

Annual Report 2022

Galston Financial Services
Limited

Community Bank
Galston & District

ABN 23 097 581 854

Celebrating 20 Years and donating \$3m back to the community



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 29th November 2022 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 2022.
- b) The Manager, Mr Savio Pereira, will present his report for the year ended 30th June 2022.

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 2022.
- b) The directors' declaration and report for the financial year ended 30th June 2022.
- c) The auditor's report for the financial year ended 30th June 2022.

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, Callum Hoogesteger 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, Darren Bonaccordo retires as a director, and being eligible is re-elected as a director;
- c. That pursuant to article 52(2) John Stephen Dakin who the Board of Directors appointed as a director on 28th March 2022 retires as a director, and being eligible, is re-elected as a director.
- d. That pursuant to article 52(2) Alexander Torville who the Board of Directors appointed as a director on 23rd May 2022 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 October 2022

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 29th November 2022. (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. John Stephen Dakin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Alexander Torville	<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

Galston Financial Services Limited, Community Bank Galston & District, came out of the Covid period in a very stable position. Banking business has grown and our contributions back to our community has grown to a point that at the time of writing this report over \$3 million has been donated back to our community.

A great result and a big thanks to our community for your support of our bank and confidence in our product and the attention given by our staff.

The FY 2022 was our manager Savio's first full financial year under his guidance. Results speak for themselves and our results were positive and the outlook for the future is positive as well.

We are blessed to have the staff we have, all of whom give personalised attention to our clients, full commitment to our bank and enjoy participating in our community where ever possible. The feedback from our clients affirms our thoughts.

Towards the end of this financial year Galston Financial Services employed a mobile lender, Mevan Fernando. Mevan has completed all the requirements of Bendigo and Adelaide Bank and is now out on the streets plying his trade. We welcome Mevan on board and look forward to him bringing extra business to our bank as well as expanding the profile of our bank.

This year we have also appointed two new directors to our board, Alex Torville and John Dakin. Alex resides at Glenorie and brings with him a wealth of business knowledge and experience. John also from Glenorie, an accountant, fulfills the vacancy left with the resignation of Rob Pullen. John has many years of accounting experience behind him and is looking forward to working with the Community Bank concept.

The board this year has declared a fully franked dividend of \$0.14 per share. A good result for shareholders.

Our bank is able to support our community and our shareholders with the reciprocal support of our community.

Once again, thanks to everyone, our staff, our board and our community for our success.

Ralph Steele
Chairman

Galston Financial Services Ltd

MANAGER'S REPORT

FY 2021-22

Our 21st year in operation was characterised by a 'reset and renewed rigor as we tried to shrug off the somewhat turbulent yet simultaneously exciting times. There are of course some headwinds in the form of the volatile Ukraine situation and recessionary triggers, but it gives us a platform to show character and strength of conviction to also overcome this for our valued stakeholders, shareholders, employees and customers.

At this juncture, it is my proud privilege to present my second 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 which enabled us to report these encouraging results.

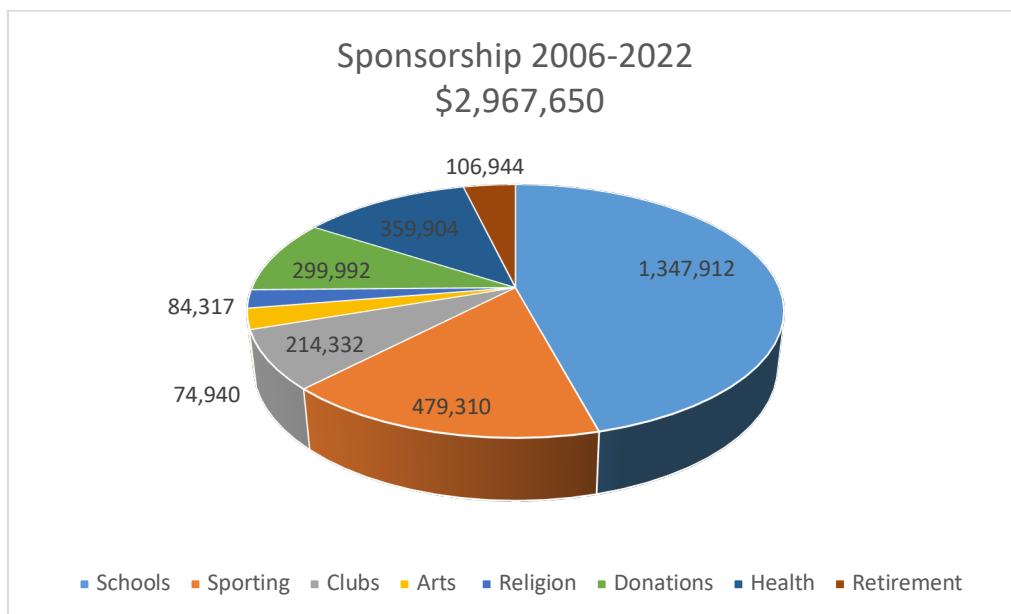
Overall, our business has recorded growth in Lending, Deposits, Business banking, Insurance & Equipment finance. This means that our returns to shareholders and to our community in 2021-22 continue to be positive. However, the impact on gross margins do reflect the after-effects of the global pandemic, pressure on margins due to falling interest rates, high inflation, tightening of credit monetary policy & the overall slowing down of the economy.

Highlights for the Financial year are as follows:

- Number of accounts: 6,853 (increase of 245 new accounts, growth of 3.7%)
- Total deposits: \$222 million (increase of \$23 Million, growth of 11%)
- Total Loans: \$61.5 million (increase of \$3.9 Million, growth of 6.8%)
- Total business: \$284 Million (increase of 26.9 million, growth of 10.5%)
- Net profit before tax, Sponsorships & Donations: \$117,243
- Dividends returned to shareholders: **14 cents** for every share fully franked
- Sponsorships, Donations and Community grants paid: totally \$114,546

Sponsorships, Donations and Community grants for the year show balanced distribution mix as can be referred from the graph.

The bank's contribution towards Sponsorships, Donations & Community Grants till date is in excess of \$2.90Mn and is expected to continue its strong trajectory.



Positive Outlook:

Overall, the results posted for 2021-22 are satisfactory. But most importantly even amidst the challenging economic times, we 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, even with the macro-economic indicators I estimate that the growth outlook would be steady and positive and would see a steady improvement during the next financial year as we identify three key pillars of opportunity.

- 1) Growth in Home loans: On the back of a mobile lender to increase our share of wallet.
- 2) Small & Commercial Business
- 3) Interaction and Engagement: Continue value-based awareness and engagement with relevant Community groups through events, sponsorships aiming for adequate marketing coverage.

Our team will continue to maintain and engage 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 - 30 June 2022

Galston Financial Services Limited

Directors' report

30 June 2022

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2022.

Directors

The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Name:	Ralph Henry Steele
Title:	Chair
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
Name:	Diana Mary Paton
Title:	Non-executive director
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
Name:	Jacqueline Lucile Pakinga
Title:	Non-executive director
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
Name:	Dennis Arthur Phillips
Title:	Non-executive director
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
Name:	Darren Pietro Bonaccordo
Title:	Non-executive director
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
Name:	Callum Hoogesteger
Title:	Non-executive director
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
Name:	John Stephen Dakin
Title:	Non-executive director (appointed 28 March 2022)
Experience and expertise:	John holds a Bachelor of Business (Accounting) UTS. FCPA. Senior Executive Course Massachusetts Institute of Technology. Chief Operating Officer Westmead Institute for Medical Research. Management all aspects of Research Support and operations including facility management, accounting, fundraising, ITC, Human Resources, commercialisation and scientific facilities.
Special responsibilities:	Treasurer

Galston Financial Services Limited
Directors' report
30 June 2022

Name: Alexander Torville
Title: Non-executive director (appointed 23 May 2022)
Experience and expertise: Alexander is an Assistant Development Manager. His qualifications include: BCom, Majoring in International Business & Accounting (complete), Graduate Certificate Property Development (complete), Master of Property Development & Real Estate Investment (undertaking) and Certificate IV in Finance and Brokering (complete). Alex is a passionate and dedicated Real Estate Development professional with a demonstrated history of working across the whole-of-lifecycle of property. Alex currently works for a boutique diversified property and advisory group.
Special responsibilities: Nil.

Name: Robert Neil Pullan
Title: Non-executive director (*resigned 28 March 2022*)
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

Company secretary

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

- John Stephen Dakin was appointed company secretary on 28 March 2022.
- Robert Neil Pullen was appointed company secretary on 25 May 2020 and ceased on 31 January 2022.

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 this activity during the financial year.

Review of operations

Operations have continued to perform in line with expectations in challenging market conditions for most of the financial year. The profit of the company for the financial year after provision for income tax was:

	2022	2021
	\$	\$
Profit after income tax	29,676	194,180
Other comprehensive income	89,255	-
Total comprehensive income	<u>118,931</u>	<u>194,180</u>

During the year the company revalued it's 348 Galston Road property. The valuation resulted in an increment to the carrying amount of the property resulting in a revaluation gain of \$89,255 in the Statement of Profit or Loss and Other Comprehensive Income.

Dividends

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

	2022
	\$
Fully franked dividend of 14 cents per share (2021: 17 cents)	<u>114,352</u>

Galston Financial Services Limited

Directors' report

30 June 2022

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the company during the financial year.

Matters subsequent to the end of the financial year

Since the end of the year, the Reserve Bank of Australia (RBA) has increased the cash rate by 1.75 basis points moving from 0.85% at 30 June 2022 to 2.60% as at the date of signing these accounts. The increase in the cash rate has a direct impact on the revenue received by the company on its products (deposits and loans) offered to its customers. The company has noted a material increase in the revenue streams for the first couple of months July – August 2022.

Since the end of the financial year, the board of directors has proposed to pay a fully franked dividend of 14 cents per share, to be paid on 14 November 2022 and will be recognised in the subsequent financial statements.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial 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 under Australian Commonwealth or State law.

Meetings of directors

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

	Board Eligible	Attended
Ralph Henry Steele	11	11
Diana Mary Paton	11	10
Jacqueline Lucile Pakinga	11	9
Dennis Arthur Phillips	11	10
Darren Pietro Bonaccordo	11	11
Callum Hoogesteger	11	11
Robert Neil Pullan	6	4
John Stephen Dakin	5	4
Alexander Torville	1	-

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 26 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.

Galston Financial Services Limited
Directors' report
30 June 2022

Directors' interests

The interest in company shareholdings for each director are:

	Balance at the start of the year	Changes	Balance at the end of the year
Ralph Henry Steele	10,000	-	10,000
Diana Mary Paton	500	-	500
Jacqueline Lucile Pakinga	-	-	-
Dennis Arthur Phillips	8,233	-	8,233
Darren Pietro Bonaccordo	-	1,400	1,400
Callum Hoogesteger	6,500	-	6,500
Robert Neil Pullan	-	-	-
John Stephen Dakin	-	-	-
Alexander Torville	-	-	-

Indemnity 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.

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*.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

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 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
- 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.

Galston Financial Services Limited
Directors' report
30 June 2022

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 immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors



Ralph Henry Steele
Chair

21 October 2022



Andrew Frewin Stewart
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 2022, 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.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart', is positioned above the printed name.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 21 October 2022

A handwritten signature in black ink, appearing to read 'Joshua Griffin', is positioned above the printed name.

Joshua Griffin
Lead Auditor

Galston Financial Services Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	2022 \$	2021 \$
Revenue from contracts with customers	6	1,047,493	1,022,384
Other revenue	7	75,458	63,700
Finance revenue		3,634	9,713
Fair value gains/(losses) on financial assets	8	(179,326)	33,065
Employee benefits expense	9	(644,468)	(516,871)
Occupancy and associated costs		(31,624)	(28,321)
System costs		(19,695)	(21,525)
Depreciation and amortisation expense	9	(29,190)	(31,140)
Finance costs	9	(8)	-
General administration expenses		(104,547)	(113,713)
Loss on disposal of assets		(484)	-
Profit before community contributions and income tax expense		117,243	417,292
Charitable donations and sponsorships expense		(78,863)	(178,894)
Profit before income tax expense		38,380	238,398
Income tax expense	10	(8,704)	(44,218)
Profit after income tax expense for the year	20	29,676	194,180
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gain on the revaluation of land and buildings, net of tax	19	89,255	-
Other comprehensive income for the year, net of tax		89,255	-
Total comprehensive income for the year		118,931	194,180
		Cents	Cents
Basic earnings per share	29	3.63	23.77
Diluted earnings per share	29	3.63	23.77

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Galston Financial Services Limited
Statement of financial position
As at 30 June 2022

	Note	2022 \$	2021 \$
Assets			
Current assets			
Cash and cash equivalents	11	1,402,618	1,731,190
Trade and other receivables	12	148,813	87,460
Financial assets	13	771,022	546,790
Total current assets		<u>2,322,453</u>	<u>2,365,440</u>
Non-current assets			
Property, plant and equipment	14	1,736,765	1,626,304
Intangibles	15	-	8,388
Total non-current assets		<u>1,736,765</u>	<u>1,634,692</u>
Total assets		<u>4,059,218</u>	<u>4,000,132</u>
Liabilities			
Current liabilities			
Trade and other payables	16	90,368	46,138
Current tax liabilities	10	23,869	1,265
Employee benefits	17	91,186	91,477
Total current liabilities		<u>205,423</u>	<u>138,880</u>
Non-current liabilities			
Deferred tax liabilities	10	219,160	232,474
Employee benefits	17	2,857	1,579
Total non-current liabilities		<u>222,017</u>	<u>234,053</u>
Total liabilities		<u>427,440</u>	<u>372,933</u>
Net assets		<u>3,631,778</u>	<u>3,627,199</u>
Equity			
Issued capital	18	816,800	816,800
Reserves	19	815,409	726,154
Retained earnings	20	1,999,569	2,084,245
Total equity		<u>3,631,778</u>	<u>3,627,199</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Galston Financial Services Limited
Statement of changes in equity
For the year ended 30 June 2022

	Note	Issued capital \$	Revaluation reserve	Retained earnings \$	Total equity \$
Balance at 1 July 2020		816,800	726,154	2,028,921	3,571,875
Profit after income tax expense		-	-	194,180	194,180
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	194,180	194,180
<i>Transactions with owners in their capacity as owners:</i>					
Dividends provided for	22	-	-	(138,856)	(138,856)
Balance at 30 June 2021		<u>816,800</u>	<u>726,154</u>	<u>2,084,245</u>	<u>3,627,199</u>
 Balance at 1 July 2021		 816,800	 726,154	 2,084,245	 3,627,199
Profit after income tax expense		-	-	29,676	29,676
Other comprehensive income, net of tax	19	-	89,255	-	89,255
Total comprehensive income		-	89,255	29,676	118,931
<i>Transactions with owners in their capacity as owners:</i>					
Dividends provided for	22	-	-	(114,352)	(114,352)
Balance at 30 June 2022		<u>816,800</u>	<u>815,409</u>	<u>1,999,569</u>	<u>3,631,778</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Galston Financial Services Limited
Statement of cash flows
For the year ended 30 June 2022

	Note	2022 \$	2021 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,132,200	1,175,646
Payments to suppliers and employees (inclusive of GST)		<u>(936,121)</u>	<u>(950,359)</u>
		196,079	225,287
Dividends received		32,633	26,472
Interest received		2,541	10,565
Interest and other finance costs paid		(8)	-
Income taxes paid		<u>(29,166)</u>	<u>(57,005)</u>
Net cash provided by operating activities	28	<u>202,079</u>	<u>205,319</u>
Cash flows from investing activities			
Payments for financial assets	13	(403,559)	-
Payments for property, plant and equipment		<u>(12,740)</u>	<u>(2,392)</u>
Net cash used in investing activities		<u>(416,299)</u>	<u>(2,392)</u>
Cash flows from financing activities			
Dividends paid	22	<u>(114,352)</u>	<u>(138,856)</u>
Net cash used in financing activities		<u>(114,352)</u>	<u>(138,856)</u>
Net increase/(decrease) in cash and cash equivalents		(328,572)	64,071
Cash and cash equivalents at the beginning of the financial year		<u>1,731,190</u>	<u>1,667,119</u>
Cash and cash equivalents at the end of the financial year	11	<u><u>1,402,618</u></u>	<u><u>1,731,190</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Galston Financial Services Limited

Notes to the financial statements

30 June 2022

Note 1. Reporting entity

The financial statements cover Galston Financial Services Limited (the company) as an individual entity. The financial statements are presented in Australian dollars, which is company's functional and presentation currency.

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 348 Galston Road, Galston NSW 2159.

A description of the nature of the company's operations and its principal activity is included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 21 October 2022. The directors have the power to amend and reissue the financial statements.

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.

Note 3. Significant accounting policies

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

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 2021, 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.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when, it is expected to be realised or intended to be sold or consumed in the company's normal operating cycle, it is held primarily for the purpose of trading, it is expected to be realised within 12 months after the reporting period or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when, it is either expected to be settled in the company's normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within 12 months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Financial assets have been designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

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.

Galston Financial Services Limited
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30 June 2022

Note 3. Significant accounting policies (continued)

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 2022.

Non-financial assets

At each reporting date, the company reviews the carrying amounts of its tangible assets 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 any impairment loss.

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.

Goods and Services Tax (GST)

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.

Note 4. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the company operates. There does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Fair value measurement hierarchy

The company is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- 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: unobservable inputs for the asset or liability.

Galston Financial Services Limited
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Note 4. Critical accounting judgements, estimates and assumptions (continued)

Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and inflation have been taken into account.

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.

Note 5. Economic dependency

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.

Galston Financial Services Limited
Notes to the financial statements
30 June 2022

Note 5. Economic dependency (continued)

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.

Note 6. Revenue from contracts with customers

	2022 \$	2021 \$
Margin income	915,902	893,424
Fee income	70,906	82,671
Commission income	60,685	46,289
Revenue from contracts with customers	<u>1,047,493</u>	<u>1,022,384</u>

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 stream</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 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 which are 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.

Galston Financial Services Limited
Notes to the financial statements
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Note 6. Revenue from contracts with customers (continued)

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 Bendigo Bank 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.

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.

Note 7. Other revenue

	2022	2021
	\$	\$
Cash flow boost	-	30,215
Dividend and distribution income	32,633	26,472
Other income	42,825	7,013
	<u>75,458</u>	<u>63,700</u>
Other revenue	<u>75,458</u>	<u>63,700</u>

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.

Galston Financial Services Limited
Notes to the financial statements
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Note 7. Other revenue (continued)

<u>Revenue stream</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.
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 GST.

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.

Note 8. Fair value gains/(losses) on financial assets

	2022	2021
	\$	\$
Fair value gains/(losses) on financial assets	<u>(179,326)</u>	<u>33,065</u>

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

Note 9. Expenses

Depreciation and amortisation expense

	2022	2021
	\$	\$
<i>Depreciation of non-current assets</i>		
Buildings	14,832	14,860
Plant and equipment	5,970	5,096
	<u>20,802</u>	<u>19,956</u>
<i>Amortisation of intangible assets</i>		
Franchise fee	8,388	11,184
	<u>29,190</u>	<u>31,140</u>

Employee benefits expense

	2022	2021
	\$	\$
Wages and salaries	559,104	458,881
Superannuation contributions	60,707	45,583
Expenses related to long service leave	3,320	(5,200)
Other expenses	21,337	17,607
	<u>644,468</u>	<u>516,871</u>

Galston Financial Services Limited
Notes to the financial statements
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Note 9. Expenses (continued)

Leases recognition exemption

	2022	2021
	\$	\$
Expenses relating to low-value leases	<u>7,449</u>	<u>7,684</u>

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.

Note 10. Income tax

	2022	2021
	\$	\$
<i>Income tax expense</i>		
Current tax	54,290	42,334
Movement in deferred tax	(43,066)	11,981
Reduction in company tax rate	-	(9,299)
Net benefit of franking credits on dividends received	<u>(2,520)</u>	<u>(798)</u>
Aggregate income tax expense	<u>8,704</u>	<u>44,218</u>
<i>Prima facie income tax reconciliation</i>		
Profit before income tax expense	<u>38,380</u>	<u>238,398</u>
Tax at the statutory tax rate of 25% (2021: 26%)	9,595	61,983
Tax effect of:		
Non-deductible expenses	999	22
Non-assessable income	-	(7,856)
Reduction in company tax rate	-	(9,299)
Other assessable income	630	208
Adjustment recognised for prior periods	-	(42)
Net benefit of franking credits on dividends received	<u>(2,520)</u>	<u>(798)</u>
Income tax expense	<u>8,704</u>	<u>44,218</u>
	2022	2021
	\$	\$
<i>Deferred tax liabilities/(assets)</i>		
Property, plant and equipment	281,616	250,284
Financial assets at fair value through profit or loss	(39,055)	5,788
Income accruals	(800)	637
Employee benefits	(23,511)	(23,264)
Accrued expenses	<u>910</u>	<u>(971)</u>
Deferred tax liability	<u>219,160</u>	<u>232,474</u>
	2022	2021
	\$	\$
Provision for income tax	<u>23,869</u>	<u>1,265</u>

Galston Financial Services Limited
Notes to the financial statements
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Note 10. Income tax (continued)

Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Accounting policy for current 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.

Accounting policy for 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.

Note 11. Cash and cash equivalents

	2022 \$	2021 \$
Cash at bank and on hand	377,421	198,516
Term deposits	1,025,197	1,532,674
	<u>1,402,618</u>	<u>1,731,190</u>

Accounting policy for 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.

Note 12. Trade and other receivables

	2022 \$	2021 \$
Trade receivables	138,086	79,048
Accrued income	3,639	2,547
Prepayments	7,088	5,865
	<u>10,727</u>	<u>8,412</u>
	<u>148,813</u>	<u>87,460</u>

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Note 12. Trade and other receivables (continued)

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 13. Financial assets

	2022 \$	2021 \$
Equity securities - designated at fair value through profit or loss	<u>771,022</u>	<u>546,790</u>
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening fair value	546,789	513,724
Additions	403,559	-
Revaluation increments	-	33,065
Revaluation decrements	<u>(179,326)</u>	<u>-</u>
Closing fair value	<u>771,022</u>	<u>546,789</u>

The company classifies financial assets 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 financial assets are classified as non-current.

Accounting policy for financial assets

Financial assets are recognised at their market value. Financial assets are derecognised when the rights to receive cash flows have been transferred and the company has transferred substantially all the risks and rewards of ownership.

Note 14. Property, plant and equipment

	2022 \$	2021 \$
Land - at fair value	<u>1,000,000</u>	<u>1,100,000</u>
Buildings - at fair value	977,182	758,175
Less: Accumulated depreciation	<u>(277,182)</u>	<u>(262,350)</u>
	700,000	495,825
Plant and equipment - at cost	165,940	160,110
Less: Accumulated depreciation	<u>(129,175)</u>	<u>(129,631)</u>
	36,765	30,479
	<u>1,736,765</u>	<u>1,626,304</u>

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Note 14. Property, plant and equipment (continued)

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Land \$	Buildings \$	Plant and equipment \$	Total \$
Balance at 1 July 2020	1,100,000	510,685	33,183	1,643,868
Additions	-	-	2,392	2,392
Depreciation	-	(14,860)	(5,096)	(19,956)
Balance at 30 June 2021	1,100,000	495,825	30,479	1,626,304
Additions	-	-	12,740	12,740
Disposals	-	-	(484)	(484)
Revaluation increments	-	219,007	-	219,007
Revaluation decrements	(100,000)	-	-	(100,000)
Depreciation	-	(14,832)	(5,970)	(20,802)
Balance at 30 June 2022	<u>1,000,000</u>	<u>700,000</u>	<u>36,765</u>	<u>1,736,765</u>

Fair value

The fair value of 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 property portfolio every 3 to 5 years.

The company's 348 Galston Road, Galston property was independently valued effective 30 June 2022 by Rockworth Valuation and Advisory on 27 September 2022. The valuation of \$1,700,000 resulted in an net increment of \$119,007 to the property at 30 June 2022. After adjusting for deferred tax a revaluation gain of \$89,255 was disclosed in the statement of profit or loss and other comprehensive income.

Accounting policy for 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.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a diminishing value and straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Building	40 years
Plant and equipment	2.5 to 40 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Building improvements are depreciated over the estimated useful life of the assets. Land is not depreciated.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

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.

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Note 15. Intangibles

	2022 \$	2021 \$
Franchise fee	55,961	55,961
Less: Accumulated amortisation	(55,961)	(47,573)
	<u>-</u>	<u>8,388</u>

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Franchise fee \$
Balance at 1 July 2020	19,572
Amortisation expense	(11,184)
Balance at 30 June 2021	8,388
Amortisation expense	(8,388)
Balance at 30 June 2022	<u>-</u>

At the time this report was published the franchise renewal was still being negotiated.

Accounting policy for 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 appropriate.

Change 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 16. Trade and other payables

	2022 \$	2021 \$
<i>Current liabilities</i>		
Trade payables	20,786	4,389
Other payables and accruals	69,582	41,749
	<u>90,368</u>	<u>46,138</u>

Galston Financial Services Limited
Notes to the financial statements
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Note 16. Trade and other payables (continued)

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

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

Note 17. Employee benefits

	2022 \$	2021 \$
<i>Current liabilities</i>		
Annual leave	40,943	43,276
Long service leave	50,243	48,201
	<u>91,186</u>	<u>91,477</u>
<i>Non-current liabilities</i>		
Long service leave	<u>2,857</u>	<u>1,579</u>

Accounting policy for 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 salaries and wages 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.

Superannuation contributions

Contributions to superannuation plans are expensed in the period in which they are incurred.

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

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.

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30 June 2022

Note 18. Issued capital

	2022 Shares	2021 Shares	2022 \$	2021 \$
Ordinary shares - fully paid	<u>816,800</u>	<u>816,800</u>	<u>816,800</u>	<u>816,800</u>

Accounting policy for issued capital

Ordinary shares are recognised at the fair value of the consideration received by the company being \$1 per share. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

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
30 June 2022

Note 18. Issued capital (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 19. Reserves

	2022	2021
	\$	\$
Revaluation surplus reserve	<u>815,409</u>	<u>726,154</u>

Revaluation surplus reserve

The reserve is used to recognise increments and decrements in the fair value of land and buildings. See note 14 for information on revaluations during the period.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Revaluation Reserve \$	Total \$
Balance at 1 July 2020	<u>726,154</u>	<u>726,154</u>
Balance at 30 June 2021	726,154	726,154
Revaluation - gross	119,007	119,007
Deferred tax	<u>(29,752)</u>	<u>(29,752)</u>
Balance at 30 June 2022	<u>815,409</u>	<u>815,409</u>

Note 20. Retained earnings

	2022	2021
	\$	\$
Retained earnings at the beginning of the financial year	2,084,245	2,028,921
Profit after income tax expense for the year	29,676	194,180
Dividends paid (note 22)	<u>(114,352)</u>	<u>(138,856)</u>
Retained earnings at the end of the financial year	<u>1,999,569</u>	<u>2,084,245</u>

Note 21. Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board 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.

Galston Financial Services Limited
Notes to the financial statements
30 June 2022

Note 21. Capital management (continued)

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%.

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 financial year 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 22. Dividends

The following dividends were provided for and paid to shareholders during the financial year as presented in the Statement of changes in equity and Statement of cash flows.

	2022	2021
	\$	\$
Fully franked dividend of 14 cents per share (2021: 17 cents)	114,352	138,856
	<u>114,352</u>	<u>138,856</u>
Franking credits		
	2022	2021
	\$	\$
Franking account balance at the beginning of the financial year	943,609	934,594
Franking credits (debits) arising from income taxes paid (refunded)	29,166	57,004
Franking debits from the payment of franked distributions	(38,117)	(48,787)
Franking credits from franked distributions received	2,520	798
	<u>937,178</u>	<u>943,609</u>
<i>Franking transactions that will arise subsequent to the financial year end:</i>		
Balance at the end of the financial year	937,178	943,609
Franking credits (debits) that will arise from payment (refund) of income tax	23,869	1,264
Franking credits available for future reporting periods	<u>961,047</u>	<u>944,873</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%.

Accounting policy for dividends

Dividends are recognised in the financial year they are declared.

Galston Financial Services Limited
Notes to the financial statements
30 June 2022

Note 23. Financial instruments

	2022	2021
	\$	\$
Financial assets		
Trade and other receivables	141,725	81,595
Cash and cash equivalents	1,402,618	1,731,190
Financial assets	771,022	546,790
	<u>2,315,365</u>	<u>2,359,575</u>
Financial liabilities		
Trade and other payables	<u>90,368</u>	<u>46,138</u>

Accounting policy for 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 and equity securities.

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.

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.

Market risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The company has no exposure to any transactions denominated in a currency other than Australian dollars.

Price risk

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

Equity Price risk

All of the company's listed equity investments are listed on the Australian Stock Exchange (ASX). Changes in equity securities value is recognised through profit or loss.

Galston Financial Services Limited
Notes to the financial statements
30 June 2022

Note 23. Financial instruments (continued)

	% change increase	Effect on profit before tax	Effect on equity	% change decrease	Effect on profit before tax	Effect on equity
2022						
Equity securities	10%	<u>77,102</u>	<u>57,827</u>	(10%)	<u>(77,102)</u>	<u>(57,827)</u>
	% change increase	Effect on profit before tax	Effect on equity	% change decrease	Effect on profit before tax	Effect on equity
2021						
Equity securities	10%	<u>54,679</u>	<u>41,009</u>	(10%)	<u>(54,679)</u>	<u>(41,009)</u>

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 \$1,402,618 at 30 June 2022 (2021: \$1,731,190). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

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.

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.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The contractual cash flow amounts are gross and undiscounted and therefore may differ from their carrying amount in the statement of financial position.

	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2022				
Non-derivatives				
Trade and other payables	<u>90,368</u>	-	-	<u>90,368</u>
Total non-derivatives	<u>90,368</u>	-	-	<u>90,368</u>
	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2021				
Non-derivatives				
Trade and other payables	<u>46,138</u>	-	-	<u>46,138</u>
Total non-derivatives	<u>46,138</u>	-	-	<u>46,138</u>

Galston Financial Services Limited
Notes to the financial statements
30 June 2022

Note 24. Fair value measurement

Fair value hierarchy

The following tables detail the company's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
2022				
<i>Assets</i>				
Equity securities	771,022	-	-	771,022
Land and buildings	-	1,700,000	-	1,700,000
Total assets	771,022	1,700,000	-	2,471,022
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
2021				
<i>Assets</i>				
Equity securities	546,790	-	-	546,790
Land and buildings	-	1,650,000	-	1,650,000
Total assets	546,790	1,650,000	-	2,196,790

There were no transfers between levels during the financial year.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 25. Key management personnel disclosures

The following persons were directors of Galston Financial Services Limited during the financial year:

Ralph Henry Steele
Diana Mary Paton
Jacqualine Lucile Pakinga
Dennis Arthur Phillips

Darren Pietro Bonaccordo
Callum Hoogesteger
Robert Neil Pullan

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.

Galston Financial Services Limited
Notes to the financial statements
30 June 2022

Note 26. Related party transactions

The following transactions occurred with related parties:

	2022 \$	2021 \$
Advertising and printing of annual reports using Diana Paton's company. The total benefit received was:	7,411	6,571

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

Note 27. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Andrew Frewin Stewart, the auditor of the company:

	2022 \$	2021 \$
<i>Audit services</i>		
Audit or review of the financial statements	5,200	5,000
<i>Other services</i>		
Taxation advice and tax compliance services	600	600
General advisory services	2,120	1,930
	2,720	2,530
	7,920	7,530

Note 28. Reconciliation of profit after income tax to net cash provided by operating activities

	2022 \$	2021 \$
Profit after income tax expense for the year	29,676	194,180
Adjustments for:		
Depreciation and amortisation	29,190	31,140
Net fair value (gain)/loss on equity instruments designated at FVTPL	179,326	(33,065)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(60,868)	21,813
Increase in trade and other payables	44,230	20,045
Increase in provision for income tax	22,604	-
Decrease in deferred tax liabilities	(43,066)	(12,785)
Increase/(decrease) in employee benefits	987	(16,009)
Net cash provided by operating activities	202,079	205,319

Note 29. Earnings per share

	2022 \$	2021 \$
Profit after income tax	29,676	194,180

Galston Financial Services Limited
Notes to the financial statements
30 June 2022

Note 29. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	816,800	816,800
Weighted average number of ordinary shares used in calculating diluted earnings per share	816,800	816,800
	Cents	Cents
Basic earnings per share	3.63	23.77
Diluted earnings per share	3.63	23.77

Accounting policy for earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of Galston Financial Services Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Note 30. Commitments

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

Note 31. Contingencies

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

Note 32. Events after the reporting period

Since the end of the year, the Reserve Bank of Australia (RBA) has increased the cash rate by 1.75 basis points moving from 0.85% at 30 June 2022 to 2.60% as at the date of signing these accounts. The increase in the cash rate has a direct impact on the revenue received by the company on its products (deposits and loans) offered to its customers. The company has noted a material increase in the revenue streams for the first couple of months July – August 2022.

Since the end of the financial year, the board of directors has proposed to pay a fully franked dividend of 14 cents per share, to be paid on 14 November 2022 and will be recognised in the subsequent financial statements.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Galston Financial Services Limited
Directors' declaration
30 June 2022

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in the notes to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Ralph Henry Steele
Chair

21 October 2022



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

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 (the company), which comprises:

- Statement of financial position as at 30 June 2022
- 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 2022 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.





Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

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.



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

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.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 21 October 2022

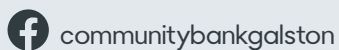
A handwritten signature in black ink, appearing to read 'Joshua Griffin'.

Joshua Griffin
Lead Auditor

Community Bank · Galston & District
348 Galston Road,
Galston NSW 2157
Phone: 02 9653 2227
Email: GalstonMailbox@bendigobank.com.au
Web: bendigobank.com.au/galston

Franchisee: Galston Financial Services Limited
ABN: 23 097 581 854
348 Galston Road,
Galston NSW 2159
Phone: 02 9653 2227
Email: chairman@galstonbendigo.com.au

Share Registry:
AFS & Associates Pty Ltd
PO Box 454, Bendigo VIC 3552
Phone: 5443 0344
Fax: 5443 5304
Email: shareregistry@afsbendigo.com.au



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