

Annual Report 2021

Galston Financial Services
Limited

Community Bank
Galston & District

ABN 23 097 581 854

Galston Financial Services Limited

ACN 097 581 854

NOTICE OF ANNUAL GENERAL MEETING

**The Twentieth Annual General Meeting of Shareholders will be held at
The Galston Club 21-25 Arcadia Road Galston NSW
On Tuesday 9th 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 2021.
- b) The Manager, Mr Savio Pereira, will present his report for the year ended 30th June 2021.

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 2021.
- b) The directors' declaration and report for the financial year ended 30th June 2021.
- c) The auditor's report for the financial year ended 30th June 2021.

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

4) Directors

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

- a. That pursuant to article 62(1) of the Company's Constitution, Jacqueline Pakringa retires as a director, and being eligible is re-elected as a director;
- b. That pursuant to article 62(1) of the Company's Constitution, Dennis Phillips 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, 28th September 2021

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 9th November 2021.
(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. Jacqueline Pakringa	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Dennis Phillips	<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 5th November 2021 and marked for the Attention of the Company Secretary.

Chairman's Report

2020/2021 Board Report

Once again we have travelled through a Covid year which has had it's effect on us all, on us personally, our community and our bank. The Community Bank Galston & District has made every effort to support those business and private customers who have succumbed to the pressures of Covid during the year.

Last Christmas our previous manager Gary Mangan decided it was time to retire and is now building a residence on the North Coast. We thank Gary for his support and guidance as we plunged into the darkness of Covid and wish him and his family well for the future.

As Gary departed, Galston Financial Services searched for a suitable replacement and were very fortunate to employ Savio Pereira, a banker of considerable banking experience, international and national, and also possesses a law background. Savio expressed his interest and experience in community banking and to this date has lived up to that expression for which we are most grateful.

Our treasurer Rob Pullen and Savio have done an incredible job in guiding our Board and consequently our Bank through this Covid period, giving the Board very precise figures both on the way Galston Financial Services was tracking and planning a path for our future. With this guidance Galston Financial Services has continued on a positive path and will give a fully franked dividend of \$0.14 per share declared by the Board for the 2021 year.

Our community has continued to support our Bank, and our Bank has supported our community to the tune of \$178,894.00 throughout the 2021 financial year. The hard work of our Board and our staff has continued to give excellent banking service and advice to our customers along with the customer service which is a hallmark of the Community Bank Galston & District.

Once again it is a sincere thank you to our staff, our Board and our community who all have had an indubitable influence on the success of our Bank.

Ralph Steele
Chairman

Galston Financial Services Ltd

Manager's Report

It gives me great pleasure as Manager of our local Community Bank Galston & District, to provide my first written report to the shareholders of Galston Financial Services Limited. At the outset may I place on record my appreciation and acknowledge the continued support of the Board, our staff members and not the least our loyal clients, since joining the Bank.

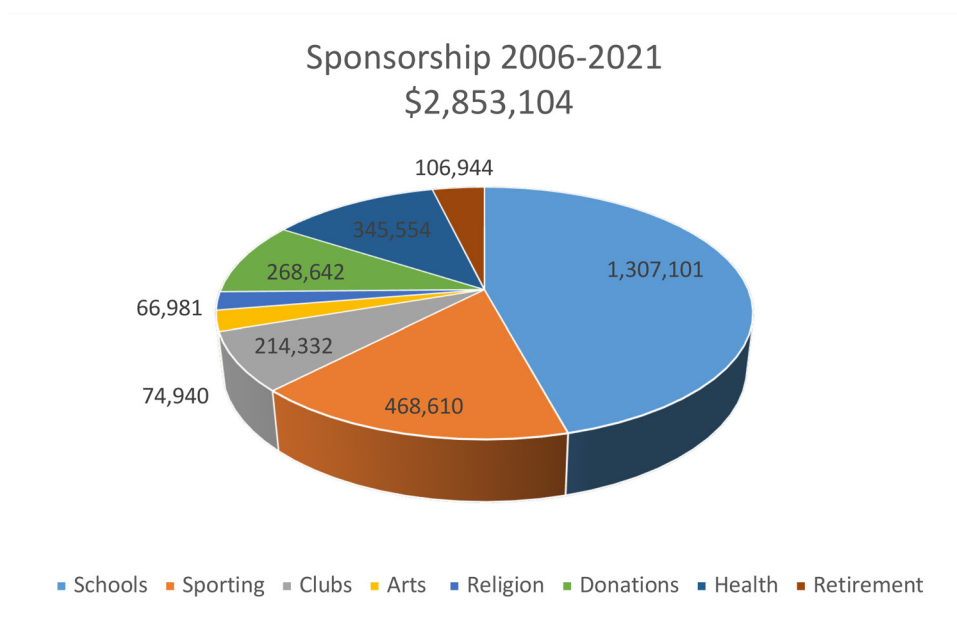
This is our 20th year in operation during what can be best described as a roller coaster ride during somewhat turbulent, challenging and yet simultaneously exciting times.

Overall, our business has recorded growth in 2020-21 in lending, deposits, business banking, insurance and equipment finance. This means that our returns to shareholders and to our community will continue to be positive. This has to be read in conjunction with the after-effects of the global pandemic, the significant pressure on margins due to falling interest rates, tightening of credit monetary policy and the overall slowing down of the economy which did impact gross margins during 2020/21.

By the end of the 2020/21 financial year, key highlights are as follows:

- Number of accounts: 6,608 (increase of 179 new accounts or 2.78%)
- Total deposits: \$199.5 million (increase of \$19.8 million or 11%)
- Total Loans: \$57.6 million (decrease of \$2.5 Million or -4.15%)
- Total business: \$257.1 Million (increase of 17.3 million or 7.2%)
- Net profit before tax, Sponsorships & Donations: \$414,475 (decrease of 31%)
- Dividends returned to shareholders: 14 cents for every share fully franked
- Sponsorships, Donations and Community grants paid: totally \$178,894

Sponsorships, Donations and Community grants for the year show a good distribution mix across groups (refer graph)



Positive Outlook:

Overall, the results posted for 2020-21 are satisfactory. But most importantly, while the challenging economic times brought on by the pandemic, tightening credit, low interest rates on deposits, competitive pressures etc while prevalent during the last 18 months may continue, apart from higher vaccine penetration we also have a better grasp today of navigating and doing business in an uncertain environment than even 6 months ago. That is a huge positive.

Going forward, I estimate that the growth outlook would be steady and positive and would see an improvement during the next financial year as we identify three key opportunity cum action areas.

- 1) Growth in home loans by employing a mobile lender to increase our share of wallet.
- 2) Small and commercial business
- 3) Community group awareness through events, sponsorships, marketing coverage to help our business to continue to grow.

Our team will continue to maintain for Galston and the surrounding communities a viable banking service, build a local relevant and meaningful community connect whilst at the same time provide returns for local shareholders while ensuring that we contribute meaningfully to our community.

Savio Pereira
Branch Manager

Galston

Financial Services Limited

ABN: 23 097 581 854

Financial Report

For the year ended

30 June 2021

Galston Financial Services Limited

Directors' Report

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

Directors

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

Ralph Henry Steele
Chair

Occupation: Company Director

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: Chair

Interest in shares: 10,000 ordinary shares

Robert Neil Pullan

Treasurer

Occupation: Retired Chartered Accountant/CFO

Qualifications, experience and expertise: Regional CFO for various Global Health Care Companies both in Australia and overseas.

Current member of Middle Dural RFS brigade. Past volunteer board member for Parramatta Misson, Youth Insearch and Treasurer for Dural Public School P&C. Member AICD, CA. Other current directorships include Non Executive Director for the Widdon Group.

Special responsibilities: Treasurer, Secretary

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: Marketing Committee

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: 8,233 ordinary shares

Galston Financial Services Limited

Directors' Report

Directors (*continued*)

Darren Pietro Bonaccordo

Non-executive director (appointed 1 July 2020)

Occupation: Business Owner

Qualifications, experience and expertise: Military Service RAF - Commissioned Officer - 21 years. Director of Building Services Company. Project Manager for Livestock Company. Partner/Manager Elude Escape Room.

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: 6,500 ordinary shares

Andrew Ian Mclean

Non-executive director (appointed 1 July 2020 and resigned 28 June 2021)

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

Grant William Stewart

Non-executive director (appointed 1 July 2020 and resigned 18 September 2020)

Special responsibilities: Nil

Interest in shares: nil share interest held

Matthew Grant Trethowan

Non-executive director (resigned 21 August 2020)

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

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

The company secretary is Robert Neil Pullen. Robert was appointed to the position of secretary on 25 May 2020.

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.

Galston Financial Services Limited

Directors' Report

Operating results

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

Year ended 30 June 2021	Year ended 30 June 2020
\$	\$
194,180	228,949

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Ralph Henry Steele	10,000	-	10,000
Robert Neil Pullan	-	-	-
Diana Mary Paton	500	-	500
Jacqueline Lucile Pakinga	-	-	-
Dennis Arthur Phillips	8,233	-	8,233
Darren Pietro Bonaccordo	-	-	-
Callum Hoogesteger	6,500	-	6,500
Andrew Ian Mclean	-	-	-
Grant William Stewart	-	-	-
Matthew Grant Trethowan	-	-	-

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	17	138,856

Significant changes in the state of affairs

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

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Galston Financial Services Limited

Directors' Report

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 28 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:

<i>E - eligible to attend</i> <i>A - number attended</i>	Board Meetings Attended	
	<i>E</i>	<i>A</i>
Ralph Henry Steele	11	11
Robert Neil Pullan	11	9
Diana Mary Paton	11	11
Jacqueline Lucile Pakinga	11	8
Dennis Arthur Phillips	11	10
Darren Pietro Bonaccordo	11	10
Callum Hoogesteger	11	11
Andrew Ian Mclean	10	10
Grant William Stewart	2	2
Matthew Grant Trethowan	1	1

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 27 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 6.

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



Ralph Henry Steele, Chair

Dated this 28th day of August 2021



61 Bull Street
Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

Independent 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 2021, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 28 August 2021

Joshua Griffin
Lead Auditor

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

	Notes	2021 \$	2020 \$
Revenue from contracts with customers	8	1,022,384	1,248,647
Other revenue	9	63,700	84,218
Finance income	10	9,713	23,146
Employee benefit expenses	11b)	(516,871)	(535,752)
Charitable donations, sponsorship, advertising and promotion		(178,894)	(325,103)
Occupancy and associated costs		(28,321)	(30,089)
Systems costs		(21,525)	(21,852)
Depreciation and amortisation expense	11a)	(31,140)	(31,987)
General administration expenses		(113,713)	(121,208)
Fair value gains/(losses) on investments	12	33,065	(10,364)
Profit before income tax expense		238,398	279,656
Income tax expense	13a)	(44,218)	(50,707)
Profit after income tax expense		194,180	228,949
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		194,180	228,949
Earnings per share		¢	¢
- Basic and diluted earnings per share:	30a)	23.77	28.03

Galston Financial Services Limited
Statement of Financial Position
as at 30 June 2021

	Notes	2021 \$	2020 \$
ASSETS			
Current assets			
Cash and cash equivalents	14	1,731,190	1,667,119
Trade and other receivables	16a)	87,460	109,273
Other investments	15a)	546,790	513,724
Total current assets		2,365,440	2,290,116
Non-current assets			
Property, plant and equipment	17a)	1,626,304	1,643,868
Intangible assets	17a)	8,388	19,572
Total non-current assets		1,634,692	1,663,440
Total assets		4,000,132	3,953,556
LIABILITIES			
Current liabilities			
Trade and other payables	20a)	46,138	26,091
Current tax liabilities	19a)	1,265	16,733
Employee benefits	21a)	91,477	86,040
Total current liabilities		138,880	128,864
Non-current liabilities			
Employee benefits	21b)	1,579	23,025
Deferred tax liability	19b)	232,474	229,792
Total non-current liabilities		234,053	252,817
Total liabilities		372,933	381,681
Net assets		3,627,199	3,571,875
EQUITY			
Issued capital	22a)	816,800	816,800
Reserves	23b)	726,154	726,154
Retained earnings	24	2,084,245	2,028,921
Total equity		3,627,199	3,571,875

The accompanying notes form part of these financial statements

Galston Financial Services Limited

Statement of Changes in Equity

for the year ended 30 June 2021

	Notes	Issued capital \$	Fair value reserve \$	Retained earnings \$	Total equity \$
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
Balance at 1 July 2020		816,800	726,154	2,028,921	3,571,875
Total comprehensive income for the year		-	-	194,180	194,180
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	28a)	-	-	(138,856)	(138,856)
Balance at 30 June 2021		816,800	726,154	2,084,245	3,627,199

The accompanying notes form part of these financial statements

Galston Financial Services Limited
Statement of Cash Flows
for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		1,202,118	1,505,861
Payments to suppliers and employees		(942,675)	(1,198,911)
Interest received		10,565	20,621
Interest paid		-	(11)
Lease payments not included in the measurement of lease liabilities	11c)	(7,684)	(7,306)
Income taxes paid		(57,005)	(77,247)
Net cash provided by operating activities	25	205,319	243,007
Cash flows from investing activities			
Payments for property, plant and equipment		(2,392)	(1,625)
Payments for investments		-	(504,018)
Proceeds from sale of investments		-	19,360
Net cash used in investing activities		(2,392)	(486,283)
Cash flows from financing activities			
Dividends paid	28a)	(138,856)	(163,360)
Net cash used in financing activities		(138,856)	(163,360)
Net cash increase/(decrease) in cash held		64,071	(406,636)
Cash and cash equivalents at the beginning of the financial year		1,667,119	2,073,755
Cash and cash equivalents at the end of the financial year	14	1,731,190	1,667,119

The accompanying notes form part of these financial statements

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1 Reporting entity

This is the financial report for 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 28.

Note 2 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 2021 were authorised for issue in accordance with a resolution of the directors on 28 August 2021.

Note 3 Changes in accounting policies, standards and interpretations

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

Note 4 Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

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

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

All revenue is stated net of the amount of Goods and Services Tax (GST). There was no revenue from contracts with customers recognised over time during the financial year.

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

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

Ability to change financial return (continued)

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

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

b) Other revenue

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

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

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

Discretionary financial contributions

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

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

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

Cash flow boost

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

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

The amounts are not assessable for tax purposes and there is no obligation to repay the amounts.

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (continued)

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.

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

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

d) Employee benefits*Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages where the employee has provided the service but payment has not yet occurred at the reporting date. They are measured at amounts expected to be paid, plus related on-costs. Non-accumulating sick leave is expensed when the leave is taken and measured at the rates paid or payable.

An annual leave liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated. The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The company's obligations for employees' annual leave and long service leave entitlements are recognised in employee benefits in the statement of financial position.

Defined superannuation contribution plans

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

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

d) Employee benefits (*continued*)*Other long-term employee benefits*

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

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

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

e) Taxes

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

Current income tax

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

Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

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

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except when the amount of GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue or expense item.

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

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

f) Cash and cash equivalents

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks.

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

g) Property, plant and equipment

Items of property, plant and equipment are measured at cost or fair value as applicable, less accumulated depreciation. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

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

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line 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 relate to the franchise fees paid to Bendigo Bank which conveys the right to operate the Community Bank franchise.

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

The franchise fees paid by the company are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

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

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

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

i) Financial instruments

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

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

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

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

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (continued)

j) Impairment*Non-derivative financial assets*

Expected credit losses (ECL) are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received. At each reporting date, the entity recognises the movement in the ECL (if any) as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no ECL has been made in relation to trade receivables as at 30 June 2021.

Non-financial assets

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

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

k) Issued capital

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

l) Provisions

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

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

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

n) Fair value measurement

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are based on the quoted market price at the close of business at the end of the reporting period.
- Level 2 inputs are based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.
- Level 3 inputs are unobservable inputs for the asset or liability.

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

<u>Note</u>	<u>Assumptions</u>
- Note 19 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 17 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 21 - long service leave provision	key assumptions on attrition rate and pay increases through promotion and inflation;

Note 6 Financial risk management

The company has exposure to credit, liquidity and market risk arising from financial instruments. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company does not use derivative instruments.

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

a) Credit risk

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

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

b) Liquidity risk

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

Exposure to liquidity risk

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

30 June 2021

<u>Non-derivative financial liability</u>	<u>Contractual cash flows</u>			
	<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 and other payables	46,138	46,138	-	-

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 6 Financial risk management (*continued*)

b) Liquidity risk (*continued*)

Exposure to liquidity risk (continued)

30 June 2020

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Trade and other payables	26,091	26,091	-	-

c) Market risk

Market risk

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

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

Price risk

The 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). All unlisted equity investments trade shares through a Low Volume Financial Market. Changes in equity securities value is recognised through profit or loss.

	<u>2021</u>		<u>2020</u>	
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
	<u>10% increase</u>	<u>10% decrease</u>	<u>10% increase</u>	<u>10% decrease</u>
Equity securities	54,679	(54,679)	51,372	(51,372)

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of \$1,731,190 at 30 June 2021 (2020: \$1,667,119). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

Note 7 Capital management

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

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

The distribution limit is the greater of:

- 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 2021

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 2021 can be seen in the statement of profit or loss and other comprehensive Income.

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

Note 8 Revenue from contracts with customers

	2021 \$	2020 \$
- Margin income	893,424	1,105,760
- Fee income	82,671	87,611
- Commission income	46,289	55,276
	<u>1,022,384</u>	<u>1,248,647</u>

Note 9 Other revenue

	2021 \$	2020 \$
- Market development fund income	-	10,000
- Cash flow boost	30,215	50,358
- Dividend and distribution income	26,472	23,860
- Other income	7,013	-
	<u>63,700</u>	<u>84,218</u>

Note 10 Finance income

	2021 \$	2020 \$
- Term deposits	<u>9,713</u>	<u>23,146</u>

Note 11 Expenses

a) Depreciation and amortisation expense	2021 \$	2020 \$
<i>Depreciation of non-current assets:</i>		
- Buildings	14,860	14,860
- Plant and equipment	5,096	5,943
	<u>19,956</u>	<u>20,803</u>
<i>Amortisation of intangible assets:</i>		
- Franchise fee	<u>11,184</u>	<u>11,184</u>
Total depreciation and amortisation expense	<u>31,140</u>	<u>31,987</u>
b) Employee benefit expenses		
Wages and salaries	458,881	462,432
Contributions to defined contribution plans	45,583	42,761
Expenses related to long service leave	(5,200)	7,902
Other expenses	17,607	22,657
	<u>516,871</u>	<u>535,752</u>

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 11 Expenses (*continued*)

c) Recognition exemption

The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition under AASB 16 accounting. Expenses relating to low-value exempt leases are included in system costs expenses.

	2021 \$	2020 \$
Expenses relating to low-value leases	7,684	7,306

Note 12 Fair value gains/(losses) on investments

	2021 \$	2020 \$
- At FVTPL - equity instruments	33,065	(10,364)

These amounts relate to the increase and decrease in the market value of investments or financial assets held by the company.

Note 13 Income tax expense

a) Amounts recognised in profit or loss

	2021 \$	2020 \$
<i>Current tax expense/(credit)</i>		
- Current tax	42,334	57,029
- Net benefit of franking credits on dividends received	(798)	(235)
- Movement in deferred tax	11,981	7,170
- Reduction in company tax rate	(9,299)	(13,257)
	44,218	50,707

b) *Prima facie* income tax reconciliation

Operating profit before taxation	238,398	279,656
Prima facie tax on loss from ordinary activities at 26% (2020: 27.5%)	61,983	76,905
Tax effect of:		
- Non-deductible expenses	22	1,079
- Temporary differences	(12,023)	(7,171)
- Other assessable income	(7,648)	(13,784)
- Movement in deferred tax	11,981	7,170
- Net benefit of franking credits on dividends received	(798)	(235)
- Reduction in company tax rate	(9,299)	(13,257)
	44,218	50,707

Note 14 Cash and cash equivalents

	2021 \$	2020 \$
- Cash at bank and on hand	198,516	144,387
- Term deposits	1,532,674	1,522,732
	1,731,190	1,667,119

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 15 Other investments

a) Current investments	2021 \$	2020 \$
Unlisted investments - at FVTPL	380,114	381,440
Listed investments - at FVTPL	166,676	132,284
	<u>546,790</u>	<u>513,724</u>

The company holds multiple investments with various ASX listed companies and one unlisted company. The primary goal of the company's other investments is to hold the investments for the long term for strategic purposes.

Note 16 Trade and other receivables

a) Current assets	2021 \$	2020 \$
Trade receivables	79,048	100,337
Prepayments	5,865	5,358
Other receivables and accruals	2,547	3,578
	<u>87,460</u>	<u>109,273</u>

Note 17 Property, plant and equipment

a) Carrying amounts	2021 \$	2020 \$
<i>Land</i>		
At fair value	<u>1,100,000</u>	<u>1,100,000</u>
<i>Buildings</i>		
At fair value	758,175	758,175
Less: accumulated depreciation	(262,350)	(247,490)
	<u>495,825</u>	<u>510,685</u>
<i>Plant and equipment</i>		
At cost	160,110	157,718
Less: accumulated depreciation	(129,631)	(124,535)
	<u>30,479</u>	<u>33,183</u>
Total written down amount	<u>1,626,304</u>	<u>1,643,868</u>
b) Reconciliation of carrying amounts		
<i>Land</i>		
Carrying amount at beginning	<u>1,100,000</u>	<u>1,100,000</u>
<i>Buildings</i>		
Carrying amount at beginning	510,685	525,545
Depreciation	(14,860)	(14,860)
	<u>495,825</u>	<u>510,685</u>

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 17 Property, plant and equipment (*continued*)

b) Reconciliation of carrying amounts (<i>continued</i>)	2021	2020
	\$	\$
<i>Plant and equipment</i>		
Carrying amount at beginning	33,183	37,501
Additions	2,392	1,625
Depreciation	(5,096)	(5,943)
	<u>30,479</u>	<u>33,183</u>
Total written down amount	<u>1,626,304</u>	<u>1,643,868</u>

c) Changes in estimates

During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods. There were no changes in estimates for the current reporting period.

d) Fair value

The fair value of the land and buildings was determined by external, independent property valuers, having recognised professional qualifications and recent experience in the location and category of the property being valued. Independent valuers provide the fair value of the company's investment property portfolio every 3 to 5 years.

The company's 348 Galston Road, Galston property was independently valued by M J Davis Realty Appraisals on 27 March 2017.

Note 18 Intangible assets

a) Carrying amounts	2021	2020
	\$	\$
<i>Franchise fee</i>		
At cost	55,961	55,961
Less: accumulated amortisation	(47,573)	(36,389)
Total written down amount	<u>8,388</u>	<u>19,572</u>
b) Reconciliation of carrying amounts		
<i>Franchise fee</i>		
Carrying amount at beginning	19,572	30,756
Amortisation	(11,184)	(11,184)
Total written down amount	<u>8,388</u>	<u>19,572</u>

c) Changes in estimates

During the financial year, the company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods. There were no changes in estimates for the current reporting period.

Note 19 Tax assets and liabilities

a) Current tax	2021	2020
	\$	\$
Income tax payable	<u>1,265</u>	<u>16,733</u>

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 19 Tax assets and liabilities (*continued*)

b) Deferred tax	2021	2020
	\$	\$
<i>Deferred tax assets</i>		
- expense accruals	971	1,197
- employee provisions	23,264	28,357
- fair value of investments	-	2,536
Total deferred tax assets	24,235	32,090
<i>Deferred tax liabilities</i>		
- income accruals	637	884
- fair value of investments	5,788	-
- property, plant and equipment	250,284	260,998
Total deferred tax liabilities	256,709	261,882
Net deferred tax assets (liabilities)	(232,474)	(229,792)
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	11,981	(2,718)

Note 20 Trade creditors and other payables

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

a) Current liabilities	2021	2020
	\$	\$
Trade creditors	4,389	6,504
Other creditors and accruals	41,749	19,587
	46,138	26,091

Note 21 Employee benefits

a) Current liabilities	2021	2020
	\$	\$
Provision for annual leave	43,276	54,085
Provision for long service leave	48,201	31,955
	91,477	86,040
b) Non-current liabilities		
Provision for long service leave	1,579	23,025

c) Key judgement and assumptions

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 2021

Note 22 Issued capital

a) Issued capital

	2021		2020	
	Number	\$	Number	\$
Ordinary shares - fully paid	816,800	816,800	816,800	816,800

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 2021

Note 22 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 23 Reserves

a) Nature and purpose of reserves

The revaluation reserve relates to the revaluation of property, plant and equipment, refer to note 17d).

b) Disaggregation of reserve balances, net of tax

	Revaluation reserve	
	2021 \$	2020 \$
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 24 Retained earnings

	Note	2021 \$	2020 \$
Balance at beginning of reporting period		2,028,921	1,963,332
Net profit after tax from ordinary activities		194,180	228,949
Dividends provided for or paid	28a)	(138,856)	(163,360)
Balance at end of reporting period		<u>2,084,245</u>	<u>2,028,921</u>

Note 25 Reconciliation of cash flows from operating activities

	2021 \$	2020 \$
Net profit after tax from ordinary activities	194,180	228,949
Adjustments for:		
- Depreciation	19,956	20,803
- Amortisation	11,184	11,184
- (Increase)/decrease in fair value of equity instruments designated at FVTPL	(33,065)	10,364
- (Profit)/loss on disposal of assets	-	(130)

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 25 Reconciliation of cash flows from operating activities (*continued*)

	2021 \$	2020 \$
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	21,813	16,994
- Increase/(decrease) in trade and other payables	20,045	(27,827)
- Increase/(decrease) in employee benefits	(16,009)	9,211
- Increase/(decrease) in tax liabilities	(12,785)	(26,541)
Net cash flows provided by operating activities	<u>205,319</u>	<u>243,007</u>

Note 26 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.

		Carrying amount		Fair value level		
		2021	2021	2020	2020	
		\$	\$	\$	\$	
	Note	FVTPL	At amortised cost	FVTPL	At amortised cost	
					Level 1	
					Level 1	
Financial assets measured at fair value:						
Equity securities	15	546,790	-	513,724	-	
Financial assets not measured at fair value:						
Trade and other receivables	16	-	79,048	-	100,337	
Cash and cash	14	-	198,516	-	144,387	
Term deposits	14	-	1,532,674	-	1,522,732	
		-	1,810,238	-	1,767,456	
Financial liabilities not measured at fair value:						
Trade and other payables	20	-	46,138	-	26,091	

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.

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 27 Auditor's remuneration

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

	2021 \$	2020 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	5,000	4,800
<i>Non audit services</i>		
- Taxation advice and tax compliance services	600	600
- General advisory services	1,930	1,830
Total auditor's remuneration	<u>7,530</u>	<u>7,230</u>

Note 28 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Ralph Henry Steele
Robert Neil Pullan
Diana Mary Paton
Jacqualine Lucile Pakinga
Dennis Arthur Phillips
Darren Pietro Bonaccordo
Callum Hoogesteger
Andrew Ian Mclean
Grant William Stewart
Matthew Grant Trethowan

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.

	2021 \$	2020 \$
<i>Transactions with related parties</i>		
- Diana Paton - Printing and advertising services. The total benefit received was:	<u>6,571</u>	<u>6,074</u>

Note 29 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 2021		30 June 2020	
	Cents	\$	Cents	\$
Fully franked dividend	<u>17.00</u>	<u>138,856</u>	<u>20.00</u>	<u>163,360</u>

The tax rate at which dividends have been franked is 26% (2020: 27.5%).

Galston Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 29 Dividends provided for or paid (*continued*)

b) Franking account balance	2021 \$	2020 \$
<i>Franking credits available for subsequent reporting periods</i>		
Franking account balance at the beginning of the financial year	934,594	919,311
Franking transactions during the financial year:		
- Franking credits from the payment of income tax instalments during the financial year	58,520	77,247
- Franking debits from the refund of income tax following lodgement of income tax return	(1,516)	-
- Franking credits from franked dividends received	798	-
- Franking debits from the payment of franked distributions	(48,787)	(61,964)
Franking account balance at the end of the financial year	<u>943,609</u>	<u>934,594</u>
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits that will arise from payment of income tax	1,264	16,733
Franking credits available for future reporting periods	<u>944,873</u>	<u>951,327</u>
The ability to utilise franking credits is dependent upon the company's ability to declare dividends. The tax rate at which future dividends will be franked is 25%.		

Note 30 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.

	2021 \$	2020 \$
Profit attributable to ordinary shareholders	<u>194,180</u>	<u>228,949</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>23.77</u>	<u>28.03</u>

Note 31 Commitments

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

Note 32 Contingencies

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

Note 33 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 2021 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Ralph Henry Steele, Chair

Dated this 28th day of August 2021

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

Report on the Audit of the Financial Report

Opinion

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

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

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

Basis for Opinion

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

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

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



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Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's responsibilities for the Audit of the Financial Report

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

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

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

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 28 August 2021

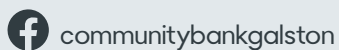


Joshua Griffin
Lead Auditor

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