$12.4M. However this did not stop the team achieving sound growth in insurance, deposits and equipment finance. Overall a satisfactory result and well done to the team in ensuring we meet the needs of our customers and continue striving to be the Bank of Choice in our community.

The business has recorded a satisfactory result for 2019/20. This means that returns to shareholders and to our community continue to be very positive.

By the end of the 2019/20 financial year our Community Bank® branch achieved the following milestones:

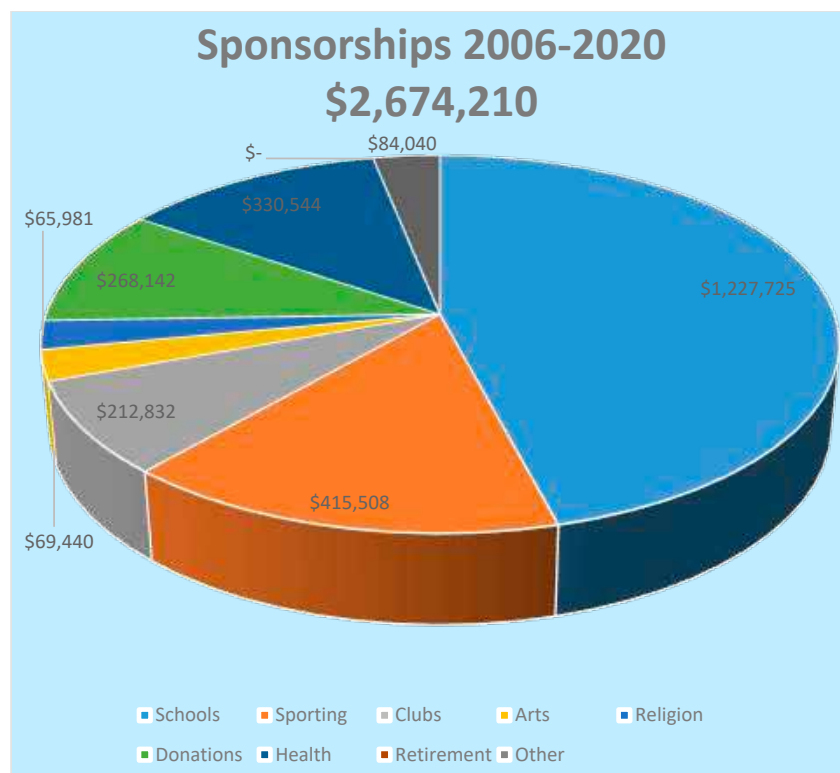
- Number of accounts 6,462, an increase of 240 new accounts or 3.7%.
- Total deposits in of \$179.7 million, a decrease of 9.6 million or -5.08%
- Total loans in of \$60.1 million, a decrease of \$5.3 million or -8.1%
- Total business of \$239.8 million, a decrease of \$14.9 million or -5.85%.
- Total business with loss of Wealth (\$12.4M) showed net growth of -.99%
- Net profit before tax, sponsorships and donations was \$604,759, a decrease of 15.12%
- Fully franked dividends to be paid to shareholders of 17 cents/share.
- Community sponsorships and donations totalled \$325,103
- Overall growth was flat with our share of wallet reducing to negative .99%

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:

1. Commercial/Business growth - to increase our share of wallet;
2. The ongoing customer awareness program to improve customer knowledge of financial products we have available, to meet client's financial needs; and
3. Community group awareness and support to help our business to continue to grow.
4. Injection into the media market to further advertise our point of difference into the market

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 2020

Galston Financial Services Limited

Directors' Report

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

Directors

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

Robert Neil Pullan

Treasurer

Occupation: Retired Chartered Accountant

Qualifications, 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 NFP charity. Current board member of Parramatta Mission and Non-executive director of Whiddon Group.

Special responsibilities: Treasurer, Finance and Audit Committee

Interest in shares: nil share interest held

Diana Mary Paton

Non-executive director

Occupation: Publisher

Qualifications, experience and expertise: Director Adelphi Printing Pty Ltd - current. Head of European Settlements, JP Morgan Sydney. Manager, Money Market Settlements, JP Morgan Sydney. President Galston High School P&C. President Dural & Round Corner Chamber of Commerce. Original Member of the Steering Committee of Galston Financial Services.

Special responsibilities: Nil

Interest in shares: 500 ordinary shares

Jacqueline Lucile Pakinga

Non-executive director

Occupation: HR Consultant

Qualifications, experience and expertise: Director and Co-Founder of Core Body Business Pty Ltd. HR professional with over 15 years corporate experience. Post Grad Dip Human Resources, Certified Practitioner and Certified Professional of the Australian Human Research Institute (AHRI).

Special responsibilities: Nil

Interest in shares: nil share interest held

Dennis Arthur Phillips

Non-executive director

Occupation: Farmer

Qualifications, experience and expertise: Director of DA & PK Phillips Stock Feed Merchant. Member of original steering committee of Galston Financial Services Limited.

Special responsibilities: Sponsorships / Donations Committee

Interest in shares: 4,900 ordinary shares

Ralph Henry Steele

Non-executive director

Occupation: Interim Chair

Qualifications, experience and expertise: Director of Location Sound and Berrilee Boarding Kennels. Member of original steering committee and original Chairman of Galston Financial Services Limited.

Special responsibilities: Sponsorships / Donations Committee

Interest in shares: 10,000 ordinary shares

Galston Financial Services Limited

Directors' Report

Directors (*continued*)

Matthew Grant Trethowan

Non-executive director

Occupation: Manager - Company Director

Qualifications, experience and expertise: Manage staff, maintain a computer network, liaise with trading companies, computer programming - systems technology.

Special responsibilities: Nil

Interest in shares: nil share interest held

Darren Pietro Bonaccordo

Non-executive director (appointed 1 July 2020)

Occupation: Escape Room Owner

Qualifications, experience and expertise: Commissioned Officer of the Royal Air Force, Director of Bison Builders Ltd (UK), Payroll Manager for Accountancy and Tax Centre (UK), Production Manager for Pepe's Ducks Ltd. Vice-President of the Dural & Round Corner Chamber of Commerce.

Special responsibilities: Sponsorships / Donations Committee

Interest in shares: nil share interest held

Andrew Mclean

Non-executive director (appointed 1 July 2020)

Occupation: Director, AM Consulting & Production Pty Ltd (Sydney Video Producer)

Qualifications, experience and expertise: Bachelor of Applied Science, Environmental Management & Tourism, Cert 4 in screen production. 15 years of professional video/TVC production.

Special responsibilities: Nil

Interest in shares: nil share interest held

Callum Hoogesteger

Non-executive director (appointed 1 July 2020)

Occupation: Director

Qualifications, experience and expertise: BSc Comp Sci. Callum is an IT industry veteran of 20+ years with broad experience across all aspects of solution and software design, delivery and maintenance. Callum has participated in and/or led over 300 successful project deliveries and personally originated 2 off-the-shelf software systems widely used in the market today. Callum is a Director at Levo Digital Pty Ltd (part of the Clemenger Group), Debtrak Pty Ltd (debt collection software) and Renewtrak Global Services Pty Ltd (a renewals SAAS innovation). Levo built the new Bendigo Bank website on Episerver.

Special responsibilities: Marketing Committee, HR Committee

Interest in shares: nil share interest held

Grant William Stewart

Non-executive director (appointed 1 July 2020 and resigned 4 September 2020)

Interest in shares: nil share interest held

Galston Financial Services Limited

Directors' Report

Directors (*continued*)

Peter Hugh Ruefli

Chairman (resigned 29 April 2020)

Occupation: Automotive Strategic Consultant

Qualifications, experience and expertise: 60 years automotive manufacturing and retail distribution experience. 35 years of which were spent in senior and director management duties for major manufacturers such as: Audi, Volkswagen, BMW, General Motors and Mazda. Now retired.

Special responsibilities: Nil

Interest in shares: 1,000 ordinary shares

Gavin Anthony Koorey

Non-executive director (resigned 23 March 2020)

Occupation: Self Storage Manager

Qualifications, experience and expertise: Director of Hills Self Storage. Former Chairman of Galston Financial Services Limited (2009-2012).

Special responsibilities: Finance and Audit Committee

Interest in shares: 8,233 ordinary shares

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

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

Company Secretary

There have been two company secretaries holding the position during the financial year:

- Robert Neil Pullan was appointed company secretary on 25 May 2020.
- Diana Patton was appointed company secretary on 29 March 2007 and ceased on 25 May 2020.

Qualifications, 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 NFP charity. Current board member of Parramatta Mission and Non-executive director of Whiddon Group.

Principal activity

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

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

Operating results

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

Year ended 30 June 2020	Year ended 30 June 2019
\$	\$
228,949	270,865

Galston Financial Services Limited

Directors' Report

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Robert Neil Pullan	-	-	-
Diana Mary Paton	500	-	500
Jacqueline Lucile Pakinga	-	-	-
Dennis Arthur Phillips	4,900	-	4,900
Ralph Henry Steele	10,000	-	10,000
Matthew Grant Trethowan	-	-	-
Darren Pietro Bonaccordo	-	-	-
Andrew Mclean	-	-	-
Callum Hoogesteger	-	-	-
Grant William Stewart	-	-	-
Peter Hugh Ruefli	1,000	-	1,000
Gavin Anthony Koorey	-	8,233	8,233

No debentures or rights have been granted or options over such instruments in previous financial years or during the current financial year.

Dividends

During the financial year, the following dividends were provided for and paid. The dividends have been provided for in the financial statements.

	Cents per share	Total amount
Final fully franked dividend	20	163,360
Total amount	20	163,360

New Accounting Standards implemented

The company has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: *Leases* (AASB 16) was applicable from 1 July 2019. The company has assessed its leasing arrangements and noted the AASB 16 does not have a significant impact. See note 4 for further details.

Significant changes in the state of affairs

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

In the opinion of the directors there were no other significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Events since the end of the financial year

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

Likely developments

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

Galston Financial Services Limited

Directors' Report

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 27 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended	
	<u>E</u>	<u>A</u>
Robert Neil Pullan	11	8
Diana Mary Paton	11	8
Jacqueline Lucile Pakinga	11	7
Dennis Arthur Phillips	11	10
Ralph Henry Steele	11	7
Matthew Grant Trethowan	11	6
Darren Pietro Bonaccordo	-	-
Andrew Mclean	-	-
Grant William Stewart	-	-
Callum Hoogesteger	-	-
Peter Hugh Ruefli	9	7
Gavin Anthony Koorey	8	7

E - eligible to attend

A - number attended

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

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

Galston Financial Services Limited

Directors' Report

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 26 to the accounts.

The board of directors has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

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



Robert Neil Pullan, Treasurer

Dated this 24th day of August 2020

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

As lead auditor for the audit of Galston Financial Services Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 24 August 2020



Joshua Griffin
Lead Auditor

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

	Notes	2020 \$	2019 \$
Revenue from contracts with customers	8	1,248,647	1,390,227
Other revenue	9	84,218	10,000
Finance income	10	23,146	37,311
Employee benefit expenses	11d)	(535,752)	(518,470)
Charitable donations, sponsorship, advertising and promotion		(325,103)	(337,346)
Occupancy and associated costs		(30,089)	(32,238)
Systems costs		(21,852)	(22,378)
Depreciation and amortisation expense	11a)	(31,987)	(32,856)
Finance costs	11b)	(11)	-
General administration expenses		(131,561)	(119,076)
Profit before income tax expense		279,656	375,174
Income tax expense	12a)	(50,707)	(104,309)
Profit after income tax expense		228,949	270,865
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		228,949	270,865
Earnings per share		¢	¢
- Basic and diluted earnings per share:	29a)	28.03	33.16

The accompanying notes form part of these financial statements

Galston Financial Services Limited
Statement of Financial Position
as at 30 June 2020

	Notes	2020 \$	2019 \$
ASSETS			
Current assets			
Cash and cash equivalents	13a)	1,667,119	2,073,755
Trade and other receivables	15a)	109,273	126,266
Other investments	14a)	513,724	39,300
Total current assets		2,290,116	2,239,321
Non-current assets			
Property, plant and equipment	16a)	1,643,868	1,663,046
Intangible assets	17a)	19,572	30,756
Total non-current assets		1,663,440	1,693,802
Total assets		3,953,556	3,933,123
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	26,091	53,917
Current tax liabilities	18a)	16,733	37,186
Employee benefits	20a)	86,040	82,564
Total current liabilities		128,864	173,667
Non-current liabilities			
Employee benefits	20b)	23,025	17,291
Deferred tax liability	18b)	229,792	235,879
Total non-current liabilities		252,817	253,170
Total liabilities		381,681	426,837
Net assets		3,571,875	3,506,286
EQUITY			
Issued capital	21a)	816,800	816,800
Reserves	22b)	726,154	726,154
Retained earnings	23	2,028,921	1,963,332
Total equity		3,571,875	3,506,286

The accompanying notes form part of these financial statements

Galston Financial Services Limited
Statement of Changes in Equity
for the year ended 30 June 2020

	Notes	Issued capital \$	Fair value reserve \$	Retained earnings \$	Total equity \$
Balance at 1 July 2018		816,800	726,154	1,823,155	3,366,109
Total comprehensive income for the year		-	-	270,865	270,865
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	28a)	-	-	(130,688)	(130,688)
Balance at 30 June 2019		816,800	726,154	1,963,332	3,506,286
Balance at 1 July 2019		816,800	726,154	1,963,332	3,506,286
Total comprehensive income for the year		-	-	228,949	228,949
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	28a)	-	-	(163,360)	(163,360)
Balance at 30 June 2020		816,800	726,154	2,028,921	3,571,875

The accompanying notes form part of these financial statements

Galston Financial Services Limited
Statement of Cash Flows
for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers		1,505,861	1,541,225
Payments to suppliers and employees		(1,198,911)	(1,135,446)
Interest received		20,621	38,012
Interest paid		(11)	-
Lease payments not included in the measurement of lease liabilities	11e)	(7,306)	-
Income taxes paid		(77,247)	(79,255)
Net cash provided by operating activities	24	243,007	364,536
Cash flows from investing activities			
Payments for property, plant and equipment		(1,625)	(3,356)
Payments for investments		(504,018)	(39,305)
Proceeds from sale of investments		19,360	-
Net cash used in investing activities		(486,283)	(42,661)
Cash flows from financing activities			
Dividends paid	28a)	(163,360)	(130,688)
Net cash used in financing activities		(163,360)	(130,688)
Net cash increase/(decrease) in cash held		(406,636)	191,187
Cash and cash equivalents at the beginning of the financial year		2,073,755	1,882,568
Cash and cash equivalents at the end of the financial year	13a)	1,667,119	2,073,755

The accompanying notes form part of these financial statements

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1 Reporting entity

This is the financial report for Galston Financial Services Limited (the company). The company is a for profit entity limited by shares, and incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
348 Galston Road Galston NSW 2159	348 Galston Road Galston NSW 2159

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 27.

Note 2 Basis of preparation and statement of compliance

Basis of preparation and statement of compliance

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

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

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

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 24 August 2020.

Note 3 Changes in accounting policies, standards and interpretations

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

The company has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: *Leases* (AASB 16) was applicable from 1 July 2019. The impact of applying AASB 16 has been assessed as insignificant by the company.

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4 Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

- Interest paid by customers on loans less interest paid to customers on deposits
- plus any deposit returns i.e. interest return applied by Bendigo Bank for a deposit,
- *minus* any costs of funds i.e. interest applied by to fund a loan.

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

Commission

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

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

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

b) Other revenue

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

<u>Revenue</u>	<u>Revenue recognition policy</u>
Dividend and distribution income	Dividend and distribution income is recognised when the right to receive the payment is established.
Sale of property, plant and equipment	Revenue from the sale of property, plant and equipment is recognised when the buyer obtains control of the asset. Control is transferred when the buyer has the ability to direct the use of and substantially obtain the economic benefits from the asset.
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

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

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

b) Other revenue (*continued*)*Discretionary financial contributions*

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

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

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

Cash flow boost

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

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

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

c) Economic dependency - Bendigo Bank (*continued*)

Bendigo Bank provides significant assistance in establishing and maintaining the Community Bank franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice and assistance in relation to:

- the design, layout and fit out of the Community Bank premises
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

d) Employee benefits

Short-term employee benefits

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

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

Defined superannuation contribution plans

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

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

Other long-term employee benefits

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

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

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

e) Taxes

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

The company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore recognises them under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

e) Taxes (*continued*)

Current income tax

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

Deferred tax

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

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

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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

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

The company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority on the company either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Goods and Services Tax

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

- when the amount of GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue or expense item.
- when receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

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

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost or fair value as applicable, which includes capitalised borrowings costs, less accumulated depreciation and any accumulated impairment losses.

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

Subsequent expenditure

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

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line or diminishing value method over their estimated useful lives, and is recognised in profit or loss. Land is not depreciated.

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Building	Straight-line	40 years
Plant and equipment	Straight-line and diminishing value	2.5 to 40 years

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

h) Intangible assets

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

Recognition and measurement

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed as either finite or indefinite.

Subsequent expenditure

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

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

h) Intangible assets (*continued*)

Amortisation

Intangible assets with finite lives are amortised over their useful life and assessed for impairment whenever impairment indicators are present. Intangible assets assessed as having indefinite useful lives are tested for impairment at each reporting period and whenever impairment indicators are present. The indefinite useful life is also reassessed annually.

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

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

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

i) Financial instruments

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

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

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

Recognition and initial measurement

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

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

Classification and subsequent measurement

Financial assets

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

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

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

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

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

i) Financial instruments *(continued)*

Classification and subsequent measurement (continued)

Financial assets *(continued)*

On initial recognition of an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The election is made on an investment-by-investment basis.

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

Financial assets - business model assessment

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

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - subsequent measurement and gains and losses

- | | |
|--------------------------------------|---|
| - Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| - Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |
| - Equity investments at FVTOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss. |

Financial liabilities - classification, subsequent measurement and gains and losses

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

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

i) Financial instruments (*continued*)

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Offsetting

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

j) Impairment

Non-derivative financial assets

The company recognises a loss allowance for ECL on:

- financial assets that are measured at FVTOCI;
- lease receivables;
- loan commitments that are not measured at FVTPL; and
- financial guarantee contracts that are not measured at FVTPL.

Loss allowance is not recognised for:

- financial assets measured at FVTPL; or
- equity instruments measured at FVTOCI.

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

The company uses the simplified approach to impairment. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime ECL at all times.

This approach is applicable to:

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

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

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

j) Impairment (*continued*)

Non-derivative financial assets (continued)

Recognition of expected credit losses in financial statements

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

The directors have assessed the ECL and noted it is not material.

Non-financial assets

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

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

k) Issued capital

Ordinary shares

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

l) Leases

Short-term leases and leases of low-value assets

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

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

m) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the company uses valuation techniques that maximise the use of relevant observable inputs and maximise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

m) Fair value measurement (*continued*)

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

n) Standards issued but not yet effective

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

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

<u>Note</u>	<u>Judgement</u>
- Note 8 - revenue recognition	whether revenue is recognised over time or at a point in time;

b) Assumptions and estimation uncertainties

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

<u>Note</u>	<u>Assumptions</u>
- Note 8 - revenue recognition	estimate of expected returns;
- Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 16 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 20 - long service leave provision	key assumptions on attrition rate and pay increases through promotion and inflation;
- Note 19 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

c) Measurement of fair values

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The company recognises transfers between levels of the fair value hierarchy at the end of each reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 25 - financial instruments;
- Note 14 - other investments.

Note 6 Financial risk management

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

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

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company does not use derivative instruments.

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

a) Credit risk

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

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

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6 Financial risk management (*continued*)

b) Liquidity risk

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

The company believes that its sound relationship with Bendigo Bank mitigates this risk significantly.

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

30 June 2020

<u>Non-derivative financial liability</u>	Contractual cash flows			
	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Trade payables	6,504	6,504	-	-
	<u>6,504</u>	<u>6,504</u>	<u>-</u>	<u>-</u>

30 June 2019

<u>Non-derivative financial liability</u>	Contractual cash flows			
	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Trade payables	6,022	6,022	-	-
	<u>6,022</u>	<u>6,022</u>	<u>-</u>	<u>-</u>

c) Market risk

Market risk

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

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

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6 Financial risk management (continued)

c) Market risk (continued)

Price risk

The primary goal of the company's investment in equity securities is to hold the investments for the long term for strategic purposes.

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

Sensitivity analysis - equity price risk

All of the company's listed equity investments are listed on the Australian Stock Exchange (ASX)

	Profit or loss		Equity, net of tax	
	10% increase	10% decrease	10% increase	10% decrease
30 June 2020:				
Listed investments	13,228	(13,228)	28,227	(28,227)
	<u>13,228</u>	<u>(13,228)</u>	<u>28,227</u>	<u>(28,227)</u>
30 June 2019:				
Listed investments	3,930	(3,930)	-	-
	<u>3,930</u>	<u>(3,930)</u>	<u>-</u>	<u>-</u>

Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo Bank and subject to movements in market interest.

The company held cash and cash equivalents of \$1,667,119 at 30 June 2020 (2019: \$2,073,755). The cash and cash equivalents are held with BEN, which are rated BBB on Standard & Poor's credit ratings.

Note 7 Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of distributions to shareholders. Capital is represented by total equity as recorded in the statement of financial position.

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

The distribution limit is the greater of:

- 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7 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 for the year ended 30 June 2020 can be seen in the statement of profit or loss and other comprehensive income.

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

Note 8 Revenue from contracts with customers

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

<i>Revenue from contracts with customers</i>	2020 \$	2019 \$
Revenue:		
- Revenue from contracts with customers	1,248,647	1,390,227
	<u>1,248,647</u>	<u>1,390,227</u>
<i>Disaggregation of revenue from contracts with customers</i>		
At a point in time:		
- Margin income	1,105,760	1,230,683
- Fee income	87,611	87,246
- Commission income	55,276	72,298
	<u>1,248,647</u>	<u>1,390,227</u>

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

Note 9 Other revenue

The company generates other sources of revenue from dividends and distributions of financial instruments, discretionary contributions received from the franchisor and cash flow boost from the Australian Government.

<i>Other revenue</i>	2020 \$	2019 \$
Revenue:		
- Market development fund income	10,000	10,000
- Cash flow boost	50,358	-
- At FVTPL - equity instruments	23,860	-
	<u>84,218</u>	<u>10,000</u>

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10 Finance income

The company holds financial instruments measured at amortised cost. Interest income is recognised at the effective interest rate.

Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

<i>Finance income</i>	2020 \$	2019 \$
At amortised cost:		
- Term deposits	23,146	37,311
	<u>23,146</u>	<u>37,311</u>

Note 11 Expenses

a) Depreciation and amortisation expense	2020 \$	2019 \$
<i>Depreciation of non-current assets:</i>		
- Buildings	14,860	14,868
- Plant and equipment	5,943	6,804
	<u>20,803</u>	<u>21,672</u>
<i>Amortisation of intangible assets:</i>		
- Franchise fee	11,184	11,184
	<u>11,184</u>	<u>11,184</u>
Total depreciation and amortisation expense	<u>31,987</u>	<u>32,856</u>

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

b) Finance costs	2020 \$	2019 \$
<i>Finance costs:</i>		
- Other	11	-
	<u>11</u>	<u>-</u>

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

c) Impairment loss on trade receivables and contract assets

The franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. Due to the reliance on Bendigo Bank the company has reviewed the credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit risk exposure of the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no impairment loss allowance has been made in relation to the Bendigo Bank receivable as at 30 June 2020.

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11 Expenses (*continued*)

d) Employee benefit expenses	2020 \$	2019 \$
Wages and salaries	462,432	452,487
Contributions to defined contribution plans	42,761	41,601
Expenses related to long service leave	7,902	639
Other expenses	22,657	23,743
	<u>535,752</u>	<u>518,470</u>

e) Recognition exemption

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

	2020 \$	2019 \$
Expenses relating to low-value leases	7,306	-
	<u>7,306</u>	<u>-</u>

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

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

Note 12 Income tax expense

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

a) Amounts recognised in profit or loss	2020 \$	2019 \$
<i>Current tax expense/(credit)</i>		
- Current tax	57,029	104,676
- Net benefit of franking credits on dividends received	(235)	-
- Movement in deferred tax	7,170	(367)
- Reduction in company tax rate	(13,257)	-
	<u>50,707</u>	<u>104,309</u>

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a gain of \$13,257 related to the remeasurement of deferred tax assets and liabilities of the company.

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12 Income tax expense (continued)

b) <i>Prima facie</i> income tax reconciliation	2020 \$	2019 \$
Operating profit before taxation	279,656	375,174
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	76,905	103,173
Tax effect of:		
- Non-deductible expenses	1,079	1,136
- Temporary differences	(7,171)	367
- Other assessable income	(13,784)	-
- Movement in deferred tax	7,170	(367)
- Net benefit of franking credits on dividends received	(235)	-
- Reduction in company tax rate	(13,257)	-
	<u>50,707</u>	<u>104,309</u>

Note 13 Cash and cash equivalents

a) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and in banks. Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

	2020 \$	2019 \$
- Cash at bank and on hand	144,387	1,073,755
- Term deposits	1,522,732	1,000,000
	<u>1,667,119</u>	<u>2,073,755</u>

Note 14 Other investments

The primary goal of the company's other investments is to hold the investments for the long term for strategic purposes.

The company classifies investments as a current asset when it expects to realise the asset, or intends to sell or consume it, no more than 12 months after the reporting period. All other investments are classified as non-current.

a) Current investments

	2020 \$	2019 \$
Unlisted investments - at FVTPL	381,440	-
Listed investments - at FVTPL	132,284	39,300
	<u>513,724</u>	<u>39,300</u>

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15 Trade and other receivables

	2020 \$	2019 \$
a) Current assets		
Trade receivables	100,337	120,693
Prepayments	5,358	4,699
Other receivables and accruals	3,578	874
	<u>109,273</u>	<u>126,266</u>

Note 16 Property, plant and equipment

	2020 \$	2019 \$
a) Carrying amounts		
<i>Land</i>		
At fair value	1,100,000	1,100,000
	<u>1,100,000</u>	<u>1,100,000</u>
<i>Buildings</i>		
At fair value	758,175	758,175
Less: accumulated depreciation	(247,490)	(232,630)
	<u>510,685</u>	<u>525,545</u>
<i>Plant and equipment</i>		
At cost	157,718	156,093
Less: accumulated depreciation	(124,535)	(118,592)
	<u>33,183</u>	<u>37,501</u>
Total written down amount	<u>1,643,868</u>	<u>1,663,046</u>

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

	2020 \$	2019 \$
b) Reconciliation of carrying amounts		
<i>Land</i>		
Carrying amount at beginning	1,100,000	1,100,000
Carrying amount at end	<u>1,100,000</u>	<u>1,100,000</u>
<i>Buildings</i>		
Carrying amount at beginning	525,545	539,072
Additions	-	1,341
Depreciation	(14,860)	(14,868)
Carrying amount at end	<u>510,685</u>	<u>525,545</u>

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16 Property, plant and equipment (*continued*)

c) Reconciliation of carrying amounts	2020 \$	2019 \$
<i>Plant and equipment</i>		
Carrying amount at beginning	37,501	42,290
Additions	1,625	2,015
Depreciation	(5,943)	(6,804)
Carrying amount at end	33,183	37,501
Total written down amount	1,643,868	1,663,046

d) Changes in estimates

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

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

Note 17 Intangible assets

a) Carrying amounts	2020 \$	2019 \$
<i>Franchise fee</i>		
At cost	55,961	55,961
Less: accumulated amortisation	(36,389)	(25,205)
Total written down amount	19,572	30,756

b) Reconciliation of carrying amounts

<i>Franchise fee</i>		
Carrying amount at beginning	30,756	41,940
Amortisation	(11,184)	(11,184)
Total written down amount	19,572	30,756

c) Changes in estimates

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

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

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18 Tax assets and liabilities

a) Current tax	2020 \$	2019 \$
Income tax payable	16,733	37,186

b) Deferred tax

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

	30 June 2019	Recognised in profit or loss	30 June 2020
<i>Deferred tax assets</i>	\$	\$	\$
- expense accruals	1,261	(64)	1,197
- employee provisions	27,460	897	28,357
- fair value of investments	-	2,536	2,536
Total deferred tax assets	28,721	3,369	32,090
<i>Deferred tax liabilities</i>			
- income accruals	240	644	884
- property, plant and equipment	264,360	(3,362)	260,998
Total deferred tax liabilities	264,600	(2,718)	261,882
Net deferred tax assets (liabilities)	(235,879)	6,087	(229,792)

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

	30 June 2018	Recognised in profit or loss	30 June 2019
<i>Deferred tax assets</i>	\$	\$	\$
- expense accruals	721	540	1,261
- employee provisions	23,636	3,824	27,460
Total deferred tax assets	24,357	4,364	28,721
<i>Deferred tax liabilities</i>			
- income accruals	433	(193)	240
- property, plant and equipment	260,170	4,190	264,360
Total deferred tax liabilities	260,603	3,997	264,600
Net deferred tax assets (liabilities)	(236,246)	367	(235,879)

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18 Tax assets and liabilities (*continued*)

c) Uncertainty over income tax treatments

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

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

Note 19 Trade creditors and other payables

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

a) Current liabilities	2020 \$	2019 \$
Trade creditors	6,504	6,022
Other creditors and accruals	19,587	47,895
	<u>26,091</u>	<u>53,917</u>

Note 20 Employee benefits

a) Current liabilities	2020 \$	2019 \$
Provision for annual leave	54,085	52,777
Provision for long service leave	31,955	29,787
	<u>86,040</u>	<u>82,564</u>

b) Non-current liabilities

Provision for long service leave	23,025	17,291
	<u>23,025</u>	<u>17,291</u>

c) Key judgement and assumptions

Employee attrition rates

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

In the absence of sufficient historical employee attrition rates, the company applies a benchmark probability rate from across the Community Bank network to factor in estimating the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with legislation.

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21 Issued capital

a) Issued capital

	2020		2019	
	Number	\$	Number	\$
Ordinary shares - fully paid	816,800	816,800	816,800	816,800
	<u>816,800</u>	<u>816,800</u>	<u>816,800</u>	<u>816,800</u>

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").

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

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

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21 Issued capital (*continued*)

b) Rights attached to issued capital

Prohibited shareholding interest (continued)

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

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

Note 22 Reserves

a) Nature and purpose of reserves

Revaluation reserve

The revaluation reserve relates to the revaluation of land and buildings.

b) Disaggregation of reserve balances, net of tax

Reserves for the period ended 30 June 2020

	Revaluation reserve	Total
	\$	\$
Balance at beginning of reporting period	726,154	726,154
Balance at end of reporting period	<u>726,154</u>	<u>726,154</u>

Reserves for the period ended 30 June 2019

	Revaluation reserve	Total
	\$	\$
Balance at beginning of reporting period	726,154	726,154
Balance at end of reporting period	<u>726,154</u>	<u>726,154</u>

Note 23 Retained earnings

	Note	2020 \$	2019 \$
Balance at beginning of reporting period		1,963,332	1,823,155
Net profit after tax from ordinary activities		228,949	270,865
Dividends provided for or paid	28a)	(163,360)	(130,688)
Balance at end of reporting period		<u>2,028,921</u>	<u>1,963,332</u>

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24 Reconciliation of cash flows from operating activities

	2020 \$	2019 \$
Net profit after tax from ordinary activities	228,949	270,865
Adjustments for:		
- Depreciation	20,803	21,672
- Amortisation	11,184	11,184
- (Increase)/decrease in fair value of equity instruments designated at FVTPL	10,364	5
- (Profit)/loss on disposal of assets	(130)	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	16,994	6,053
- Increase/(decrease) in trade and other payables	(27,827)	15,797
- Increase/(decrease) in employee benefits	9,211	13,906
- Increase/(decrease) in tax liabilities	(26,541)	25,054
Net cash flows provided by operating activities	<u>243,007</u>	<u>364,536</u>

Note 25 Financial instruments - fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Accounting classifications and fair values for the year ended 30 June 2020:

		Carrying amount			Fair value		
	Note	FVTPL	At amortised cost	Total	Level 1	Level 2	Total
Financial assets measured at fair value:							
Equity securities	14	132,284	-	-	132,284	-	132,284
		132,284	-	-	132,284	-	132,284
Financial assets not measured at fair value:							
Trade and other receivables	15	-	100,337	-	-	-	-
Cash and cash	13	-	144,387	-	-	-	-
Term deposits	14	-	1,522,732	-	-	-	-
		-	1,767,456	176,456	-	-	-
Financial liabilities not measured at fair value:							
Trade and other payables	19	-	6,504	-	-	-	-
		-	6,504	6,504	-	-	-

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25 Financial instruments - fair value (continued)

Accounting classifications and fair values for the year ended 30 June 2019:

		Carrying amount			Fair value		
	Note	FVTPL	At amortised cost	Total	Level 1	Level 2	Total
Financial assets measured at fair value:							
Equity securities	14	39,300	-	39,314	39,314	-	39,314
		39,300	-	39,314	39,314	-	39,314
Financial assets not measured at fair value:							
Trade and other receivables	15	-	120,693	-	-	-	-
Cash and cash	13	-	1,073,755	-	-	-	-
Term deposits	14	-	1,000,000	-	-	-	-
		-	2,194,448	2,194,448	-	-	-
Financial liabilities not measured at fair value:							
Trade and other payables	19	-	6,022	-	-	-	-
		-	6,022	6,041	-	-	-

Valuation techniques and significant unobservable inputs

There were no Level 2 or Level 3 classifications held during the relevant financial years.

Transfers between Levels 1 and 2

There were no transfers between Level 1 and Level 2 during the financial year. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the financial year.

Note 26 Auditor's remuneration

Amount received or due and receivable by the auditor of the company for the financial year.	2020 \$	2019 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	4,800	4,400
	<u>4,800</u>	<u>4,400</u>
<i>Non audit services</i>		
- Taxation advice and tax compliance services	600	600
- General advisory services	1,830	1,830
	<u>2,430</u>	<u>2,430</u>
Total auditor's remuneration	<u>7,230</u>	<u>6,830</u>

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Robert Neil Pullan
Diana Mary Paton
Jacqualine Lucile Pakinga
Dennis Arthur Phillips
Ralph Henry Steele
Matthew Grant Trethowan
Darren Pietro Bonaccordo
Andrew Mclean
Grant William Stewart
Callum Hoogesteger
Peter Hugh Ruefli
Gavin Anthony Koorey

b) Key management personnel compensation

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

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

c) Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2020 \$	2019 \$
<i>Transactions with related parties</i>		
- Diana Paton - Printing and advertising services. The total benefit received was:	6,074	6,452
Total transactions with related parties	<u>6,074</u>	<u>6,452</u>

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28 Dividends provided for or paid

a) Dividends provided for and paid during the period

The following dividends were provided for and paid to shareholders during the reporting period as presented in the statement of changes in equity and statement of cash flows.

	30 June 2020		30 June 2019	
	Cents	\$	Cents	\$
Fully franked dividend	20.00	163,360	16.00	130,688
Total dividends provided for and paid during the financial year	<u>20.00</u>	<u>163,360</u>	<u>16.00</u>	<u>130,688</u>

The tax rate at which dividends have been franked is 27.5% (2019: 27.5%).

b) Franking account balance

	2020 \$	2019 \$
<i>Franking credits available for subsequent reporting periods</i>		
Franking account balance at the beginning of the financial year	919,311	889,627
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	77,247	79,255
- Franking debits from the payment of franked distributions	(61,964)	(49,571)
Franking account balance at the end of the financial year	<u>934,594</u>	<u>919,311</u>
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	16,733	37,186
Franking credits available for future reporting periods	<u>951,327</u>	<u>956,497</u>

The ability to utilise franking credits is dependent upon the company's ability to declare dividends.

Note 29 Earnings per share

a) Basic and diluted earnings per share

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

	2020 \$	2019 \$
Profit attributable to ordinary shareholders	<u>228,949</u>	<u>270,865</u>
	Number	Number
Weighted-average number of ordinary shares	<u>816,800</u>	<u>816,800</u>
	Cents	Cents
Basic and diluted earnings per share	<u>28.03</u>	<u>33.16</u>

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 30 Commitments

a) Other commitments

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

Note 31 Contingencies

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

Note 32 Subsequent events

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

Galston Financial Services Limited

Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Robert Neil Pullan, Treasurer

Dated this 24th day of August 2020

Independent auditor's report to the members of Galston Financial Services Limited

Report on the audit of the financial report

Our opinion

In our opinion, the accompanying 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 2020 and of its financial performance for the year ended; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

What we have audited

Galston Financial Services Limited's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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

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

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

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 24 August 2020



Joshua Griffin
Lead Auditor

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